奧星生命科技有限公司
Austar Lifesciences Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 6118

GLOBAL OFFERING

Sole Sponsor

海通國際 HAITONG

Sole Global Coordinator

海通國際 HAITONG

Joint Bookrunners

海通國際 HAITONG

交銀國際 BOCOM International

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.

Austar Lifesciences Limited

奧星生命科技有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**125,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**12,500,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**112,500,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$3.12 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**6118**

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A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection – Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 31 October 2014 and, in any event, not later than Tuesday, 4 November 2014.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on or before the Price Determination Date, the Global Offering will not proceed. The Offer Price will be not more than HK$3.12 per Offer Share and is currently expected to be not less than HK$2.29 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$3.12 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Sole Global Coordinator, for itself and on behalf of the other Underwriters, may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on our Company's website at **www.austar.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) if certain circumstances or grounds arise prior to 8:00 a.m. on the day that trading in the Shares is expected to commence on the Stock Exchange. Such circumstances are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offer – Hong Kong Underwriting Agreement – Grounds for termination" in this prospectus. It is important that you read that section carefully before making any investment.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The Offer Shares are being offered and sold only outside of the United States in offshore transactions in reliance on Regulation S.

No information on any website forms part of this prospectus.

28 October 2014

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our website at **www.austar.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** if there is any change in the following expected timetable of the Global Offering.

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**(4)	11:30 a.m. on Friday, 31 October 2014
Application lists open(2)	11:45 a.m. on Friday, 31 October 2014
Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC(3)	12:00 noon on Friday, 31 October 2014
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 31 October 2014
Application lists close(2)	12:00 noon on Friday, 31 October 2014
Expected Price Determination Date(5)	Friday, 31 October 2014
Announcement of the final Offer Price, the indication of level of interest in the International Placing, the results of allocations in the Hong Kong Public Offer and the basis of allotment of the Hong Kong Offer Shares to be published (a) in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese); (b) on our website at **www.austar.com.hk**; and (c) on the website of the Stock Exchange at **www.hkexnews.hk** on or before	Thursday, 6 November 2014

Results of applications and Hong Kong identity card/ passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer to be available under a variety of channels as described in the section headed "How to apply for the Hong Kong Offer Shares – 11. Publication of results" in this prospectus including the website of our Company at **www.austar.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** from	Thursday, 6 November 2014
Results of allocations in the Hong Kong Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function	Thursday, 6 November 2014
Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before(6)	Thursday, 6 November 2014
Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications if the final Offer Price is less than the price payable on application (if applicable) pursuant to the Hong Kong Public Offer on or before(6)	Thursday, 6 November 2014
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Friday, 7 November 2014

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, 31 October 2014, the application lists will not open and close on that day. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists" in this prospectus.

3. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Hong Kong Offer Shares – 5. Applying through HK eIPO White Form Service" in this prospectus.

4. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.

5. The Price Determination Date is expected to be on or around Friday, 31 October 2014, and in any event not later than Tuesday, 4 November 2014. If, for any reason, the Offer Price is not agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), at or before 12:00 noon on Tuesday, 4 November 2014, the Global Offering will not proceed and will lapse.

6. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Hong Kong Public Offer and have provided all information required by the Application Form may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar of our Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 6 November 2014. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar of our Company must be produced at the time of collection.

7. None of the websites or any of the information contained on any websites forms part of this prospectus.

8. Share certificates will only become valid at 8:00 a.m. on Friday, 7 November 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Hong Kong Underwriting Agreement – Grounds for Termination" in this prospectus has not been exercised investors who trade Shares prior to the receipt of share certificates or share certificates becoming valid do so at their own risk.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offer and have provided all information required by the Application Form may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Forms.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus for details.

If an applicant has applied for less than 1,000,000 Hong Kong Offer Shares, the share certificate (where applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

Uncollected share certificates (where applicable) and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares – 14. Despatch/collection of share certificates and refund monies" in this prospectus.

Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly successful applications if the final Offer Price is less than the price payable on application. If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider by ordinary post and at your own risk. All refunds will be paid by a cheque crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

You should refer to the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

This prospectus is issued by Austar Lifesciences Limited solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of and does not constitute, an offer to sell or a solicitation of an offer to buy in other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of our or their respective directors, officers, representatives or advisers or any other persons or parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined or explained in the sections headed "Definitions" and "Glossary of technical terms" of this prospectus.

OVERVIEW

We are a leading provider of integrated engineering solutions with high-end[(1)] and comprehensive services and products to reputable pharmaceutical manufacturers and research institutes in the PRC and also a provider of those services and products to customers in emerging countries. Our customers include pharmaceutical companies such as Lijun Group Companies, Hisun Pharmaceutical, Chengdu Institute of Biological Products, Hualan Biological, Shanghai Institute of Biological Products, GlaxoSmithKline Biologicals and Beijing Fresenius Kabi; of which each of Lijun Group Companies and Hisun Pharmaceutical was one of our top five customers during the Track Record Period. We offer high-end integrated engineering solutions for our customers to set up production facilities and also build up a clean environment which are both critical for pharmaceutical production. Our solutions cover Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System and GMP Compliance Service to assist our customers in key phases of pharmaceutical product lifecycle from research, development, pilot plant, commercial production to product launch. We, together with our joint ventures, also engage in the manufacture, sale and distribution of various types of high-end pharmaceutical equipment and life science consumables.

Our value-added integrated engineering solutions are tailor-made for our customers to build part of their production facilities. We assist our customers on system construction, utilising hardware and software engineering and techniques, including advice on system design, choice of equipment, production process flow, application of production techniques and validation documentation. Our solutions comprise our provision of equipment, parts and advice on application techniques which are aimed to enhance efficiency and effectiveness of production process of our customers.

