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# AU STAR

## 奥星

### Austar Lifesciences Limited

### 奥星生命科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6118)

#### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	855,376	517,985
Gross profit	224,315	137,858
Profit before income tax	251,884	18,215
Profit attributable to the owners of the Company	217,870	12,782
Gross profit margin	26.2%	26.6%
Basic earnings per share (Note)	RMB0.43	RMB0.02
Diluted earnings per share (Note)	RMB0.43	RMB0.02
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total assets	1,818,945	1,378,844
Net assets	737,421	524,574
Gearing ratio	10.1%	12.7%

Note: The calculation of earnings per share is based on the profit attributable to the owners of the Company for each of the six months ended 30 June 2021 and 2020 and the weighted average number of shares during that period. The Company had no dilutive ordinary shares for each of the six months ended 30 June 2021 and 2020.

## INTERIM RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Austar Lifesciences Limited (“**Company**” or “**AUSTAR**”, together with its subsidiaries, the “**Group**”) announces the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2021 (“**Period under Review**”), together with the comparative figures for the corresponding period in 2020 as follows:

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30 June</b>	
	<i>Note</i>	<b>2021 RMB'000 (Unaudited)</b>	<b>2020 RMB'000 (Unaudited)</b>
<b>Revenue</b>	3	<b>855,376</b>	517,985
Cost of sales		<u>(631,061)</u>	<u>(380,127)</u>
<b>Gross profit</b>		<b>224,315</b>	137,858
Selling and marketing expenses		<b>(84,201)</b>	(61,665)
Administrative expenses		<b>(61,103)</b>	(46,277)
Net impairment losses on financial and contract assets		<b>(6,868)</b>	(2,217)
Research and development expenses		<b>(26,741)</b>	(22,548)
Other income		<b>3,209</b>	7,214
Other gains/(losses) – net	4	<u><b>197,750</b></u>	<u>(299)</u>
<b>Operating profit</b>		<u><b>246,361</b></u>	<u>12,066</u>
Finance income		<b>661</b>	1,938
Finance costs		<u><b>(1,458)</b></u>	<u>(667)</u>
<b>Finance (costs)/income – net</b>	5	<u><b>(797)</b></u>	<u>1,271</u>
Share of net profits of investments accounted for using the equity method		<u><b>6,320</b></u>	<u>4,878</u>
<b>Profit before income tax</b>		<b>251,884</b>	18,215
Income tax expense	6	<u><b>(34,837)</b></u>	<u>(5,733)</u>
<b>Profit for the period</b>		<u><b>217,047</b></u>	<u>12,482</u>
<b>Profit attributable to:</b>			
The owners of the Company		<b>217,870</b>	12,782
Non-controlling interests		<u><b>(823)</b></u>	<u>(300)</u>
		<u><b>217,047</b></u>	<u>12,482</u>
<b>Earnings per share attributable to the owners of the Company – Basic and diluted (RMB)</b>	7	<u><b>0.43</b></u>	<u>0.02</u>
<b>Dividends</b>	8	<u><b>–</b></u>	<u>–</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>For the six months ended</b>	
	<b>30 June</b>	
<i>Note</i>	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<b>217,047</b>	12,482
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>(4,221)</b>	4,176
Changes in the fair value of financial assets at fair value through other comprehensive income	–	74
Share of other comprehensive income/(loss) of investments accounted for using the equity method	<b>21</b>	<b>(204)</b>
	<hr/>	<hr/>
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(4,200)</b>	4,046
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>212,847</b>	16,528
	<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income attributable to:</b>		
The owners of the Company	<b>213,776</b>	16,766
Non-controlling interests	<b>(929)</b>	<b>(238)</b>
	<hr/>	<hr/>
	<b>212,847</b>	16,528
	<hr/> <hr/>	<hr/> <hr/>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at <b>30 June 2021</b>	As at 31 December 2020
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	103,607	68,625
Right-of-use assets	119,046	117,300
Intangible assets	22,497	23,459
Deferred income tax assets	8,107	7,047
Investments accounted for using the equity method	42,817	62,940
Prepayments and other receivables	–	10,190
	296,074	289,561
<b>Total non-current assets</b>	<b>296,074</b>	<b>289,561</b>
<b>Current assets</b>		
Inventories	277,518	209,240
Contract assets and other assets	333,470	238,119
Prepayments and other receivables	180,098	56,469
Trade and notes receivables	283,118	279,417
Pledged bank deposits	130,506	127,927
Term deposits with initial terms of over three months	163	162
Cash and cash equivalents	317,998	177,949
	1,522,871	1,089,283
<b>Total current assets</b>	<b>1,522,871</b>	<b>1,089,283</b>
<b>Total assets</b>	<b>1,818,945</b>	<b>1,378,844</b>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)**

		As at <b>30 June 2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>RMB'000</i> <b>(Audited)</b>
	<i>Note</i>		
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		4,071	4,071
Reserves		375,728	379,822
Retained earnings		351,876	134,006
		<u>731,675</u>	<u>517,899</u>
<b>Non-controlling interests</b>		<u>5,746</u>	<u>6,675</u>
<b>Total equity</b>		<u>737,421</u>	<u>524,574</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	<i>10</i>	12,046	–
Lease liabilities		28,335	32,337
Deferred income		1,045	452
Deferred income tax liabilities		21,763	15,797
		<u>63,189</u>	<u>48,586</u>
<b>Total non-current liabilities</b>		<u>63,189</u>	<u>48,586</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	454,711	439,957
Contract liabilities		497,119	322,177
Current income tax liabilities		24,998	832
Short-term borrowings	<i>12</i>	30,000	30,000
Lease liabilities		11,507	12,718
		<u>1,018,335</u>	<u>805,684</u>
<b>Total current liabilities</b>		<u>1,018,335</u>	<u>805,684</u>
<b>Total liabilities</b>		<u>1,081,524</u>	<u>854,270</u>
<b>Total equity and liabilities</b>		<u><u>1,818,945</u></u>	<u><u>1,378,844</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 January 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in providing integrated engineering solutions to pharmaceutical manufacturers and research institutes, as well as manufacturing and distribution of pharmaceutical equipment and consumables in the People's Republic of China ("PRC" or "China"). The ultimate holding company of the Company is Standard Fortune Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability and wholly owned by Mr. Ho Kwok Keung, Mars ("Mr. Mars Ho", also the "Controlling Shareholder"), Chairman of the Board of Directors and the chief executive officer of the Company (the "Chief Executive Officer").

Ordinary shares of HK\$0.01 each in the share capital of the Company ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 7 November 2014.

This interim condensed consolidated financial information is presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated, and is approved for issue by the Board on 27 August 2021.

This interim condensed consolidated financial information has not been audited.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial report for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard IAS34 "Interim Financial Reporting".

The interim report does not include all the notes of the type normally included in an annual financial report. The interim condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2020, and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020, except for the adoption of amended standards as set out below.

### **Amended standards adopted by the Group**

The following amended standards became applicable for the current reporting period:

- Amendment to IFRS 16 Covid-19-Related Rent Concessions
- Amendments to IFRS9, IAS39 Interest Rate Benchmark Reform – Phase2  
IFRS7, IFRS4 and IFRS16

These amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

### **3. SEGMENT INFORMATION**

The chief operating decision-makers (“**CODM**”) have been identified as the Chief Executive Officer, the vice presidents of the Company and the Directors who review the Group's internal reports in order to assess performance and allocate resources.

The CODM considers the business primarily from a product and service perspective, which mainly includes six reportable operating segments: (1) Liquid and Bioprocess System, (2) Clean Room and Automation Control and Monitoring System, (3) Powder and Solid System, (4) GMP Compliance Service, (5) Life Science Consumables and (6) Distribution and Agency of Pharmaceutical Equipment.

The CODM evaluates the performance of the reportable segments based on gross profit.

The segment results for the six months ended 30 June 2021 are as follows:

	Liquid and Bioprocess System RMB'000	Clean Room and Automation Control and Monitoring System RMB'000	Powder and Solid System RMB'000	GMP Compliance Service RMB'000	Life Science Consumables RMB'000	Distribution and Agency of Pharmaceutical Equipment RMB'000	Total RMB'000
<b>For the six months ended 30 June 2021 (Unaudited)</b>							
<b>Segment revenue and results</b>							
Segment revenue	392,214	241,963	56,874	32,165	176,583	9,515	909,314
Inter-segment revenue	(23,945)	(20,543)	(1,473)	(3,486)	(3,604)	(887)	(53,938)
Revenue	<u>368,269</u>	<u>221,420</u>	<u>55,401</u>	<u>28,679</u>	<u>172,979</u>	<u>8,628</u>	<u>855,376</u>
Recognised at a point in time	59,167	23,320	5,955	867	172,979	7,120	269,408
Recognised over time	<u>309,102</u>	<u>198,100</u>	<u>49,446</u>	<u>27,812</u>	<u>–</u>	<u>1,508</u>	<u>585,968</u>
Cost of sales	<u>(297,379)</u>	<u>(174,648)</u>	<u>(37,501)</u>	<u>(15,527)</u>	<u>(101,809)</u>	<u>(4,197)</u>	<u>(631,061)</u>
<b>Segment results</b>							
Gross profit	<u>70,890</u>	<u>46,772</u>	<u>17,900</u>	<u>13,152</u>	<u>71,170</u>	<u>4,431</u>	<u>224,315</u>
<b>Other segment items</b>							
Amortisation	1,478	89	18	11	–	2	1,598
Depreciation	7,518	3,731	566	457	1,250	88	13,610
Provision for impairment losses on financial and contract assets	2,106	3,061	805	430	340	126	6,868
Provision for/(reversal of) impairment of inventories	1,337	(212)	(59)	(27)	379	(8)	1,410
Impairment of goodwill	1,368	–	–	–	–	–	1,368
Share of net profits of investments accounted for using the equity method	<u>1,269</u>	<u>1,386</u>	<u>–</u>	<u>–</u>	<u>3,665</u>	<u>–</u>	<u>6,320</u>

The segment results for the six months ended 30 June 2020 are as follows:

	Liquid and Bioprocess System RMB'000	Clean Room and Automation Control and Monitoring System RMB'000	Powder and Solid System RMB'000	GMP Compliance Service RMB'000	Life Science Consumables RMB'000	Distribution and Agency of Pharmaceutical Equipment RMB'000	Total RMB'000
<b>For the six months ended</b>							
<b>30 June 2020 (Unaudited)</b>							
<b>Segment revenue and results</b>							
Segment revenue	229,738	123,808	48,240	23,999	107,725	15,873	549,383
Inter-segment revenue	(13,335)	(13,869)	(158)	(313)	(635)	(3,088)	(31,398)
Revenue	<u>216,403</u>	<u>109,939</u>	<u>48,082</u>	<u>23,686</u>	<u>107,090</u>	<u>12,785</u>	<u>517,985</u>
Recognised at a point in time	56,718	15,429	6,955	1,476	107,090	12,532	200,200
Recognised over time	<u>159,685</u>	<u>94,510</u>	<u>41,127</u>	<u>22,210</u>	<u>–</u>	<u>253</u>	<u>317,785</u>
Cost of sales	<u>(181,443)</u>	<u>(84,183)</u>	<u>(35,978)</u>	<u>(11,792)</u>	<u>(58,959)</u>	<u>(7,772)</u>	<u>(380,127)</u>
<b>Segment results</b>							
Gross profit	<u><u>34,960</u></u>	<u><u>25,756</u></u>	<u><u>12,104</u></u>	<u><u>11,894</u></u>	<u><u>48,131</u></u>	<u><u>5,013</u></u>	<u><u>137,858</u></u>
<b>Other segment items</b>							
Amortisation	1,309	315	25	12	–	5	1,666
Depreciation	6,811	3,227	692	340	1,428	180	12,678
Provision for impairment losses on financial and contract assets	86	949	436	212	421	113	2,217
Impairment of inventories	117	522	240	116	482	55	1,532
Share of net profits of investments accounted for using the equity method	<u><u>2,419</u></u>	<u><u>545</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>1,914</u></u>	<u><u>–</u></u>	<u><u>4,878</u></u>

A reconciliation of segment gross profit to profit before income tax is provided as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Liquid and Bioprocess System	<b>70,890</b>	34,960
Clean Room and Automation Control and Monitoring System	<b>46,772</b>	25,756
Powder and Solid System	<b>17,900</b>	12,104
GMP Compliance Service	<b>13,152</b>	11,894
Life Science Consumables	<b>71,170</b>	48,131
Distribution and Agency of Pharmaceutical Equipment	<b>4,431</b>	5,013
	<hr/>	<hr/>
<b>Total gross profit for reportable segments</b>	<b>224,315</b>	137,858
	<hr/>	<hr/>
Selling and marketing expenses	<b>(84,201)</b>	(61,665)
Administrative expenses	<b>(61,103)</b>	(46,277)
Net impairment losses on financial and contract assets	<b>(6,868)</b>	(2,217)
Research and development expenses	<b>(26,741)</b>	(22,548)
Other income	<b>3,209</b>	7,214
Other gains/(losses) – net	<b>197,750</b>	(299)
Finance (costs)/income – net	<b>(797)</b>	1,271
Share of net profits of investments accounted for using the equity method	<b>6,320</b>	4,878
	<hr/>	<hr/>
<b>Profit before income tax</b>	<b>251,884</b>	18,215
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The segment assets as at 30 June 2021 and 31 December 2020 are as follows:

	As at 30 June 2021		As at 31 December 2020	
	Total assets <i>RMB'000</i> (Unaudited)	Investments accounted for using the equity method <i>RMB'000</i> (Unaudited)	Total assets <i>RMB'000</i> (Audited)	Investments accounted for using the equity method <i>RMB'000</i> (Audited)
Liquid and Bioprocess System Clean Room and Automation Control and Monitoring System	549,646	19,023	543,838	17,758
Powder and Solid System	96,731	–	71,943	–
GMP Compliance Service	37,955	–	33,197	–
Life Science Consumables	211,458	–	159,687	22,172
Distribution and Agency of Pharmaceutical Equipment	4,650	–	6,745	–
<b>Total segment assets</b>	<b>1,260,089</b>	<b>42,817</b>	<b>1,071,097</b>	<b>62,940</b>
<b>Unallocated</b>				
Deferred income tax assets	8,107		7,047	
Headquarter assets	550,749		300,700	
<b>Total assets</b>	<b>1,818,945</b>		<b>1,378,844</b>	

### Geographical information

The following table presents information on revenue of the Group by geographical regions.

Revenue	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Mainland China	800,629	478,807
Other locations	54,747	39,178
	<b>855,376</b>	<b>517,985</b>

#### 4. OTHER GAINS/(LOSSES) – NET

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Gains on disposal of a joint venture	198,988	–
Losses on disposal of property, plant and equipment	(28)	(42)
Exchange losses	(1,840)	(837)
Others	630	580
	<u>197,750</u>	<u>(299)</u>

#### 5. FINANCE (COSTS)/INCOME – NET

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses		
– Bank borrowings	(746)	(474)
– Lease liabilities	(937)	(403)
– Loan from a non-controlling shareholder of a subsidiary	(32)	(34)
Exchange gains	257	244
	<u>(1,458)</u>	<u>(667)</u>
Finance income		
– Bank deposits	569	1,678
– Loan to PALL-AUSTAR Lifesciences Limited (“PALL-AUSTAR JV”)	92	260
	<u>661</u>	<u>1,938</u>
	<u>(797)</u>	<u>1,271</u>

## 6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax expense	29,854	3,794
Deferred income tax expense	4,983	1,939
	<hr/>	<hr/>
	<b>34,837</b>	<b>5,733</b>
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The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from local income tax.

The Group's subsidiaries incorporated in the BVI under the International Business Companies Act or, as the case may be, BVI Business Companies Act of the BVI are exempted from local income tax.

The taxation of the Group's subsidiaries in Hong Kong is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2021 (2020: 16.5%), except for a subsidiary of the Group in Hong Kong which is a qualifying entity applicable to the two-tiered profits tax rates. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK\$2 million of assessable profits will be lowered to 8.25%, and assessable profits above HK\$2 million will continue to be subject to the rate of 16.5%.

The taxation of the Group's subsidiary in Germany is calculated at 30.0% of the estimated assessable profit for the six months ended 30 June 2021 (2020: 30.0%).

Corporate income tax in the PRC is calculated based on the statutory profit or loss of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC Corporate Income Tax Law promulgated by the PRC government, the tax rate for the Company's PRC subsidiaries is 25%, except for certain subsidiaries which are taxed at preferential tax rates. Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd. ("Shanghai Austar"), Austar Hansen Lifesciences (Shanghai) Ltd. ("Austar Hansen") and Austar Pharmaceutical Equipment (Shijiazhuang) Co., Ltd. ("Austar SJZ") are high and new technology enterprises certified by relevant local authorities in the PRC. These entities are entitled to preferential corporate income tax rates of 15% upon fulfilment of certain conditions under the tax ruling. Austar SJZ has been enjoying preferential corporate income tax rate since 2014 and renewed its "High and New Technology Enterprise" qualification for another three years in 2018. Shanghai Austar and Austar Hansen have been enjoying preferential corporate income tax rate since 2013 and renewed

their “High and New Technology Enterprise” qualification for another three years in 2019. During the six months ended 30 June 2021 and 2020, Hebei Aunity Engineering Consulting Limited met the criteria for Micro and Small Enterprises and was entitled to preferential corporate income tax rate of 20%, and was eligible to have corporate income tax calculated based on 50% of taxable income.

## 7. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the relevant periods.

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to the owners of the Company <i>(RMB'000)</i>	<b>217,870</b>	12,782
Weighted average number of ordinary shares in issue <i>(Thousands)</i>	<b>512,582</b>	512,582
	<hr/>	<hr/>
Basic earnings per share <i>(RMB)</i>	<b>0.43</b>	0.02
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### (b) Diluted

As the Company had no dilutive ordinary shares for each of the six months ended 30 June 2021 and 2020, diluted earnings per share for the six months ended 30 June 2021 and 2020 are the same as basic earnings per share.

## 8. DIVIDENDS

No interim dividend has been declared by the Company for the six months ended 30 June 2021 (2020: Nil).

## 9. TRADE AND NOTES RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables ( <i>Note (b)</i> )	300,669	265,311
Notes receivable ( <i>Note (a)</i> )	19,864	46,462
	<hr/>	<hr/>
	320,533	311,773
Less: loss allowance	(37,415)	(32,356)
	<hr/>	<hr/>
	<b>283,118</b>	279,417
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### *Notes:*

- (a) The notes receivable are bank acceptance with maturity dates within six months (2020: within six months).
- (b) The ageing analysis of gross trade receivables (including amounts due from related parties of trading in nature) based on sales contracts at the respective balance sheet dates is as follows:

	As at 30 June 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Within 6 months	166,678	165,784
6 months to 1 year	48,057	20,817
1 to 2 years	43,481	41,513
2 to 3 years	15,823	10,594
Over 3 years	26,630	26,603
	<hr/>	<hr/>
	<b>300,669</b>	265,311
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## 10. LONG-TERM BORROWINGS

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Bank borrowings, secured ( <i>Note</i> )	<b>12,046</b>	–

*Note:*

As at 30 June 2021, secured long-term bank borrowings are denominated in RMB and secured by the Group's right-of-use assets. For the six months ended 30 June 2021, the long-term bank borrowings bear interest rate of 4.65% per annum and are repayable by quarterly instalments up to 10 December 2022.