As one of the earliest players in the PRC pharmaceutical equipment, process system and service market, we are well experienced with strong research and development capabilities and recognised brand awareness, professional expertise and dedicated management. Over the years, we have established long term business relationships with key customers by offering our diversified product portfolio and service offering. We pride ourselves in having obtained recognised accreditations and reputable ranking in the pharmaceutical equipment, process

Note:

(1) As per the definition in the Frost & Sullivan Report, the high-end market of China's pharmaceutical equipment, process system and service market is formed by players that are qualified to provide pharmaceutical equipment, process system, and service to multinational pharmaceutical manufacturers, domestic large-sized pharmaceutical manufacturers, and pharmaceutical manufacturers involved in sterile active pharmaceutical ingredients, dosage, and sterile biological medicine (such as vaccine, protein medicine, monoclonal antibody medicine). In addition, all medicines manufactured by the above pharmaceutical manufacturers must meet standards of U.S. FDA, EMA, or WHO.

system and service market within our history of operations. According to the Frost & Sullivan Report, the pharmaceutical equipment, process system and service market is fragmented, and our ranking and market share in 2013 in terms of revenue in the PRC high-end market and the PRC total market in each of our business segments is summarised below:

Business segment	Ranking in the PRC in 2013 in terms of revenue	High-end market share in the PRC in 2013 (%)	Total market share in the PRC in 2013 (%)
Liquid and Bioprocess System	1	11.7	2.9
Clean Room and Automation Control and Monitoring System	1	4.2	0.9
Powder and Solid System	3	3.1	0.6
GMP Compliance Service	2	6.4	1.4
Life Science Consumables	1	4.5	1.1
Distribution and Agency of Pharmaceutical Equipment	7	0.6	0.6

Through our joint venture arrangements with STERIS and PALL, which are well-established companies in the life science industry, we were able to leverage on the different pharmaceutical manufacturing equipment developed and/or manufactured by STERIS and STERIS-AUSTAR WFOE and the life science consumables developed and/or manufactured by PALL and PALL-AUSTAR WFOE respectively, by integrating such products into our integrated engineering solutions and offering a variety of quality products in our product portfolio to our customers on a complementary basis with our joint venture partners. The share of profit from PALL-AUSTAR JV was approximately RMB0.8 million for the year ended 31 December 2013 and approximately RMB0.7 million for the six months ended 30 June 2014, and that from STERIS-AUSTAR JV was approximately RMB2.6 million, RMB4.1 million, RMB3.7 million and RMB1.8 million for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 respectively. Please refer to the section headed "Business – Our joint ventures" of this prospectus.

OUR BUSINESS MODELS

Through direct marketing, regular attendance of international exhibitions and conventions, and organisation of seminars with our suppliers, we identify business opportunities by active discussion and consultation with our potential customers where we offer to act as a solutions provider to our customers in a wide range of services and products which are critical to their pharmaceutical production process. We operate our business under three business models, namely (a) *integrated engineering solutions*, where we assist our customers to build tailor made production facilities and provide advice to customers on system design, choice of equipment and system construction, and most of our revenue under this business model are recognised by way of revenue recognition methods of "construction contracts" and " sale of goods", with insignificant amount of commission and agency fees; (b) *consulting services*, where we derive revenue from rendering of service; and (c) *distributorship and agency*, where we derive revenue from sale of goods and agency fees. We provide our services and products under six business segments, namely, (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. Our ability to provide comprehensive services and products across these business segments, in different stages of a pharmaceutical product lifecycle enables us to solidify our working relationships with our customers.

OUR SERVICES AND PRODUCTS

Our services and products fall into six business segments under three different business models:

(A) Integrated engineering solutions

- *Liquid and Bioprocess System:* We mainly provide our integrated engineering solutions for our customers to set up: (i) pharmaceutical and water systems to treat water into different grades for pharmaceutical production; and (ii) liquid preparation and bioprocess system to prepare solutions for production of various kinds of liquid dosage and bioprocess systems to create production medium for producing biopharmaceutical products from biological materials; the price range of our contracts under this segment generally ranges from approximately RMB25,000 to RMB25,000,000;

- *Clean Room and Automation Control and Monitoring System:* We mainly provide our integrated engineering solutions to set up: (i) a clean room environment with controlled level of contamination for conducting pharmaceutical research and production process; and (ii) automation control systems and monitoring systems to control and monitor pharmaceutical production process; the price range of our contracts under this segment generally ranges from approximately RMB18,000 to RMB10,000,000;

- *Powder and Solid System:* We mainly provide our integrated engineering solutions to set up systems to handle pharmaceutical products, which are in either solid or powder form, in a dust-free and contained manner; the price range of our contracts under this segment generally ranges from approximately RMB22,000 to RMB5,900,000;

(B) Consulting services

- *GMP Compliance Service:* We provide our consultancy services in relation to GMP compliance; the price range of our contracts under this segment generally ranges from approximately RMB2,500 to RMB16,000,000;

(C) Distributorship and agency

- *Life Science Consumables:* We distribute a wide range of life science consumables for use in the life science industry, such as cleansers, disinfectants, indicators, sterile bags, cleaning tools and personal protection items; the price range of our products under this segment generally ranges from approximately RMB0.08 to RMB580,000; and

- *Distribution and Agency of Pharmaceutical Equipment:* We act as distributor and sales agent of various types of pharmaceutical equipment, parts and components; (i) the price range of our parts and components which we distribute under this segment generally ranges from approximately RMB20 to RMB2,700,000; (ii) the price range of our pharmaceutical equipment generally ranges from approximately RMB150,000 to RMB4,300,000 and (iii) the price range of our contracts under agency sales of pharmaceutical equipment generally ranges from approximately USD8,500 to USD3,300,000.

OUR CUSTOMERS

Our customers include well-established pharmaceutical companies, biopharmaceutical companies and research institutes which may use one or more of our service and product offerings. We have a large and diversified customer base. The majority of our customers were based in the PRC, and the rest were from the emerging countries. During the Track Record Period, approximately 92.8%, 92.2%, 93.9% and 91.2% of our revenue was generated from our customers based in the PRC whilst the remainder of our revenue was generated from our customers based overseas, for the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. The number of contracts in which our revenue was recognised during the Track Record Period were 2,956, 3,421, 4,433 and 2,588 for the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. We did not enter into any long term agreement with our customers during the Track Record Period.

For the three years ended 31 December 2013 and the six months ended 30 June 2014, revenue derived from our top five customers accounted for approximately 22.4%, 18.5%, 19.3% and 20.1%, respectively, of our total revenue, and revenue derived from our largest customer accounted for approximately 7.1%, 6.7%, 6.1% and 5.7%, respectively, of our total revenue. During the Track Record Period, we had transacted with 707, 788, 954 and 761 customers for the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively.

OUR SUPPLIERS

We procure various raw materials, such as pharmaceutical equipment, components and other ancillary parts for our services and products offered. For the main equipment or parts and components comprised in our integrated engineering solutions, we may either supply our self-manufactured products, or procure products produced by STERIS-AUSTAR WFOE or from our solutions partners or manufacturers based in US, Europe and the PRC such as Siemens, Rockwell, Hach, PIAB and ChargePoint; of which each of STERIS-AUSTAR WFOE, Hach and ChargePoint was one of our top five suppliers during the Track Record Period. For ancillary parts such as pumps, valves, stainless steel pipes, flowmeters, automatic control PLCs, filters, EDI powers, pressure gauges, etc. which we use in our integrated engineering solutions, we mainly source them from suppliers in the PRC. For our self-manufactured products such as purified water generators, we source its principal raw materials, including stainless steel from various suppliers in the PRC. For the products offered in our Life Science Consumables and Distribution and Agency of Pharmaceutical Equipment segments under distributorship and agency arrangements, we source from multiple suppliers such as PALL-AUSTAR WFOE, PALL, STERIS-AUSTAR WFOE, STERIS and Alexanderwerk; of which each of STERIS-AUSTAR WFOE, STERIS and PALL-AUSTAR WFOE was one of our top five suppliers during the Track Record Period. During the three years ended 31 December 2013 and the six months ended 30 June 2014, purchases from our five largest suppliers accounted for approximately 22.9%, 24.2%, 26.6% and 23.1% of our total purchases, respectively. For the three years ended 31 December 2013 and the six months ended 30 June 2014, purchases from our largest supplier accounted for approximately 9.9%, 8.9%, 9.6% and 5.3% of our total purchases, respectively.