## 11. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables ( <i>Note (b)</i> )	284,427	280,591
Notes payable	11,394	16,331
Payroll and welfare payable	67,520	64,499
Taxes other than income taxes payable	8,373	15,067
Warranty provision	15,836	12,109
Accrued expenses	30,303	17,401
Employee payable	1,759	3,494
Loan from a non-controlling shareholder of a subsidiary ( <i>Note (a)</i> )	1,345	1,410
Others	33,754	29,055
	<b>454,711</b>	<b>439,957</b>

*Notes:*

- (a) As at 30 June 2021, the loan from a non-controlling shareholder of a subsidiary is unsecured, bearing interest at 5.00% per annum and repayable on demand.
- (b) The ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
Within 6 months	240,662	247,112
6 months to 1 year	25,712	12,667
1 to 2 years	10,346	13,036
2 to 3 years	2,277	2,146
Over 3 years	5,430	5,630
	<u>284,427</u>	<u>280,591</u>

- (c) As at 30 June 2021 and 31 December 2020, the carrying amounts of trade payables are approximated at their fair values.

## 12. SHORT-TERM BORROWINGS

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
Bank borrowings, secured ( <i>Note (a)</i> )	20,000	20,000
Bank borrowings, guaranteed ( <i>Note (b)</i> )	10,000	10,000
	<u>30,000</u>	<u>30,000</u>

*Notes:*

- (a) As at 30 June 2021, secured short-term bank borrowings are denominated in RMB and secured by the Group's buildings and right-of-use assets. For the six months ended 30 June 2021, the short-term bank borrowings bear interest rate of 4.57% (2020: 4.57%) per annum and are repayable within one year.
- (b) As at 30 June 2021, the short-term bank borrowings are guaranteed by Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs. For the six months ended 30 June 2021, the short-term bank borrowings bear interest rate of 3.65% (2020: 3.65%) per annum and are repayable within one year.

### 13. COMMITMENTS

#### Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	<b>As at 30 June 2021 <i>RMB'000</i> (Unaudited)</b>	<b>As at 31 December 2020 <i>RMB'000</i> (Audited)</b>
Property, plant and equipment	142,650	104,700
Intangible assets	658	331
	<hr/>	<hr/>
	<b>143,308</b>	<b>105,031</b>
	<hr/> <hr/>	<hr/> <hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

With the COVID-19 pandemic having been ongoing for a year and a half, the whole industry has been struggling to identify, seek and qualify resources to support the research and development (R&D) and manufacturing of COVID-19 vaccines. In particular, the COVID-19 delta variant has proven to be more contagious which have been affecting not only some key developed countries with higher vaccination rates but also severely affecting certain developing countries with very low vaccination rates.

The World Health Organisation (WHO) has reviewed and approved two Chinese vaccine manufacturers for emergency use for its global COVAX vaccine distribution program in the first half of 2021. These drug safety and efficacy recognition triggers the interest of some pharmaceutical companies and government in developing countries to establish partnerships with these WHO-approved COVID-19 vaccine manufacturers with an intention to be able to deliver fast and effective supply of vaccines for their own countries' citizens in a more independent manner. Enthusiasm for investment in COVID-19 vaccine facilities is high among those emerging countries with high population and especially those suffering from shortage of COVID-19 vaccine supply.

Due to the BioNtech's mRNA technology breakthrough and application opportunities offered by the outbreak of the COVID-19 pandemic and fueled by the successful clinical performance, delivering and distribution of Pfizer, there are tremendous motivation and encouragement for using mRNA technology to other therapeutic treatment. Even though the mRNA technology requires a lot of process knowledge to reach quality product results, these technology barriers have not hindered the momentum in investment and research studies in vaccine applications as well as other therapies. It is really a hot topic in 2021, witnessed by fund flowing into the mRNA technology platform for various therapeutic treatments.

A year ago, all focuses were put onto the COVID-19 vaccine R&D in the biopharma industry for supply chain, manufacturing, and investment sectors respectively; however, capital expenditure (CAPEX) for R&D of monoclonal antibody drugs and cell and gene therapies have already been highlighted since the end of 2020.

In China, the Marketing Authorization Holder (MAH) and volume-based procurement policies have been gradually transforming the investment and strategic directions of the pharmaceutical industry. In general, the Group has been benefiting from these policies.

In the life sciences sector in China, there had been more than a dozen of different investment funding rounds undertaken by biotech-related companies including start-ups in the first half of 2021, including the listing of 10 pharmaceutical and medical related companies in Hong Kong.

## **BUSINESS REVIEW**

For the Period under Review, the Group recorded a growth of approximately 65.1% in revenue as compared to that of the corresponding period in 2020, mainly due to a significant increase of demand in equipments and systems in the biologics sector especially of the vaccine related projects, even though it was affected by the pandemic lockdowns causing challenges to our supply chain, manufacturing, and project execution. Order-in-take for the first half of the year 2021 increased by approximately 68.2% as compared to that of the corresponding period in 2020. The Group recorded a significant growth of net profit of approximately 1,638.9% for the Period under Review as compared to that of the corresponding period in 2020, partly attributable to the operation improvement but mainly from the one-off gain recognised from the Group's disposal of its equity interest in PALL-AUSTAR JV, one of our joint ventures, to the joint venture partner.

COVID-19 vaccine related projects, which require extremely quick delivery time, has been exerting pressure on the Group's operations; on the other hand, it has helped the Group to seek for innovative methodologies to shorten the lead time and the site construction time, and is expected to benefit the Group's operations efficiency in the medium and long term. Strong repeated orders received from the Group's existing COVID-19 vaccine manufacturing clients for various product lines such as clean utilities, bioprocessing systems, automation systems and validation services have demonstrated the trust from our clients having been developed out of delivered quality and services.

The Group completed the disposal of its equity interest in PALL-AUSTAR JV, one of the Group's joint ventures, to the joint venture partner, Danaher group in March 2021. As part of this transaction, new distribution agreements and a strategic partnership agreement were concluded as well for maintaining our supply support to clients and competence development in the biologics sector. The Group's strategy as a bioprocess system engineering solution provider with automation engineering and compliance knowledge will remain unchanged and will continue to attract and engage component and equipment partners to integrate with our engineering systems.

In the first half of 2021, business in the biologics sector was active not only in vaccines but also for clients producing drugs like insulin, blood bioproducts, and monoclonal antibodies, which the Group had obtained numerous orders for equipment and systems.

Our newly established facility management service business is an integral part of Austar Services. Start-up companies like cell and gene therapy companies or CDMO (Contract Development and Manufacturing Organization) companies are embracing the concept of facility management services, as those clients might take time to consolidate resources to take care of the maintenance and upgrading of their production systems by their own talents. It is believed that the service business is to generate new significant streams of income and higher margin of profits for the Group in the coming future.

Business in the sectors of active pharmaceutical ingredients (API) and oral solid dosage (OSD) in chemical drugs are still flourishing with a significant growth in order-in-take, thanks to our capacity to offer modular and innovative solutions with digitalisation and robotic technologies to help clients to improve their work safety, process efficiency and operation excellence based on containment-based engineering and contamination control practices.

The Group has been delivering a message to our shareholders that building up a world-class technical competence requires continuous resources input in which efforts on recruiting top talents and consultants could be slimming the profit margins in the short term, but that the competitive edges over the competition will be strengthened in the long run. The Group believes a mid and long term robust corporate competitiveness and performance achievement are foreseeable with such continuous investment efforts together with a firm commitment on our visions and strategies. The Group's aggressive approach in investing in human resources, geographical expansion and enhancing product and application solution competences will bring about more satisfactory business results to the Group.

The Group has been undergoing a serious review of its product lines and trying to find new technical solutions by combining various product lines together to offer the most cost-effective integrated solutions to its clients. Product-line restructuring will continue to facilitate application and solution offerings, and such restructuring will bring about competence improvement and enable the Group to be more resilient under the tougher competitive circumstances. The Group is proudly looking forward to a more precise positioning as a technological company with comprehensive knowledge and experience in life science process technology and applications and industry regulatory rules and practices, being able to help clients to address issues in quality, compliance, and operation excellence. Our vision statement which was revised and presented to the public in 2018 remains valid as our business guiding principles for the Group's business segments to establish their own strategies.

## Order-in-take

Set out below is a breakdown of value of the Group's order-in-take (value-added-tax ("VAT") included) by business segment:

Order-in-take by business segment	For the six months ended 30 June				Change %
	2021		2020		
	RMB'000	%	RMB'000	%	
Liquid and Bioprocess System	512,256	41.9%	329,353	45.3%	55.5%
Clean Room and Automation Control and Monitoring System	270,705	22.2%	146,256	20.1%	85.1%
Powder and Solid System	141,441	11.6%	71,221	9.8%	98.6%
GMP Compliance Service	49,096	4.0%	21,859	3.0%	124.6%
Life Science Consumables	228,641	18.7%	148,051	20.4%	54.4%
Distribution and Agency of Pharmaceutical Equipment	19,796	1.6%	9,849	1.4%	101.0%
Total	<u>1,221,935</u>	<u>100.0%</u>	<u>726,589</u>	<u>100.0%</u>	68.2%

During the Period under Review, the total order-in-take amounted to approximately RMB1,221.9 million, representing a significant increase of approximately 68.2% from approximately RMB726.6 million for the six months ended 30 June 2020. All the six business segments, namely, Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System, GMP Compliance Service, Life Science Consumables and Distribution and Agency of Pharmaceutical Equipment, achieved a significant increase of more than 50% in order-in-take for the Period under Review.

### *Liquid and Bioprocess System*

Strongly supported by solid technical competence accumulated in the project execution during the past several years and the market recognition through providing good products with high quality and customised technology applications, the business segment of Liquid and Bioprocess System has grown to be a regional champion business. During the Period under Review, driven by strong customer demand, including in the vaccine industry, the order-in-take amount of the business segment of Liquid and Bioprocess System amounted to approximately RMB512.3 million, representing an outstanding increase of approximately RMB182.9 million or 55.5% from approximately RMB329.4 million for the six months ended 30 June 2020. The Group will endeavour to strive for the high-end market in the PRC, bring our presently regional champion business unit onto the highest global level, and pursue sustainable developments.

### ***Clean Room and Automation Control and Monitoring System***

Through oriented as a turnkey solution provider, and building a unique competence with the “one-stop” solutions capability, the Group experienced a high-speed growth in the business segment of Clean Room and Automation Control and Monitoring System. During the Period under Review, the order-in-take amount of the business segment of the Clean Room and Automation Control and Monitoring System increased substantially by approximately RMB124.4 million or 85.1% from approximately RMB146.3 million for the six months ended 30 June 2020 to approximately RMB270.7 million for the Period under Review. The Group will sustainably commit to develop Pharma IT business as a system integrator, and become an industry leader in the intelligent pharmaceutical research and manufacturing operation information system in Asia.

### ***Powder and Solid System***

Through identifying the key development trends of the business extension and capturing the business opportunities by providing high quality products combining its knowledge set, the Group successfully secured its market share and experienced a high-speed growth in the business segment of Powder and Solid System. During the Period under Review, the order-in-take amount of the business segment of Powder and Solid System achieved an outstanding increase by approximately RMB70.2 million or 98.6% from approximately RMB71.2 million for the six months ended 30 June 2020 to approximately RMB141.4 million for the Period under Review. The Group will strengthen the core competence through focusing on technology upgrade, including the new contribution and support from our UK team.

### ***GMP Compliance Service***

Driven by government regulations and the strong increasing demand with the business growth of a large number of CMO (Contract Manufacturing Organization), CDMO and CRO (Contract Research Organization) enterprises, the business segment of GMP Compliance Service experienced a significant increase, and has strengthened our good reputation. During the Period under Review, the order-in-take amount of the business segment of GMP Compliance Service increased significantly by approximately RMB27.2 million or 124.6% from approximately RMB21.9 million for the six months ended 30 June 2020 to approximately RMB49.1 million for the Period under Review. Accompanied by the trend of stricter regulations and standards, there is huge potential of increased business opportunities in compliance consultancy service. The Group will also devote to capture more business opportunities in engineering consultancy service and operation consultancy service by providing high quality service.

## *Life Science Consumables*

Driven by the unique competence of offering a complete solution of Washing, Disinfection and Sterilization, the business segment of Life Science Consumables kept a stable strong increase in the past several years. During the Period under Review, the order-in-take amount of the business segment of Life Science Consumables increased by approximately RMB80.6 million or 54.4% from approximately RMB148.1 million for the six months ended 30 June 2020 to approximately RMB228.6 million for the Period under Review. This segment still has a huge potential growth by launching more diversified life science consumables and services with the latest technology to its clients.

## *Distribution and Agency of Pharmaceutical Equipment*

During the Period under Review, the order-in-take amount of the business segment of Distribution and Agency of Pharmaceutical Equipment achieved a significant increase by approximately RMB9.9 million or 101.0% from approximately RMB9.8 million for the six months ended 30 June 2020 to approximately RMB19.8 million for the Period under Review. The Group will continue to engage in the distribution of various types of high-end pharmaceutical equipment together with its joint ventures and overseas business partners.

## **Backlogs**

Set out below is a breakdown of the Group's closing value of backlogs (VAT excluded) and the corresponding number of contracts by business segment as at 30 June 2021:

<b>Backlogs by business segment</b>	<b>As at 30 June 2021</b>			
	<i>Number of Contracts</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Liquid and Bioprocess System	393	32.8%	706,456	49.2%
Clean Room and Automation				
Control and Monitoring System	291	24.3%	365,062	25.4%
Powder and Solid System	117	9.7%	174,254	12.1%
GMP Compliance Service	116	9.7%	81,768	5.7%
Distribution and Agency of Pharmaceutical Equipment	282	23.5%	108,720	7.6%
Total	<u>1,199</u>	<u>100.0%</u>	<u>1,436,260</u>	<u>100.0%</u>

## **PRODUCTION, EXECUTION AND ORGANISATION**

The facility of AUSTAR UK Limited (a wholly-owned subsidiary of the Group) at Huddersfield, West Yorkshire, UK was accredited by ISO9001 authority in early 2021 with some more space extension for accommodating more staff and assembly/testing. Under the strong leadership of AUSTAR UK Limited, the Group is confident that the team in the UK is able to support the Company's ambition in global expansion by offering a solid product development and manufacturing platform in Europe.

H+E Pharma GmbH (“**H+E Pharma**”), the Group's majority-controlled subsidiary, at Stuttgart, Germany was able to consolidate the service and spare part businesses from Hager+Elsasser, by an independent service team situated in Germany to serve European clients directly. H+E Pharma has been successful in securing relatively good orders on water purification equipment and systems from reputed European clients in the past few months and that the manufacturing arm of H+E Pharma, its wholly-owned subsidiary, has been busy in building up its capacities and competence to keep up with the momentum of order-in-take.

The Group's new manufacturing facility in Shanghai of an aggregate gross area of approximately 30,000 square metres is under construction and is expected to become operational in the first quarter of 2022. This expansion strategy is in line with our expected growth in equipment and system sales and it is believed to be able to meet the growth demand in the coming 5 years. Overall upgrading of manufacturing conditions will provide more space for new product research and manufacturing, and offer improvement opportunities, including the production management process and quality management; and it can be further improved through enhancing the digitalisation tools and optimising the key production processes in the new facility.

A new manufacturing centre located in Nanjing, the PRC focusing on design and manufacturing of freeze-drying equipment integrated with automatic loading systems and sterile containment isolators, has commenced operations since the last quarter of 2020. With this new facility at Nanjing, all types and models of freeze-dryers currently required in the market can be produced and tested in this site by the Group.

A new lyophilization laboratory in the Nanjing manufacturing centre is equipped with all necessary process optimisation instrument and equipment. With this laboratory and our world-class process specialists, we are able to help clients through our training, testing and consulting services to solve the freeze-drying process development issues which typically affect protein drugs stabilities.

A new equipment manufacturing facility at Shijiazhuang, the PRC of an aggregate gross area of approximately 24,000 square metres, is under construction and is scheduled to be completed in the first quarter of 2022. With this expansion, the Group's Powder and Solid System business and Clean Room and Automation Control and Monitoring System business growth paths in the coming few years will not be hindered by space. In the Group's existing facility in Shijiazhuang, a laser welding machine, for the welding of thin plates, was introduced and has largely increased the working efficiency and quality.

Lean-based APS (AUSTAR Production System) has been under continuous improvement and development. Its relevant targets and action plans have been worked out and now under execution step by step. These APS concepts and practices will be utilised by the Group's other manufacturing sites once it have been proven successful.

The Group's Project Execution Centre has been facing a lot of challenges due to the extremely short delivery time expectations from COVID-19 vaccine clients since last year. Improvement in design methodologies, site management practices and software tools, and LEAN management has helped the Project Execution Centre to shorten the lead time and improve project quality. As clients tend to request more integrated solutions, the packages of equipment and systems have become more sophisticated and complex, requiring more mature project management team skills and knowledge to handle. Remote factory acceptance tests and remote client's site acceptance tests with some innovative ideas and creative tools have been implemented during the lockdown travel restrictions, which will be helpful in the near future saving travel time and costs from clients, and the Group would be able to offer the same quality of testing and qualification results as face-to-face presence on-site. The technical teams of the Project Execution Centre are proactively engaging their training and learning process with front-end proposal solution teams, that a recent successful project acquisition of a recombinant coagulation factor process system of blood bioproducts demonstrated a seamless cooperation between the two teams.

## **SALES AND MARKETING**

As reflected from the spike in sales order-in-take in the first half of 2021, the sales team has demonstrated its strength and resilience. The Group's internal sales cooperation model is designed to encourage sales teams from different sectors and different product lines to support each other to offer a more relevant solution to our clients. This model is facilitated by a sophisticated business-intelligent information system of customer relations management to ensure our clients are properly taken care of and our sales team are working cost-effectively.

In China, through years of sales talent and organisation development, the Group's sales process has become relatively mature. The China sales team is focusing on the China market with more key account managers to support business growth, and specific matter experts and technology application team are supporting regional sales for technical support and proposal preparation and presentation.

For global expansion, the Group has been gradually building up its teams according to execution strategies, as in the past few years, European and South East Asia teams were recruited to directly take care of the sales leads and enquires. More agents in the South East Asia and Middle East and North Africa regions have been engaged in sourcing out more sales opportunities. It is believed that the global sales team is able to contribute a greater portion share of sales order-in-take gradually in the near future after the COVID-19 pandemic.