OUR PRODUCTION

We together with our joint venture companies have four production plants located in Shanghai, Shijiazhuang and Beijing respectively, with a total gross floor area of approximately 18,110 sq. m. In light of our production capacity in 2013 and the first half of 2014, we intend to expand our production facilities by acquiring land with a total area of approximately 53,000 sq. m. and constructing a new R&D and production centre in Shijiazhuang in two phases with a total gross floor area of approximately 32,000 sq. m. to 35,000 sq. m., and assuming that completion of the acquisition of land will take place by 1st quarter of 2015, and construction works for phase one will commence in 1st quarter of 2015, production at phase one of the development is expected to commence in 1st quarter of 2016. We also intend to develop part of our owned property in Shanghai into our Songjiang Production Centre, with a gross floor area of approximately 16,000 sq. m. to 18,000 sq. m.. Construction works will commence in the 1st quarter of 2016, and production is expected to commence in the 1st quarter of 2017. For details of our expansion plans on production capacity, please refer to the section headed "Business – Business Strategies – To establish R&D centre and consolidate production workshops". For the year ended 31 December 2013 and the six months ended 30 June 2014, the utilisation rate of the production workshops for most of our key products was above 70%. The annual production volume from products varies widely depending on the nature of the products. For details of our production capacity, please refer to the section headed "Business – Production – Production capacity" in this prospectus.

OUR COMPETITIVE STRENGTHS

Our core strengths are set out below:

- A leading comprehensive provider of high-end critical services and products capable of providing tailor made and integrated engineering solutions and services for pharmaceutical manufacturers and research institutes
- We are well-positioned to capture opportunities in the rapidly growing and evolving pharmaceutical sector
- We have extensive technical expertise, in-depth experience and research and development capability
- We have established long term and stable business relationships with well-known and large scale pharmaceutical companies in the PRC and emerging countries
- We have an experienced and dedicated management team with extensive industry experience

OUR BUSINESS STRATEGIES

Our business strategies are set out below:

- To increase our market share in the PRC and the emerging countries
- To continue to improve and widen our service and product offerings
- To establish R&D centre and consolidate production workshops
- To strengthen our research and development and product design and development capabilities
- To expand by opportunistic and strategic acquisition of businesses and/or companies

OUR SHAREHOLDERS

Upon completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, Mr. Mars Ho (our chairman, chief executive officer and executive Director) and Madam Gu, through their respective wholly-owned companies, will continue to be our Controlling Shareholders and our Controlling Shareholders will collectively be beneficially interested in 67.50% of the issued share capital of our Company.

Please refer to the sections headed "Relationship with our Controlling Shareholders" and "Substantial Shareholders" in this prospectus for details.

SUMMARY OF OUR FINANCIAL INFORMATION

Our consolidated financial statements have been prepared in accordance with IFRS, selected items of the financial statements are set out below.

Information on our Group's consolidated statements of comprehensive income

	For the year ended 31 December			**For the six months ended 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	325,178	420,753	705,153	354,070	320,823
Cost of sales	(224,657)	(284,304)	(490,187)	(247,950)	(207,086)
Gross profit	100,521	136,449	214,966	106,120	113,737
Operating profit	36,451	48,485	72,200	46,192	40,572
Profit for the year/period	27,337	35,509	53,571	35,613	32,749

During the Track Record Period, our overall gross profit margin was approximately 30.9%, 32.4%, 30.5% and 35.5%, respectively.

Information on our Group's consolidated balance sheets

	As at 31 December			**As at 30 June**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	49,297	59,200	69,379	74,394
Total current assets	250,596	377,853	537,474	481,313
Total non-current liabilities	3,745	7,018	12,279	11,708
Total current liabilities	238,878	357,446	466,199	337,362
Net current assets	11,718	20,407	71,275	143,951
Total equity	57,270	72,589	128,375	206,637

We recorded net current assets of approximately RMB11.7 million, RMB20.4 million, RMB71.3 million and RMB144.0 million as of 31 December 2011, 2012, 2013 and 30 June 2014, respectively. As at 30 June 2014, trade receivables of approximately RMB181.7 million were past due but not impaired, of which RMB29.4 million (approximately 16.2% of the total amount of trade receivables past due but not impaired) were past due for over one year. Please refer to the section headed "Financial Information" in this prospectus for details.

Our segment revenue and segment gross margin

During the Track Record Period, our gross profit amounted to approximately RMB100.5 million, RMB136.4 million, RMB215.0 million and RMB113.7 million, respectively. The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by segment and by business models for the periods indicated:

	For the year ended 31 December											
	2011				2012				2013			
	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Integrated engineering solutions												
Liquid and Bioprocess System	177,865	54.8%	43,515	24.5%	228,718	54.4%	53,493	23.4%	380,997	54.0%	84,618	22.2%
Clean Room and Automation Control and Monitoring System	67,903	20.9%	21,487	31.6%	82,595	19.6%	26,161	31.7%	152,545	21.6%	47,038	30.8%
Powder and Solid System	11,526	3.5%	4,615	40.0%	24,067	5.7%	9,873	41.0%	44,413	6.3%	14,376	32.4%
Subtotal of integrated engineering solutions	***257,294***	***79.2%***	***69,617***	***27.1%***	***335,380***	***79.7%***	***89,527***	***26.7%***	***577,955***	***81.9%***	***146,032***	***25.3%***
Consultancy services												
GMP Compliance Service	***14,736***	***4.5%***	***7,831***	***53.1%***	***31,519***	***7.5%***	***19,985***	***63.4%***	***47,652***	***6.8%***	***31,466***	***66.0%***
Distribution and Agency												
Life Science Consumables	27,393	8.4%	15,527	56.7%	34,560	8.2%	16,901	48.9%	52,756	7.5%	23,170	43.9%
Distribution and Agency of Pharmaceutical Equipment	25,755	7.9%	7,546	29.3%	19,294	4.6%	10,036	52.0%	26,790	3.8%	14,298	53.4%
Subtotal of Distribution and Agency	***53,148***	***16.3%***	***23,073***	***43.4%***	***53,854***	***12.8%***	***26,937***	***50.0%***	***79,546***	***11.3%***	***37,468***	***47.1%***
Total	325,178	100.0%	100,521	30.9%	420,753	100.0%	136,449	32.4%	705,153	100.0%	214,966	30.5%