Following the Group's global business expansion strategy, increasing AUSTAR brand awareness at the global market becomes one of the core targets for the Group's marketing team. Achievements have been made for a quick responding working mechanism and the establishing of a well-organised marketing team capable of supporting business units of different countries and regions is in progress.

The Group participated in the offline exhibition CIPM (China International Pharmaceutical Machinery Exposition) and the online exhibition Asia Pharma Expo 2021 which have achieved good results for the Group's brand promotion. The Group has successfully organised two subject-specific seminars focusing on API digitalisation transformation & upgrading; and International GMP Guidelines change trends & practices. The Group's technical experts from our business units have also attended related industry meetings to share their up-to-date technology and product information to clients and industry peers. Two technology sharing meetings with local design institutes were conducted to share technology applications and case studies in the first half of 2021 and the Group plans to organise similar activities in the second half of the year. The plan of workshops with the organisation Bio-bay was carried out with its first activity scheduled to take place in August 2021 and more subject-specific workshops are to follow.

Digital marketing would be our long term approach for business promotion due to its convenience and efficiency as people is getting used to the way it works during the pandemic period. In the first half of 2021, over 40 webinars were organised, sharing information and knowledge with clients from different countries and regions, and over 120 messages covering business news and technical articles were released in the Group's social media accounts (WeChat, LinkedIn, Twitter, Facebook etc.) to ensure the message recipients could keep pace with the business progress of the Group. Based on compliance with the regulations of different countries and regions, the Group had started to use EDM (Email Direct Marketing) to share business news and information and knowledge.

To ensure the full support to business growth and marketing activities, the number of marketing collateral packages is growing. Continuous accumulation of new tools and timely updating of existing materials are the foundation for quick response to various business needs.

## **RESEARCH AND DEVELOPMENT**

As at 30 June 2021, the Group has obtained 271 patents. During the Period under Review, the Group obtained 37 registered patents, and applications for 64 patents are currently in progress.

The Group's automation engineering team has developed a set of flexible software and hardware control systems with batch control functions and batch record reports for both small-scale API and biopharma process system projects to meet the needs of different clients. The traditional solution is to use dedicated batch software, which is powerful but expensive, and difficult for clients with small project budgets to accept. This newly developed control system will greatly reduce the cost and increase the flexibility of system operation.

Process equipment for API like filter-dryers and vacuum cone mixer/dryers are under continuous improvement development supported by specialist consultants. More standardised models and function performance improvement of mechanical mills for both API and OSD form drugs are in R&D progress. Big-batch wet granulation and fully integrated system for OSD was developed to meet the strong demand in the market for its cost-effective solutions as asked by our clients who were facing the price pressure due to the volume-based procurement policy. Acquired projects with robots and automated guided vehicles (AGVs) equipped in the integrated systems will give our technical teams opportunities to apply the most advanced material handling tools in the conventional OSD sector.

A co-axial mixing device for high viscosity and high shear force applications is under our development program. This device will be used to integrate onto our equipment and systems for formulation preparation of especially high viscosity drug products.

The R&D of In Line Conditioning (ILC) inline liquid preparation technology is in progress. Based on Process Analysis Technology (PAT), the inline buffer preparation system as a new technology is expected to solve issues in traditional buffer preparation in the downstream purification process steps of biopharmaceuticals, such as the high cost, low efficiency, and the inability of realising online monitoring and control of the key quality attributes of buffer solutions.

A partnership with Tianjin University was established on R&D of "energy consumption analysis system for pharmaceutical cleanroom facility" to help clients achieve energy saving and emission reduction.

The Group has also established cooperation with Dalian University of Technology, aiming to expand the existing stainless steel critical process system de-rouging service business to a new paradigm of services as key process system life cycle corrosion management. Driven by such strategy, the capability of technical delivery in the analysis to stainless steel corrosion resistance, process material corrosion mechanism and cycle study, contact surface passivation process, and customised corrosion protection technology development are expected to be achieved. This would further consolidate the Group's leading edge the in the field of pharmaceutical contamination control sector.

Our UK team is working on a new design of isolator glove for improving vaporized hydrogen peroxide (VHP) decontamination performance. An EU-compliant Fluid Bed Dryer for OSD drugs is expected to be completed with its assembly by end of this year in the UK. This system integrates drying, granulation and coating functions. The team is deploying some new manufacturing tools for OSD drugs like 3D printing to accelerate new product development speed and improve cost-effectiveness.

## **PROSPECTS**

The Group has been developing 12 technology applications in our competence and knowledge model and individual specific technology application teams are being gradually established step by step in the following 2 to 3 years. Ten technology application teams were established, namely Pharmaceutical Automation & Digitalization, Cleaning, Sterilization & Disinfection, Clean Utilities, Biopharma Process and Technology, Containment Technology, Cleanroom/ Heating Ventilation and Air Conditioning (HVAC)/Environmental Monitoring System (EMS)/ Building Management System (BMS), Filling, Freeze-drying & Inspection, Biosafety technology and facilities, Lab & Quality and Formulation Technology. Regular workshops were held for the purpose of better unification of the technology capability of individual product lines into comprehensive technology solutions. It is believed that, with these professional technical application teams, more up-to-date technology solutions can be provided to the clients.

### **Liquid and Bioprocess System**

Following the impact brought by COVID-19 and the eagerness for the COVID-19 vaccine, the order-in-take increased to a historic level; these projects, with an extremely short delivery time, have been pushing the Group to become more flexible in the management process and to adjust accordingly to adapt with such emergency occasions. It is believed that the vaccine industry will remain as a hot topic and a strong pipeline of COVID-19 vaccine and other vaccine related projects is foreseeable.

The Group has obtained orders for bioprocess preparation systems and clean utility systems for COVID-19 vaccine related projects in China and some emerging countries. Through the Group's Bioprocess System Engineering business unit, the business's mid to long-term objectives are to bring our presently regional champion business unit onto the highest global level. Our goal is to become a global top-tier bioprocess equipment and system supplier. With more and more experience gained by project execution, we believe the business is able to develop more solid technical competence and the offerings would become more specific and more adaptable to specific needs, and as a result, more market opportunities and competence upgrade are foreseeable.

### **Powder and Solid System**

The civil health concept has been promoted due to the COVID-19 pandemic which would accelerate the revolution of healthcare and life sciences industries and bring opportunities to the business. Under the influence of the national centralised volume-based procurement policy in China, most qualified and capable successful bidders in China have increased their CAPEX investment in drug R&D, which will bring more opportunities to laboratory-scale equipment and imported production equipment.

The business extension from formulations to API manufacturing, and the business extension from existing API to formulations manufacturing is still one of the key development trends in the pharmaceutical industry in China in 2021. Modular-design application reduces production cost and improves operation flexibility, which has successfully helped the Powder and Solid System business segment securing an order. This modular technology would be one of the key technologies for API manufacturing in the coming years. The core competence of this business would be accelerated by its application of automated devices like robots and AGVs integrated by automation control system together with customer-made production information system.

The business extension from CRO to CDMO, from CMO to CDMO, and from conventional pharmaceutical companies to CDMO will continue to develop following the development trend of the previous year; The demand for projects with clients seeking productivity improvement from automation upgrading, continuous manufacturing and streamlined production system has grown rapidly. Development of innovative drugs will bring about more CAPEX investment. The pharmaceutical market will be further optimised with more sophisticated and advanced APIs and OSD facilities to be built.

The demand for high toxic/potent drugs is still increasing, and hormones manufacturers have started to combine the upstream and downstream processes to enhance their competitiveness. The Group is able to support this trend with its knowledge and experience. The success of the Powder and Solid System business segment is heavily dependent on its knowledge set of containment application technology, material handling technology and formulation process system engineering and supported by fundamental knowledge of occupational safety compliance, pharmaceutical quality compliance and automation control engineering.

### **Clean Room and Automation Control and Monitoring System**

Relying on the high standard HVAC/EMS/BMS verification technology and high-quality clean panels, the Group's Clean Room and Automation Control and Monitoring System business segment will keep providing integrated service solutions for high-end clients.

In the first half of 2021, a contract providing turnkey engineering solution for a laboratory plant was secured, covering services of system design, procurement, installation, commissioning and qualification, demonstrating the "one-stop" solutions capability of the business segment.

The business segment will cover more life sciences sectors such as animal laboratory research laboratories, medical device facilities, OSD workshops and soft capsule workshops. Through the integration of technical competence of HVAC and sterilisation technology, automation controls, and informatisation management, the Group aims to be a turnkey solution provider integrating engineering design, equipment and systems, site installation and GEP (Good Engineering Practice) project management.

Utility automation got a steady growth in the first half of 2021 and the Group has maintained a competitive advantage in the field of sterile preparations, and its market share in human vaccines has further increased. Projects for cell therapy clients were acquired.

The demand for local software has increased in the China market because of expectations on better service quality, higher software flexibility and lower costs. Apart from partnering with world-class companies like Werum, Siemens, Rockwell and others, AUSTAR started, a few years ago, to prepare itself in terms of organisation and knowledge to be able to have its self-developed software for some small-scale projects. The first large-scale API factory construction project using a self-developed information system is expected to be delivered by the end of this year.

The Clean Room and Automation Control and Monitoring System business segment aims to provide pharmaceutical companies with full life cycle digital solutions from digitalisation strategy consulting to digitalisation application implementation and after-sales service through working with industry leading partners and experience accumulation. A Research & Manufacturing Operation Information Integrated System (REMOIIS) platform was established to offer unique, flexible, and versatile solutions and allow the Group to integrate automation control and informatisation capabilities to facilitate pharmaceutical companies to build world-class informatised research and manufacturing enterprises with multifunctional, multi-products and modular design concept. Based on the “intelligent factory software and hardware integration” solution, with the industrial internet cloud platform as the core carrier and linking world-leading technical partners to form a new manufacturing ecology of “smart manufacturing + cloud”, the Clean Room and Automation Control and Monitoring System business segment has a vision to become an industry leader in the intelligent pharmaceutical research and manufacturing operation information system in Asia.