	For the six months ended 30 June							
	2013				2014			
	Revenue	Percentage of revenue	Gross profit	Gross profit margin	Revenue	Percentage of revenue	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
	(Unaudited)							
Integrated engineering solutions								
Liquid and Bioprocess System	207,713	58.7%	43,742	21.1%	147,173	45.8%	38,697	26.3%
Clean Room and Automation Control and Monitoring System	73,172	20.7%	24,547	33.5%	73,765	23.0%	27,390	37.1%
Powder and Solid System	14,832	4.2%	5,005	33.7%	27,555	8.6%	12,522	45.4%
Subtotal of integrated engineering solutions	***295,717***	***83.6%***	***73,294***	***24.8%***	***248,493***	***77.4%***	***78,609***	***31.6%***
Consultancy services								
GMP Compliance Service	***22,489***	***6.4%***	***16,054***	***71.4%***	***24,927***	***7.8%***	***15,813***	***63.4%***
Distribution and Agency								
Life Science Consumables	28,022	7.9%	12,256	43.7%	34,389	10.7%	14,307	41.6%
Distribution and Agency of Pharmaceutical Equipment	7,842	2.1%	4,516	57.6%	13,014	4.1%	5,008	38.5%
Subtotal of Distribution and Agency	***35,864***	***10.0%***	***16,772***	***46.8%***	***47,403***	***14.8%***	***19,315***	***40.7%***
Total	354,070	100%	106,120	30.0%	320,823	100%	113,737	35.5%

Our revenue generally increased during the Track Record Period primarily due to the increased demand for integrated engineering solutions from pharmaceutical manufacturers through our business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System as well as our GMP Compliance Service segment, as a result of promulgation of China New GMP in 2011, higher standards required in the pharmaceutical industry in China and our increased efforts in marketing and promotional activities.

Extract of consolidated statements of cash flows

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net cash generated from/(used in) operating activities	16,918	73,981	71,407	24,258	(84,571)
Net cash (used in)/ generated from investing activities	(7,165)	(24,759)	(44,549)	(5,371)	17,589
Net cash generated from/(used in) financing activities	5,148	16,886	10,254	5,244	(20,373)
Net increase/(decrease) in cash and cash equivalents	14,901	66,108	37,112	24,131	(87,355)
Cash and cash equivalents at beginning of the year/period	22,328	37,499	102,611	102,611	139,712
Exchange gains/(losses) on cash and cash equivalents	270	(996)	(11)	93	(11)
Cash and cash equivalents at end of the year/period	37,499	102,611	139,712	126,835	52,346

Key financial ratios

The following table sets out our key financial ratios during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013** (Unaudited)	**2014**
Gross profit margin	30.9%	32.4%	30.5%	30.0%	35.5%
Net profit margin	8.4%	8.4%	7.6%	10.1%	10.2%
EBITDA margin	13.2%	13.6%	11.9%	14.8%	15.1%
Return on equity	64.5%	54.7%	53.3%	N/A	N/A
Return on total assets	9.4%	9.6%	10.3%	N/A	N/A
Interest coverage	45.9	31.4	57.9	72.1	58.3
Average inventory turnover days (days)	99	66	46	N/A	61
Average trade receivables turnover days (days)	115	118	90	N/A	118
Average trade payables turnover days (days)	71	68	69	N/A	103

	As at 31 December			As at 30 June	
	2011	2012	2013	2013	2014
Current ratio	1.0	1.1	1.2	N/A	1.4
Gearing ratio	41.9%	33.1%	15.6%	N/A	16.9%
Net debt to equity ratio	Net cash	Net cash	Net cash	N/A	Net cash

Please see the section headed "Financial information – Key financial ratios" for descriptions of the calculations of the above ratios.

OFFER STATISTICS(1)

	Based on minimum indicative Offer Price of HK$2.29	Based on maximum indicative Offer Price of HK$3.12
Market capitalisation of our Company(2)	HK$1,145 million	HK$1,560 million
Unaudited pro forma adjusted net tangible assets per Share(3)	HK$1.03	HK$1.23

Notes:

(1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalisation is based on 500,000,000 Shares expected to be in issue immediately after completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets value per Share is calculated after making the adjustments referred to in Appendix II and based on 500,000,000 Shares expected to be in issue immediately after completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive the net proceeds from the Global Offering of approximately HK$289.3 million (equivalent to approximately RMB232.3 million), after deduction of underwriting fees and commissions and estimated expenses payable by us in the Global Offering and assuming the Over-allotment Option is not exercised, and an Offer Price of HK$2.705 per Offer Share (being the mid-point of the indicative Offer Price range). If the Over-allotment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK$48.9 million (equivalent to approximately RMB39.3 million) assuming an Offer Price of HK$2.705 per Offer Share (being the mid-point of the indicative Offer Price Range), after deducting the underwriting fees and expenses payable by us in the Global Offering.

We intend to use these net proceeds of the Global Offering for the following purposes (assuming that an Offer Price of HK$2.705 per Offer Share and the Over-allotment Option is not exercised):

- approximately 39.6% or HK$114.5 million (approximately RMB92.0 million) will be used to finance the development and construction costs of the Shijiazhuang R&D and Production Centre;

- approximately 14.2% or HK$41.1 million (approximately RMB33.0 million) will be used to finance the development and construction costs of the Songjiang Production Centre;

- approximately 6.8% or HK$19.7 million (approximately RMB15.8 million) will be used for expansion of our sales and marketing network;

- approximately 9.5% or HK$27.4 million (approximately RMB22.0 million) will be used to fund R&D activities;

- approximately 20.0% or HK$57.9 million (approximately RMB46.5 million) will be used for potential acquisition of interests in companies which we may identify in the PRC, North America or Europe in the future; and

- approximately 9.9% or HK$28.7 million (approximately RMB23.1 million) will be used for working capital and other general corporate purposes.

Please refer to the sections headed "Future plans and use of proceeds – Proposed use of proceeds" and "Business – Business strategies" of this prospectus for details information of our future plans.

DIVIDEND POLICY

During the Track Record Period, we have not declared any dividends. In July 2014, our Company declared dividend in the aggregate amount of approximately US$970,000 (equivalent to approximately RMB6,062,500) to SFH, HCV and TWG and such dividends were paid on 21 October 2014. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders.

In the future, we expect to distribute approximately 30% of our annual distributable profit as dividends. There is, however, no assurance that we will be able to distribute dividends of such amount or any amount each year or in any year. Our future dividend policy will be determined by our Board based on our results of operations, cash flows, financial position, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us, and other factors that our Board may consider relevant.

SUMMARY OF MATERIAL RISK FACTORS

There are risks associated with our business and investment in the Global Offering, including (i) we may not be able to maintain our historical growth rates or profit margins and our results of operations may fluctuate significantly; (ii) our success depends on the market recognition of our brand and we could be adversely affected by negative publicity; (iii) our expansion of the production facilities and investment in the new R&D facilities and demonstration centres may not be as successful as we have planned; (iv) part of our sales is project based, and we may not have recurring business; and (v) cost overruns in our integrated engineering solutions projects will affect our costs and materially affect our financial performance. You should read the entire section headed "Risk factors" in this prospectus carefully before you decide to invest in the Offer Shares.

SUMMARY OF NON-COMPLIANCE INCIDENTS

During the Track Record Period, we and our joint venture companies have not fully complied with certain laws and regulations in respect of (i) failure of STERIS-AUSTAR WFOE, our joint venture company, to go through the necessary formalities of environmental protection acceptance; and (ii) contribution to certain staff benefit fund in respect of social insurance and housing provident fund. All such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial and operational aspects.

Please refer to the section headed "Business – Legal proceedings – Non-compliance incidents" in this prospectus for detailed information of these non-compliance incidents.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

We have past product sales in connection with certain of the Sanctioned Countries, namely, Iran and Lebanon, and Russia (where certain Sanctioned Persons are located) and we still carry out such business activities in connection with these Sanctioned Countries and Russia (where certain Sanctioned Persons are located). The amount of revenue generated from sales to these Sanctioned Countries and Russia (where certain Sanctioned Persons are located) for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 represented approximately 0.6%, 1.2%, 0.7% and 1.9% of our total revenue for the same periods, respectively. As advised by DLA Piper Hong Kong, our legal advisers as to International Sanctions laws, our Group's historical sales in Iran, Lebanon and Russia (where certain Sanctioned Persons are located) during the Track Record Period do not implicate the applicability of International Sanctions laws on our Group, or any person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors. Please refer to the section headed "Business – Business activities in Sanctioned Countries" in this prospectus for details of our past operations and business activities in those countries.

We confirm that, save as disclosed in the section headed "Business" in this prospectus, our Group had not had during the Track Record Period and up to the Latest Practicable Date, any business activities in connection with any countries, governments, entities or individuals sanctioned by the European Union, the United Nations, the U.S. or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions.

In relation to our sales to customers in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Entities list maintained by the OFAC or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Our such sales do not involve industries or sectors that are currently subject to specific U.S., European Union, Australia or United Nations sanctions and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure remained unchanged since 30 June 2014. Our business maintains a stable growth and the contribution by each business segment is in line with the historical record.

Based on our unaudited financial information for the eight months ended 31 August 2014, our revenue amounted to approximately RMB446.5 million, representing 6.4% decrease compared to same period last year. The decrease in revenue was attributable to decrease in revenue from the business segment of Liquid and Bioprocess System and partially offset by the increase in revenue from other business segments. Our gross profit margin for the eight months ended 31 August 2014 was approximately 34.6%, which was higher than 30.4% for the same period last year, mainly attributable to the management's strategy to focus on projects with higher gross profit margin. The financial information disclosed above is derived from the Company's unaudited condensed interim financial information for the eight months ended 31 August 2014, which has been reviewed by our reporting accountant in accordance with the International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Our closing value of backlog as at 31 August 2014 in relation to our business segments of integrated engineering solutions, consulting services and Distribution and Agency of Pharmaceutical Equipment has grown as compared with that of 30 June 2014. We continued to have negotiation with the relevant PRC local government authority on the terms in relation to the acquisition of land use right of the land on which we intend to build the Shijiazhuang R&D and Production Centre. In anticipation of the increase in business scale and to keep in line with our business strategy, we continued to recruit and have employed a number of skilled engineers and professionals to our team.

As far as we are aware, there was no material change in the general economic, market and regulatory conditions in our industry that had materially and adversely affected our business operations or financial conditions since 30 June 2014 and up to the Latest Practicable Date. Our Directors confirm that, up to the date of this prospectus, there has been no other material adverse change in our financial or trading position or prospects since 30 June 2014, being the date to which our latest audited financial statements were prepared.

LISTING EXPENSES

During the Track Record Period, our Group incurred listing expenses of approximately RMB14.6 million, which was recognised as administrative expenses in our consolidated statements of comprehensive income for the year ended 31 December 2013 and the six months ended 30 June 2014. We expect to incur additional listing expenses (excluding underwriting commission which is estimated to be approximately RMB9.5 million to be paid to the Underwriters) of approximately RMB15.1 million, of which RMB7.6 million is expected to be recognised as administrative expenses for the six months ending 31 December 2014 and approximately RMB7.5 million is expected to be recognised as a deduction in equity directly.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"AIEL"	Austar International Engineering Limited, a company incorporated in Hong Kong with limited liability on 5 September 2001. AIEL was a former subsidiary of AIHL and was disposed of by AIHL to an Independent Third Party in December 2013 and subsequently changed its name to Real International Engineering Limited on 20 January 2014
"AIHL"	Austar International Holdings Limited, a company incorporated in BVI with limited liability on 19 April 2005 and owned as to 89% by Mr. Mars Ho, as to 1% by Madam Gu and as to 10% by Mr. KH Ho
"AIL"	Austar International Limited, a company incorporated in Hong Kong with limited liability on 14 May 1991 and owned as to 89% by Mr. Mars Ho, as to 1% by Madam Gu and 10% by Mr. KH Ho
"Alexanderwerk"	Alexanderwerk GmbH, a company incorporated in Germany which deals with the engineering, assembly and sale of machines and plants for compaction, granulation and size reduction, being an Independent Third Party
"Allentown"	Allentown Inc., a company incorporated in the USA which supplies products relating to biomedical research facility
"Application Form(s)"	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offer
"APPS"	Austar Pharmaceutical Process Systems Limited (奧星製藥工藝系統有限公司), a company incorporated in Hong Kong with limited liability on 20 April 2012 and an indirect wholly-owned subsidiary of our Company