### **GMP Compliance Service**

The GMP Compliance Service business segment has recovered from the COVID-19 pandemic in the first half of 2021 as face-to-face communications have made consulting service execution easier.

In the first half of 2021, the team has implemented CQV (Commissioning, Qualification and Validation) consulting and execution service for 10 COVID-19 vaccine related projects, with a few more projects in the pipeline. In view of the good cooperation with vaccine manufacturing clients in China, we will be participating as a CQV service provider in an inactivated vaccine fill-finish plant for a project in the Middle East and North Africa region supported by a Chinese COVID-19 vaccine manufacturer in the second half of 2021. The Group’s GEP service has been accepted by the market with a few projects acquired to be executed. It is expected that by the end of 2021, there will be 4 to 5 sizable GEP projects to be signed.

A large number of CMO, CDMO and CRO enterprises have extended their business to the next phase of R&D. There are many biopharma research start-up organisations in the phase of developing to clinical phase I/II, and it is necessary for them to establish a GMP or quality system for their research operation and pilot production, and has created more opportunities for the business segment.

Based on the market trend, the GMP Compliance Service business segment will take the initiative to extend its business portfolio in the coming years, mainly in three sectors: compliance consultancy, engineering consultancy and operation consultancy. Compliance consultancy is the core business portfolio which consists of CQV, PQS (Pharmaceutical Quality System) and QRM (Quality Risk Management). Engineering consultancy includes GEP consultancy, TTM (technology transfer management) consultancy and health safety consultancy (in the fields of containment and biosafety). Operational consultancy is focused on OE (operational excellence). It is expected that by the end of 2026, under the business segment's strategic visions, compliance consultancy is expected to account for about 50%, engineering consultancy would account for about 30%, and operational consultancy would account for the remaining 20% of the total business of the business segment respectively.

### **Life Science Consumables**

The COVID-19 outbreak since last year has brought about the awareness of biosafety topics. One key element for biosafety measures is to ensure the facility is designed and maintained with proper decontamination concept, design, consumable, equipment and process installed. The core-competence of the Life Science Consumables business segment is decontamination related to Washing, Disinfection & Sterilization.

The Life Science Consumables business segment has adopted a new consideration framework for contamination control driven by CCS (contamination control strategy) as its long-term development goals. The existing products around the key process system cleaning application and critical environmental contamination control application are integrated. The application depth and breadth of the product portfolio through OEM, joint ventures and cooperation with advanced technology suppliers can be elaborated. It is to complete the development of customised solutions for monoclonal antibody and advanced therapy medicinal product (ATMP) sectors.

The PAT business has achieved good results. The Group has succeeded in integrating online monitoring equipment, online data collection, data modelling and analysis, model optimisation, and application with the control system in the form of an overall solution. Our bioprocess PAT solution which is the most complete, comprehensive, systematic, and leading solution in China has been applied by several leading domestic biopharmaceutical clients and CDMO companies. Also, the Group has launched its "BIOSYSTEC" bioreactor system, which can integrate with the existing online monitoring system, and help clients to introduce advanced PAT technology into the current biopharmaceutical research work.

## RESULTS OF OPERATIONS

### Revenue

The Group provides its services and products under six business segments, namely, (1) Liquid and Bioprocess System, the major types of which include pharmaceutical water system, and liquid preparation and bioprocess system; (2) Clean Room and Automation Control and Monitoring System, the major types of which include clean room enclosure system, and automation control and monitoring system; (3) Powder and Solid System; (4) GMP Compliance Service; (5) Life Science Consumables; and (6) Distribution and Agency of Pharmaceutical Equipment.

For the Period under Review, the Group's total revenue amounted to approximately RMB855.4 million, representing an substantial increase of approximately 65.1% from the corresponding period in 2020, primarily attributable to the increase in revenue from the business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Life Science Consumables, Powder and Solid System and GMP Compliance Service, but partially offset by the decrease in revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment.

The following table sets forth, for the six months ended 30 June 2021 and 2020, the breakdown of the Group's revenue by business segment:

Revenue by business segment	For the six months ended 30 June				Change
	2021		2020		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
Liquid and Bioprocess System	368,269	43.1%	216,403	41.8%	70.2%
Clean Room and Automation Control and Monitoring System	221,420	25.9%	109,939	21.2%	101.4%
Powder and Solid System	55,401	6.5%	48,082	9.3%	15.2%
GMP Compliance Service	28,679	3.3%	23,686	4.6%	21.1%
Life Science Consumables	172,979	20.2%	107,090	20.7%	61.5%
Distribution and Agency of Pharmaceutical Equipment	8,628	1.0%	12,785	2.4%	(32.5%)
<b>Total</b>	<b>855,376</b>	<b>100.0%</b>	<b>517,985</b>	<b>100.0%</b>	<b>65.1%</b>

### ***Liquid and Bioprocess System***

The Group's revenue from the business segment of Liquid and Bioprocess System increased significantly by approximately RMB151.9 million or 70.2% from approximately RMB216.4 million for the six months ended 30 June 2020 to approximately RMB368.3 million for the Period under Review. The increase was mainly attributable to the increase in the closing amount of backlog as at 31 December 2020, the increase in the order-in-take in the business segment of Liquid and Bioprocess System for the Period under Review, and the high project execution efficiency by shortening the lead time and the site construction time as well as keeping good quality in the COVID-19 vaccine related projects.

### ***Clean Room and Automation Control and Monitoring System***

The Group's revenue from the business segment of Clean Room and Automation Control and Monitoring System increased significantly by approximately RMB111.5 million or 101.4% from approximately RMB109.9 million for the six months ended 30 June 2020 to approximately RMB221.4 million for the Period under Review. The increase was mainly attributable to the increase in the closing amount of backlog as at 31 December 2020, and the increase in the order-in-take in the business segment of Clean Room and Automation Control and Monitoring System for the Period under Review, a part of which was recognised as revenue.

### ***Powder and Solid System***

The Group's revenue from the business segment of Powder and Solid System increased by approximately RMB7.3 million or 15.2% from approximately RMB48.1 million for the six months ended 30 June 2020 to approximately RMB55.4 million for the Period under Review. The increase was mainly attributable to the increase in the closing amount of backlog as at 31 December 2020, and the increase in the order-in-take in the business segment of Powder and Solid System for the Period under Review, a part of which was recognised as revenue.

### ***GMP Compliance Service***

The Group's revenue from the business segment of GMP Compliance Service increased by approximately RMB5.0 million or 21.1% from approximately RMB23.7 million for the six months ended 30 June 2020 to approximately RMB28.7 million for the Period under Review. The increase was mainly attributable to the increase in the order-in-take in the business segment of GMP Compliance Service, a part of which was recognised as revenue during the Period under Review, and improved project execution efficiency in the COVID-19 vaccine related projects.

### *Life Science Consumables*

The Group's revenue from the business segment of Life Science Consumables increased by approximately RMB65.9 million or 61.5% from approximately RMB107.1 million for the six months ended 30 June 2020 to approximately RMB173.0 million for the Period under Review, which was mainly attributable to the increase in the closing amount of backlog as at 31 December 2020, and the increase in the order-in-take in the business segment of Life Science Consumables for the Period under Review, relying on the core competence by offering a complete solution of Washing, Disinfection and Sterilization, and continuous launching of more diversified life science consumables and services with the latest technology.

### *Distribution and Agency of Pharmaceutical Equipment*

Hindered by the COVID-19 pandemic, the Group's revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased by approximately RMB4.2 million or 32.5% from approximately RMB12.8 million for the six months ended 30 June 2020 to approximately RMB8.6 million for the Period under Review. The Group will continue to explore and distribute various types of high-end pharmaceutical equipment.

The following table sets forth the breakdown of the Group's revenue by geographical regions for the six months ended 30 June 2021 and 2020:

Revenue by geographical regions	For the six months ended 30 June				Change
	2021		2020		
	RMB'000	%	RMB'000	%	
	(Unaudited)		(Unaudited)	%	
Mainland China	800,629	93.6%	478,807	92.4%	67.2%
Other locations	54,747	6.4%	39,178	7.6%	39.7%
Total	<u>855,376</u>	<u>100.0%</u>	<u>517,985</u>	<u>100.0%</u>	65.1%

The Group derived revenue mainly from the business operations in the Mainland China, which accounted for approximately 93.6% of the total revenue for the Period under Review (2020: approximately 92.4%).

## Cost of sales

The Group's cost of sales increased by approximately RMB250.9 million or 66.0% from approximately RMB380.1 million for the six months ended 30 June 2020 to approximately RMB631.1 million for the Period under Review. Such increase was in line with the increase in revenue as compared to the same period in 2020.

## Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB86.5 million or 62.7% from approximately RMB137.9 million for the six months ended 30 June 2020 to approximately RMB224.3 million for the Period under Review. The gross profit margin decreased slightly from approximately 26.6% for the six months ended 30 June 2020 to approximately 26.2% for the Period under Review, which was due to the decrease in gross profit margin from the business segments of Clean Room and Automation Control and Monitoring System, GMP Compliance Service and Life Science Consumables, but partially offset by the increase in gross profit margin from the business segments of Liquid and Bioprocess System, Powder and Solid System and Distribution and Agency of Pharmaceutical Equipment.