"APPS (SJZ)"	奧星製藥工藝系統(石家莊)有限公司 (Austar Pharmaceutical Process Systems (Shijiazhuang) Co., Ltd.*), a sino-foreign joint venture enterprise established in the PRC on 6 May 2014 and an indirectly wholly-owned subsidiary of our Company
"Articles" or "Articles of Association"	the articles of association of our Company, as amended from time to time
"associate(s)"	has/have the meaning ascribed thereto under the Listing Rules
"ATMI"	ATMI, Inc., a corporation organised and existing under the laws of the State of Delaware, USA, the previous holding company of our joint venture partner in PALL-AUSTAR JV
"Austar BVI"	Austar Equipment Limited, a company incorporated in BVI with limited liability on 25 January 2005 and a wholly-owned subsidiary of our Company
"Austar CE"	奧星潔淨設備(上海)有限公司 (Austar Clean Equipment (Shanghai) Co., Ltd.*), a company with limited liability established in the PRC on 12 November 2007 and an indirectly wholly-owned subsidiary of our Company
"Austar Europe"	Austar Europe S.r.l. (formerly known as Austar Aqua Europe S.r.l), a limited liability company (societá a responsabilitá limitata) established in Italy on 27 July 2012 and owned as to 99% by APPS and as to 1% by Mr. Enzo Barazetti, a non-executive Director
"Austar Hansen"	奧星衡迅生命科技(上海)有限公司 (Austar Hansen Lifesciences (Shanghai) Co., Ltd.*), a limited liability company established in the PRC on 29 March 2001 and an indirectly wholly-owned subsidiary of our Company
"Austar SJZ"	奧星製藥設備(石家莊)有限公司 (Austar Pharmaceutical Equipment (Shijiazhuang) Co., Ltd.*), a limited liability company established in the PRC on 9 July 2004 and an indirectly wholly-owned subsidiary of our Company

"Backlog"	the contract value of work we estimate to remain to be completed as of a certain date assuming the performance is in accordance with the terms of the contract
"Beijing Fresenius Kabi"	北京費森尤斯卡比醫藥有限公司 (Beijing Fresenius Kabi Pharmaceutical Company Limited*), a company established in the PRC which is engaged in the manufacture and sale of infusion, transfusion and clinical nutrition and it is an affiliate of Fresenius Kabi AG, which is a company incorporated in Germany. Beijing Fresenius Kabi is an Independent Third Party
"Board"	our board of Directors
"BOCOM International Securities"	BOCOM International Securities Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on future contracts) regulated activity under the SFO
"Business Day(s)"	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licenced banks in Hong Kong are open for banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of Shares to be made upon the capitalisation of the share premium account of our Company as referred to in the paragraph headed "5. Resolutions in writing of all our Shareholders passed on 21 October 2014" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFDA"	China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局) established in March 2013, the successor of SFDA
"ChargePoint"	ChargePoint Technology Limited, a company incorporated in England which supplies containment valves and integrated material handling equipment for pharmaceutical, chemical, food and process based industries, being an Independent Third Party
"Chengdu Institute of Biological Products"	成都生物製品研究所有限公司 (Chengdu Institute of Biological Products Co. Ltd*), a company established in the PRC, which is engaged in the research and development and manufacture of biological products such as vaccines and which is controlled by China National Pharmaceutical Group Corporation. Chengdu Institute of Biological Products is an Independent Third Party
"Circular No. 37"	the Notice on Relevant Issues Concerning Foreign Exchange Administration Relating to Domestic Residents' Offshore Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (including its appendices) (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
"Clean Room and Automation Control and Monitoring System"	one of our business segments under which we offer clean room enclosure systems together with automation control and monitoring systems, all of which are essential elements in a pharmaceutical manufacturing system, aiming to create controlled clean environment, save energy and materials, improve quality, accuracy and precision in manufacturing of our customers
"close associate(s)"	has/have the meaning as ascribed thereto under the Listing Rules

"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Austar Lifesciences Limited, an exempted company with limited liability incorporated on 9 January 2014 under the laws of the Cayman Islands
"connected person(s)"	has/have the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has/have the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, for the purpose of our Company, refer(s) to Mr. Mars Ho, SFH, Madam Gu and HCV individually or as a group of persons where the context requires
"core connected person(s)"	has/have the meaning as ascribed to it under the Listing Rules
"CPhI"	Convention on Pharmaceutical Ingredients, a range of global events organised for practitioners in the pharmaceutical industry by UBM Plc, a company headquartered in London and listed on the London Stock Exchange which is a provider of global events-led marketing and communications services
"Deed of Non-Competition"	the deed of non-competition dated 21 October 2014 executed by Mr. Mars Ho, SFH, Mr. KH Ho and TWG in favour of our Group
"Director(s)" or "our Director(s)"	director(s) of our Company
"Distribution and Agency of Pharmaceutical Equipment"	one of our business segments under which we act as sales agent and/or distributor for a variety of well known foreign and local brands pharmaceutical equipment

"DLA Piper Hong Kong"	DLA Piper Hong Kong, our legal advisers as to International Sanctions laws
"EIT"	enterprise income tax
"EMA"	European Medicines Agency, which is a decentralised agency of the European Union responsible for the scientific evaluation of medicines developed by pharmaceutical companies for use in the European Union since 1995
"emerging countries"	for the purpose of this prospectus only, Brazil, Russia, India, Egypt, Turkey, Jordan, Mongolia, Saudi Arabia countries in the South East Asia, such as Malaysia, Vietnam and Philippines and other fast-growing developing countries
"Euro"	Euro, the lawful currency of the member states of the European Union
"FDA"	United States Food and Drug Administration, which is an agency within the United States Department of Health and Human Services, which is responsible for protecting the public health by assuring the safety, effectiveness, quality, and security of human and veterinary pharmaceutical products, biological products, and medical devices in the USA
"FOB"	free on board
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an affiliate of Frost & Sullivan, a global research organisation and provider of international market intelligence on consumer services and products and lifestyles, an Independent Third Party
"Frost & Sullivan Report"	the commissioned report from Frost & Sullivan
"GlaxoSmithKline Biologicals"	葛蘭素史克生物製品(深圳)有限公司 (GlaxoSmithKline Biologicals (Shenzhen) Co., Ltd.*), a company established in the PRC, engaged in the research and manufacture of biological products including vaccines and is an affiliate of GlaxoSmithKline, which in turn is a leading research-based pharmaceutical and healthcare company. GlaxoSmithKline Biologicals is an Independent Third Party

"Global Offering"	the Hong Kong Public Offer and the International Placing
"GMP Compliance Service"	one of our business segments under which we offer consulting services relating to professional and comprehensive validation and GMP compliance consultancy for pharmaceutical manufacturers to meet standards under China New GMP and those set down by FDA, EMA and WHO. GMP compliance, our services comprise validation consultancy services, validation testing services, QMS consultancy services, GEP and consultancy services and training services
"GREEN Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form Service Provider**
"Group", "we", "our" and "us"	our Company and its subsidiaries (excluding, for this purpose, PALL-AUSTAR JV, which is treated as a joint venture for accounting purpose, and its wholly-owned subsidiary, namely, PALL-AUSTAR WFOE) or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them
"Hach"	Hach Company, a company incorporated in the USA which is a manufacturer and distributor of analytical instruments and reagents used to test the quality of water and other liquid solutions and is a subsidiary of Danaher Corporation, which in turn is a Fortune 500 corporation. Hach Company is an Independent Third Party
"Haitong" or "Sole Sponsor"	Haitong International Capital Limited, a corporation registered under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
"Haitong Securities", "Sole Global Coordinator" or "Stabilizing Manager"	Haitong International Securities Company Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activity under the SFO, the Sole Global Coordinator, the Stabilizing Manager, one of the Joint Bookrunners and one of the Joint Lead Managers of the Global Offering

"HCV"	Honour Choice Ventures Limited, a company incorporated in BVI with limited liability on 18 November 2013 and wholly owned by Madam Gu. HCV is one of our Controlling Shareholders
"Hisun Pharmaceutical"	海正藥業(杭州)有限公司 (Hisun Pharmaceutical Hangzhou Co., Ltd.*), a company established in the PRC which is engaged in the manufacture and sale of pharmaceutical products and a wholly owned subsidiary of 浙江海正藥業股份有限公司 (Zhejiang Hisun Pharmaceutical Co., Ltd*), which in turn is a company established in the PRC and engaged in the research, development, manufacture and sale of pharmaceutical products and whose shares are listed on the Shanghai Stock Exchange. Hisun Pharmaceutical is an Independent Third Party
"HK eIPO White Form"	the application for the Public Offer Shares to be issued in the own name of the applicant by submitting application online at the designated website of the **HK eIPO White Form** at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	The Bank of East Asia, Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
"Hong Kong Offer Shares"	the 12,500,000 new Shares initially being offered for subscription in the Hong Kong Public Offer, subject to adjustment as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Hong Kong Public Offer"	the conditional offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions described in this prospectus and the Application Forms

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 27 October 2014 in relation to the Hong Kong Public Offer entered into by our Company, SFH, Mr. Mars Ho, the executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"Hualan Biological"	華蘭生物工程股份有限公司 (Hualan Biological Engineering, Inc*), a company established in the PRC which is engaged in the the research, development, production, and commercialization of human blood products, viral vaccines, bacterial vaccines, and recombinant biological products, and whose shares are listed on the Shenzhen Stock Exchange, being an Independent Third Party
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected with any connected persons of our Company and their respective associates
"International Placing"	the conditional placing of the International Placing Shares at the Offer Price in reliance on Regulation S with professional, institutional and other investors by the International Underwriters on behalf of our Company as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Placing Agreement"	the conditional placing agreement in respect of the International Placing and expected to be entered into by, among others, our Company, our Controlling Shareholders the executive Directors, the Sole Global Coordinator, the Joint Bookrunners, the International Underwriters on or about the Price Determination Date

"International Placing Shares"	the 112,500,000 Offer Shares, together with, where relevant, any additional new Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, subject to adjustment as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing that are expected to enter into the International Placing Agreement
"ISPE"	International Society for Pharmaceutical Engineering, which is a not-for-profit association serving its members by leading scientific, technical and regulatory advancement throughout the entire pharmaceutical lifecycle, with around 20,000 members in 90 countries worldwide from pharmaceutical manufacturing industry
"Issuing Mandate"	the general unconditional mandate given to our Directors by our Shareholders relating to the issue of new Shares, particulars of which are set out in the paragraph headed "5. Resolutions in writing of all our Shareholders passed on 21 October 2014" in Appendix IV to this prospectus
"Joint Bookrunners"	Haitong Securities and BOCOM International Securities
"Joint Lead Managers"	Haitong Securities, BOCOM International Securities and KGI
"KGI"	KGI Capital Asia Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO
"Latest Practicable Date"	19 October 2014, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Life Science Consumables"	one of our business segments under which we act as distributor of life science consumables such as cleansers, disinfectants, indicators, sterile bags, cleaning tools personal protection items and single-use bioprocess systems

"Lijun Group Companies"	(a) 石家莊四藥有限公司 (Shijiazhuang No. 4 Pharmaceutical Co., Ltd.*), a company established in the PRC which is engaged in the manufacture and sale of pharmaceutical products in the PRC, including provision of infusion solutions and production of various dosage form such as tablet and capsule; (b) 西安利君製藥有限責任公司 (Xi'an Lijun Pharmaceutical Co., Ltd.*), a company established in the PRC which is engaged in manufacturing and sale of pharmaceutical products in Shaanxi Province, the PRC, each being a wholly owned subsidiary of Lijun International Pharmaceutical (Holding) Co., Ltd., a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2005), and an Independent Third Party
"Liquid and Bioprocess System"	one of our business segments under which we offer integrated engineering solutions relating to all liquid related systems such as pharmaceutical water systems, liquid preparation systems, bioprocess systems and the related equipment
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in our Shares on the Main Board first commence
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
"Madam Gu"	Madam Gu Xun (顧迅), the spouse of Mr. Mars Ho, the ultimate owner, through her interest in HCV, of 1% of our issued Shares as at the Latest Practicable Date and one of the Controlling Shareholders

"Main Board"	the stock market operated by the Stock Exchange, which excludes the Growth Enterprise Market of the Stock Exchange and the options market
"M&O Perry"	M&O Perry Industries, Inc., a company headquartered in the USA which is engaged in the design and manufacture of cleaning, sterilising, filling, and closing machines for the pharmaceutical, biotech, diagnostics, and animal health markets, being an Independent Third Party
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
"Mr. KH Ho"	Mr. Ho Kin Hung (何建紅), one of our executive Directors and the ultimate owner, through his interest in TWG, of 10% of our issued Shares as at the Latest Practicable Date
"Mr. Mars Ho"	Mr. Ho Kwok Keung Mars (何國強), chairman of our Board, our chief executive officer, one of our executive Directors, one of our Controlling Shareholders, the ultimate owner, through his interest in SFH, of 89% of our issued Shares as at the Latest Practicable Date and the spouse of Madam Gu
"NASDAQ"	the National Association of Securities Dealers Automated Quotations
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NRCMIS"	new rural co-operative medical insurance scheme, which is a basic health social security system, targeted to all farmers and rural residents of the PRC, as promulgated by the State Council and financed and subsidised by both central and local government of the PRC, farmers organisations and families
"NYSE"	the New York Stock Exchange
"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control