The following table sets forth the breakdown of the Group's gross profit and gross profit margin by business segment for the six months ended 30 June 2021 and 2020:

Gross profit and gross profit margin by business segment	For the six months ended 30 June					
	2021		2020			
	<i>RMB'000</i> (Unaudited)	%	Gross profit margin %	<i>RMB'000</i> (Unaudited)	%	Gross profit margin %
Liquid and Bioprocess System	70,890	31.6%	19.2%	34,960	25.4%	16.2%
Clean Room and Automation Control and Monitoring System	46,772	20.8%	21.1%	25,756	18.7%	23.4%
Powder and Solid System	17,900	8.0%	32.3%	12,104	8.8%	25.2%
GMP Compliance Service	13,152	5.9%	45.9%	11,894	8.6%	50.2%
Life Science Consumables	71,170	31.7%	41.1%	48,131	34.9%	44.9%
Distribution and Agency of Pharmaceutical Equipment	4,431	2.0%	51.4%	5,013	3.6%	39.2%
<b>Total</b>	<b>224,315</b>	<b>100.0%</b>	<b>26.2%</b>	<b>137,858</b>	<b>100.0%</b>	<b>26.6%</b>

### ***Liquid and Bioprocess System***

The gross profit from the business segment of Liquid and Bioprocess System increased significantly by approximately RMB35.9 million or 102.8% from approximately RMB35.0 million for the six months ended 30 June 2020 to approximately RMB70.9 million for the Period under Review. The gross profit margin from the business segment of Liquid and Bioprocess System increased from approximately 16.2% for the six months ended 30 June 2020 to approximately 19.2% for the Period under Review, which was mainly attributable to the improved project execution management and project execution efficiency, especially in the COVID-19 vaccine related projects, which require extremely quick delivery time. The Group will strengthen the technical competence through the knowledge and experience accumulation acquired in the projects' execution.

### ***Clean Room and Automation Control and Monitoring System***

The gross profit from the business segment of Clean Room and Automation Control and Monitoring System increased significantly by approximately RMB21.0 million or 81.6% from approximately RMB25.8 million for the six months ended 30 June 2020 to approximately RMB46.8 million for the Period under Review. The gross profit margin from the business segment of Clean Room and Automation Control and Monitoring System decreased from approximately 23.4% for the six months ended 30 June 2020 to approximately 21.1% for the Period under Review, which was mainly due to the keen market competition, and the Group undertook several projects with lower gross profit margin to expand its market share.

### ***Powder and Solid System***

The Group's gross profit from the business segment of Powder and Solid System increased by approximately RMB5.8 million or 47.9% from approximately RMB12.1 million for the six months ended 30 June 2020 to approximately RMB17.9 million for the Period under Review. The gross profit margin from the business segment of Powder and Solid System increased from approximately 25.2% for the six months ended 30 June 2020 to approximately 32.3% for the Period under Review, which was mainly attributable to the improvement in overall project cost control.

### ***GMP Compliance Service***

The Group's gross profit from the business segment of GMP Compliance Service increased by approximately RMB1.3 million or 10.6% from approximately RMB11.9 million for the six months ended 30 June 2020 to approximately RMB13.2 million for the Period under Review. The gross profit margin from the business segment of GMP Compliance Service decreased from approximately 50.2% for the six months ended 30 June 2020 to approximately 45.9% for the Period under Review, which was mainly resulting from the undertaking of projects with a relatively lower gross profit margin in light of the keen market competition. The Group will keep on providing high quality service and improving cost control management.

### ***Life Science Consumables***

The Group's gross profit from the business segment of Life Science Consumables increased by approximately RMB23.0 million or 47.9% from approximately RMB48.1 million for the six months ended 30 June 2020 to approximately RMB71.2 million for the Period under Review. The gross profit margin from the business segment of Life Science Consumables decreased from approximately 44.9% for the six months ended 30 June 2020 to approximately 41.1% for the Period under Review, which was mainly due to the undertaking of orders with a relatively lower gross profit margin in annual sales agreements to keep long-term customer relationship.

### ***Distribution and Agency of Pharmaceutical Equipment***

The Group's gross profit from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased by approximately RMB0.6 million or 11.6% from approximately RMB5.0 million for the six months ended 30 June 2020 to approximately RMB4.4 million for the Period under Review. The gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment increased from approximately 39.2% for the six months ended 30 June 2020 to approximately 51.4% for the Period under Review, which was mainly attributable to the increase in amount of technical service provided for pharmaceutical equipment which had a higher gross profit margin.

### **Other income**

Other income decreased by approximately RMB4.0 million or 55.5% to approximately RMB3.2 million for the Period under Review from approximately RMB7.2 million for the six months ended 30 June 2020, mainly due to the decrease in subsidies granted by local government authorities of the PRC during the Period under Review.

### **Other gains/(losses) – net**

The Group recorded other gains of approximately RMB197.8 million for the Period under Review as compared to other losses of approximately RMB0.3 million for the six months ended 30 June 2020, mainly attributable to the net gain of approximately RMB199.0 million on disposal of the Group's 60% equity interest in its joint venture namely PALL-AUSTAR JV, but partially offset by the increase of exchange losses recognised as other losses with the amount of approximately RMB1.0 million.

### **Selling and marketing expenses**

Selling and marketing expenses increased by approximately RMB22.5 million or 36.5% to approximately RMB84.2 million for the Period under Review from approximately RMB61.7 million for the six months ended 30 June 2020. The increase was primarily due to the increase in staff costs by a total amount of approximately RMB18.9 million and warranty provision by a total amount of approximately RMB4.1 million, which was in line with the increase in revenue as compared to the same period in 2020.

### **Administrative expenses**

Administrative expenses increased by approximately RMB14.8 million or 32.0% to approximately RMB61.1 million for the Period under Review from approximately RMB46.3 million for the six months ended 30 June 2020, mainly due to the increase in staff costs by a total amount of approximately RMB12.0 million and professional fees by a total amount of approximately RMB1.7 million.

### **Research and development expenses**

As at 30 June 2021, the Group had 48 research and development personnel which accounted for approximately 3.3% of the Group's total number of employees. During the Period under Review, the Group cooperated with well-known academic institutions in order to upgrade the Group's technology level, and executed more research and development activities. The Group's research and development expenses increased by approximately RMB4.2 million or 18.6% from approximately RMB22.5 million for the six months ended 30 June 2020 to approximately RMB26.7 million for the Period under Review, mainly due to the increase of staff costs and materials consumed in more research projects. The Group will make continuous efforts to enhance research and development activities.

### **Finance (costs)/income – net**

The Group recorded net finance costs of approximately RMB0.8 million for the Period under Review as compared to net finance income of approximately RMB1.3 million for the six months ended 30 June 2020, mainly due to the decrease in interest income of approximately RMB1.3 million, and the increase in interest expense from lease liabilities of approximately RMB0.5 million, and from bank borrowings of approximately RMB0.3 million.

### **Share of net profits of investments accounted for using the equity method**

The Group's share of net profits of investments accounted for using the equity method increased by approximately RMB1.4 million, from approximately RMB4.9 million for the six months ended 30 June 2020 to approximately RMB6.3 million for the Period under Review, primarily attributable to the increase in profit contribution from the Group's investment in the joint venture PALL-AUSTAR JV prior to its disposal in March 2021, and the associate, ROTA Verpackungstechnik GmbH & Co. KG and ROTA Verpackungstechnik Verwaltungsgesellschaft mbH, by approximately RMB1.8 million and RMB0.8 million respectively, and but partially offset by the decrease in profit contribution from the Group's investment in the joint venture STERIS-AUSTAR Pharmaceutical Systems Hong Kong Limited (“STERIS-AUSTAR JV”) by approximately RMB1.2 million.

### **Profit before income tax**

The Group recorded profit before income tax of approximately RMB251.9 million for the Period under Review as compared to profit before income tax of approximately RMB18.2 million for the six months ended 30 June 2020, which was primarily attributable to the factors as described above in this section.

### **Income tax expense**

The income tax expense increased by approximately RMB29.1 million, from approximately RMB5.7 million for the six months ended 30 June 2020 to approximately RMB34.8 million for the Period under Review, which was mainly due to the increase of profit before income tax for the Period under Review.

### **Profit for the period**

The Group recorded a profit of approximately RMB217.0 million for the Period under Review as compared to a profit of approximately RMB12.5 million for the six months ended 30 June 2020, which was primarily due to the factors described above in this section.

## LIQUIDITY AND FINANCIAL RESOURCES

The following table summarises the Group's unaudited interim condensed consolidated statement of cash flows:

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(21,315)	(8,763)
Net cash generated from/(used in) investing activities	156,725	(38,696)
Net cash generated from/(used in) financing activities	4,382	(7,156)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>139,792</b>	<b>(54,615)</b>

For the Period under Review, the Group had net cash used in operating activities of approximately RMB21.3 million mainly due to:

- i. the profit before income tax for the Period under Review of approximately RMB251.9 million, plus the depreciation of property, plant, and equipment of approximately RMB5.9 million, the amortisation of intangible assets and lease assets of approximately RMB9.2 million, net impairment losses on financial assets and contract assets of approximately RMB6.9 million, the provision of prepayments and other receivables and inventories of approximately RMB1.8 million, the impairment of goodwill of approximately RMB1.4 million, and finance costs – net of approximately RMB 0.8 million, and minus gains on disposal of the Group's equity interest in PALL-AUSTAR JV of approximately RMB199.0 million, and share of net profit of investments accounted for using the equity method of approximately RMB6.3 million, and income tax paid of approximately RMB5.8 million;
- ii. plus the increase in contract liabilities of approximately RMB174.9 million, and trade and other payables of approximately RMB14.8 million, the decrease in and deferred income tax assets of approximately RMB0.7 million; and
- iii. minus the increase in trade and other receivables and prepayment of approximately RMB110.2 million, pledged bank deposits of approximately RMB2.6 million, contract assets of approximately RMB96.0 million, and inventories of approximately RMB69.7 million.

For the Period under Review, the Group had net cash generated from investing activities of approximately RMB156.7 million, which was mainly attributable to the proceeds from the disposal of the Group's equity interest in PALL-AUSTAR JV of approximately RMB196.8 million and the repayments of loan by STERIS-AUSTAR JV of approximately RMB10.3 million, but partially offset by payment for property, plant and equipment of approximately RMB42.9 million, and payment for land use right of approximately RMB7.3 million.

For the Period under Review, the Group had net cash generated from financing activities of approximately RMB4.4 million mainly attributable to the proceeds from bank borrowings of approximately RMB12.0 million, but partially offset by principal elements of lease payments of approximately RMB6.1 million, and interest paid for bank borrowings of approximately RMB1.6 million.

### **Net current assets**

The Group's net current assets had increased by approximately RMB220.9 million from approximately RMB283.6 million as at 31 December 2020 to approximately RMB504.5 million as at 30 June 2021.

As at 30 June 2021, the Group's total current assets amounted to approximately RMB1,522.9 million, which was an increase of approximately RMB433.6 million as compared with approximately RMB1,089.3 million as at 31 December 2020. The increase was primarily due to the factors set out below:

- i. the increase in contracts assets and other assets of approximately RMB95.4 million, prepayments and other receivables of approximately RMB123.6 million, and inventories of approximately RMB68.3 million, which are mainly due to the business expansion; and
- ii. the increase in cash and cash equivalents of approximately RMB140.0 million which are mainly due to the receipt of net proceeds from the disposal of the Group's equity interest in PALL-AUSTAR JV.

As at 30 June 2021, the Group's total current liabilities amounted to approximately RMB1,018.3 million, which was an increase of approximately RMB212.7 million as compared with approximately RMB805.7 million as at 31 December 2020. The increase was primarily due to the increase in contract liabilities in the amount of RMB174.9 million, current income tax liabilities in the amount of approximately RMB24.2 million, and trade and other payables in the amount of approximately RMB14.8 million, but partially offset by the decrease in current lease liabilities in the amount of approximately RMB1.2 million.

## **Borrowings and gearing ratio**

As at 30 June 2021, the total short-term interest-bearing bank borrowings amounted to RMB30.0 million. The secured short-term bank borrowings amounted to RMB20.0 million and bear interest rate of 4.57% per annum (2020: 4.57% per annum), and the guaranteed short-term bank borrowings amounted to RMB10.0 million and bear interest rate of 3.65% per annum (2020: 3.65% per annum). The long-term bank borrowings amounted to RMB12.0 million and bear interest rate of 4.65% per annum (2020: Nil).

The Group's gearing ratio decreased to approximately 10.1% as at 30 June 2021 from approximately 12.7% as at 31 December 2020, which is mainly attributable to the increase of total equity of approximately RMB212.8 million principally as a result of increase in retained earnings. The ratio is calculated based on the total debts as of the respective dates divided by total capital as of the respective dates and multiplied by 100%.

## **Pledged assets**

As at 30 June 2021, in addition to the pledged bank deposits of approximately RMB130.5 million, the Group had buildings and right-of-use assets in the city of Shanghai, China, having a total carrying amount of approximately RMB5.3 million and approximately RMB5.1 million respectively (31 December 2020: approximately RMB5.6 million and approximately RMB5.2 million respectively), which are pledged as security for interest-bearing bank borrowings with a carrying value of RMB20.0 million (31 December 2020: approximately RMB20.0 million). The Group had right-of-use assets in the city of Shijiazhuang China, having a total carrying amount of approximately RMB46.3 million (31 December 2020: approximately RMB46.8 million) which are pledged as security for long-term interest-bearing bank borrowings with a carrying value of RMB12.0 million (31 December 2020: Nil).

## **Contingent liabilities**

The Group did not have any material contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

## **Interim dividend**

The Directors do not declare the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

## **CAPITAL STRUCTURE**

As at 30 June 2021, the Group had shareholders' equity of approximately RMB731.7 million (31 December 2020: approximately RMB517.9 million).

## **HUMAN RESOURCES**

As at 30 June 2021, the Group had 1,446 full-time employees for R&D, sales and marketing, administration, project management and execution and manufacturing, representing an increase of approximately 3.0% as compared with 1,404 employees as at 31 December 2020. The main increase is from R&D, project management and manufacturing departments. During the Period under Review, the employee costs (including Directors' remuneration) were approximately RMB192.9 million, which was an increase of approximately 40.0% as compared with approximately RMB137.7 million for the six months ended 30 June 2020.

Employee costs of the Group increased mainly due to the Group's increase in number of employees for the purpose of expanding the Group's operational scale and the Group's efforts in ensuring the attractiveness of its employee remuneration packages and granting of performance-based bonuses in accordance with the Group's remuneration policy.

The Group regularly reviews its remuneration policies and employee benefits with reference to market practices and performance of individual employees. The remuneration of the employees and the Directors are determined by reference to their respective responsibilities, professional qualification, industry experience and performance. The emolument policy of the Directors is decided by the remuneration committee of the Board. The Group has formulated provisions and rules on employees' training, such as the "Training and Development Control Procedures" and the "Training Management Control Procedures", detailing the implementation of training and accountability in training. In addition, in the "Staff Handbook", the Group divides training into orientation, overseas training, management training, professional skills training and corporate culture training.

## **CAPITAL COMMITMENTS**

Capital expenditure of property, plant and equipment and intangible assets which has been contracted for but not yet incurred as of 30 June 2021 amounted to approximately RMB143.3 million (31 December 2020: approximately RMB105.0 million).

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES**

On 11 February 2021, the Group entered into an agreement with Beckman Coulter Hong Kong Limited (“**Purchaser**”), which indirectly owned 40% of the issued shares of PALL-AUSTAR JV, and PALL-AUSTAR JV pursuant to which the Purchaser conditionally agreed to purchase, and the Group conditionally agreed to sell, the 60% of the issued shares of PALL-AUSTAR JV held by the Group at an aggregate consideration of US\$34,500,000 subject to adjustments (“**Disposal**”). The Disposal constituted a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), and was approved by the written approval from the controlling shareholder of the Company, Standard Fortune Holdings Limited, in lieu of holding a general meeting. For details of the Disposal, please refer to the announcement of the Company dated 15 February 2021 and the circular of the Company dated 23 March 2021.

The final consideration in respect of the Disposal was approximately US\$34.4 million. The completion of the Disposal took place on 31 March 2021. Upon completion, the Group ceased to have any equity interest in PALL-AUSTAR JV.

Save as disclosed above, there were no other material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the Period under Review.

## **FOREIGN EXCHANGE RISK**

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various foreign currency exposures, primarily with respect to Euro, US dollar and Hong Kong dollar. Foreign exchange risk arises from the ending balances of the internal borrowings among the Group’s subsidiaries which have different functional currencies, the foreign currencies held by the Group’s subsidiaries and offices and the sales of the Group’s products and services to overseas customers who settle payments in foreign currencies. The Directors do not consider the foreign exchange rate risks as material to the Group and therefore, did not carry out any financial instruments such as forward currency exchange contracts to hedge the risks.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES**

During the Period under Review, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities.

## **CORPORATE GOVERNANCE PRACTICES**

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company (“**Shareholders**”) as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code (“**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules.

Save for the deviation from code provision A.2.1 of the Corporate Governance Code as described below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the Period under Review and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

Code provision A.2.1 of the Corporate Governance Code requires the responsibilities between the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Ho Kwok Keung, Mars assumes the role of both the chairman of the Board and the Chief Executive Officer. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority of the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently. In addition, the Board is of the view that the balanced composition of executive and non-executive Directors (including the independent non-executive Directors) on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company’s affairs would provide adequate safeguards to ensure a balance of power and authority.

## **COMPLIANCE WITH THE MODEL CODE BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding its Directors’ securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period under Review.

## **AUDIT COMMITTEE**

The Board established the audit committee (“**Audit Committee**”) on 21 October 2014 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and the Corporate Governance Code. The Audit Committee currently comprises two independent non-executive Directors, namely, Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and one non-executive Director, namely, Madam Ji Lingling. Mr. Cheung Lap Kei is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company. Details of the terms of reference of the Audit Committee are set out on the Company’s website and the website of the Stock Exchange.

The primary duties of the Audit Committee are to review the half-yearly and annual results of the Company and to supervise the Group’s financial report process and internal control system, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditors on the audit procedures and accounting issues.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period under Review, which has also been reviewed by the Company’s auditor, PricewaterhouseCoopers.

## **PUBLICATION OF INTERIM REPORT**

The Company’s interim report for the six months ended 30 June 2021 will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.austar.com.hk](http://www.austar.com.hk) and will be despatched to the Shareholders in due course.

## APPRECIATION

The Company would like to take this opportunity to thank all of the valued Shareholders and various stakeholders for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

On behalf of the Board  
**Austar Lifesciences Limited**  
**Ho Kwok Keung, Mars**  
*Chairman and Chief Executive Officer*

Hong Kong, 27 August 2021

*As at the date of this announcement, the executive Directors are Mr. Ho Kwok Keung, Mars, Mr. Ho Kin Hung, Mr. Chen Yewwu and Madam Zhou Ning; the non-executive Director is Madam Ji Lingling; and the independent non-executive Directors are Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Leung Oi Kin.*