"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee, SFC transaction levy and the Stock Exchange trading fee) under the Global Offering which is expected to be determined as further described in the section headed "Structure and conditions of the Global Offering – Price determination of the Global Offering" in this prospectus
"Offer Shares"	collectively, the Hong Kong Offer Shares and the International Placing Shares
"OHSAS"	Occupational Health and Safety Assessment Series is an internationally recognised assessment specification for occupational health and safety management systems. OHSAS aims to promote a safe and healthy working environment by providing a framework that allows the organisations to consistently identify and control their health and safety risks, reduce the potential for accidents, aid legislative compliance and improve overall performance
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters under the International Placing Agreement pursuant to which our Company may be required by the Sole Global Coordinator (for itself and on behalf of the International Underwriters), to allot and issue up to 18,750,000 additional new Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any
"PALL"	Pall Corporation, a corporation organised and existing under the laws of the state of New York, USA, whose shares are listed on NYSE, the holding company of our joint venture partner in PALL-AUSTAR JV
"PALL-AUSTAR JV"	PALL-AUSTAR Lifesciences Limited (formerly known as ATMI Austar Lifesciences Limited), a company incorporated in Hong Kong with limited liability on 18 April 2007 and an indirect non-wholly owned subsidiary of our Company

"PALL-AUSTAR WFOE"	頗爾奧星包裝科技(北京)有限責任公司 (PALL Austar Packaging Technology (Beijing) Limited Liability Company*) (formerly known as 艾微美奧星包裝科技(北京)有限責任公司 (ATMI Austar Packaging Technology (Beijing) Limited Liability Company*)), a wholly foreign owned enterprise established in the PRC on 15 January 2008 and a wholly-owned subsidiary of PALL-AUSTAR JV
"PALL Life Sciences"	Pall Life Sciences Belgium BVBA, a company incorporated in Belgium, being a wholly owned subsidiary of PALL and a former wholly owned subsidiary of ATMI, which supply single-use mixing, storage, powder transfer, and packaging and bioreactor technology solutions, and owned 40% of the issued share capital of PALL-AUSTAR JV as at the Latest Practicable Date
"PBOC"	The People's Bank of China (中國人民銀行), the central bank of the PRC
"PBOC Rate"	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day's China interbank foreign exchange market rate and with reference to current exchange rates on the world financial market
"percentage of completion"	an accounting method to determine the appropriate amount of revenue from our integrated engineering solutions which require construction works and/or service projects to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract
"PIAB"	Piab Shanghai Co. Ltd (派亞博真空產品貿易(上海)有限公司), a company established in the PRC and which is a subsidiary of Piab Group Holding AB, which is a global organisation headquartered in Sweden which develops and manufactures automated material handling and factory automation processes, both being Independent Third Parties

"Powder and Solid System"	one of our business segments under which we offer integrated engineering solutions using technology which provide dust-free containment powder transfer systems, for processing, storage, blending and transportation of pharmaceutical products, including excipients, active pharmaceutical ingredients, granules, capsules and tablets
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Adviser"	Jia Yuan Law Offices, our legal adviser as to PRC laws
"Price Determination Agreement"	the agreement expected to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the Offer Price
"Price Determination Date"	the date, expected to be on or around 31 October 2014 but no later than 4 November 2014, on which the Offer Price is fixed for the purpose of the Global Offering
"Regulation S"	Regulation S under the U.S. Securities Act of 1933
"Reorganisation"	the reorganisation arrangements undertaken by our Group in preparation for the Listing which are described in more details in the section headed "History, Reorganisation and Group structure" in this prospectus
"Reporting Accountant"	PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set out in the paragraph headed "5. Resolutions in writing of all our Shareholders passed on 21 October 2014" in Appendix IV to this prospectus

"Rockwell"	Rockwell Automation (China) Company Limited 羅克韋爾自動化(中國)有限公司, a subsidiary of Rockwell Automation, Inc., a company headquartered in the USA which provides services, products and solutions in industrial automation, including control and information platforms, software applications and automation components, and motor control products, solutions and services and whose shares are listed on the NYSE, an Independent Third Party
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the PRC State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局)
"Sanctioned Countries"	countries which are the targets of economic sanctions as administered by the OFAC, under the laws of other countries and under international law, such as Lebanon and Iran
"Sanctioned Persons"	certain persons and entities listed on OFAC's Specially Designated Nationals and Blocked Person List
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFDA"	the State Food and Drug Administration of the PRC (中華人民共和國國家食品藥品監督管理局) established in April 2003, the predecessor of CFDA
"SFH"	Standard Fortune Holdings Limited, a company incorporated in BVI with limited liability on 21 November 2013 and wholly owned by Mr. Mars Ho. Standard Fortune Holdings Limited is one of our Controlling Shareholders
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Shanghai Austar"	上海奧星製藥技術裝備有限公司 (Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd.*), a wholly foreign owned enterprise established in the PRC on 20 August 2003 and an indirectly wholly-owned subsidiary of our Company
"Shanghai Institute of Biological Products"	上海生物製品研究所有限公司 (Shanghai Institute of Biological Products Co., Ltd*), a company established in the PRC which is engaged in research and development and manufacture of biological products such as vaccines and which is controlled by China National Pharmaceutical Group Corporation. Shanghai Institute of Biological Products is an Independent Third Party
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Share Repurchase"	the repurchase of 100 shares of US$1.00 par value in Austar BVI, representing the entire equity interest owned by Austar International in Austar BVI which was completed on 20 June 2014, being one of the steps of the Reorganisation
"Shijiazhuang R&D and Production Centre"	the new R&D and production centre to be constructed by us in two phases in Shijiazhuang, Hebei, the PRC, further details are set out in the section headed "Business – Business Strategies – To establish R&D Centre and consolidate production workshops"
"Siemens"	西門子(中國)有限公司 (Siemens Ltd., China*), an affiliate of Siemens AG, a multinational engineering and electronics conglomerate company headquartered in Germany, being an Independent Third Party
"Songjiang Production Centre"	the new production centre to be constructed by us in Songjiang, Shanghai, the PRC, further details are set out in the section headed "Business – Business Strategies – To establish R&D centre and consolidate production workshops"
"State Council"	the State Council of the PRC (中華人民共和國國務院)

"STERIS"	STERIS Corporation, a company established under the laws of the state of Ohio, USA and whose common shares are listed on the NYSE and the holding company of our joint venture partner in STERIS-AUSTAR JV
"STERIS-AUSTAR JV"	STERIS-AUSTAR Pharmaceutical Systems Hong Kong Limited (思泰瑞奧星製藥設備有限公司), a company incorporated in Hong Kong with limited liability on 27 September 2006 and owned as to 49% by Austar BVI, and as to 51% by STERIS Mauritius Limited (an Independent Third Party) as at the Latest Practicable Date
"STERIS-AUSTAR WFOE"	思泰瑞奧星製藥設備(上海)有限公司 (Steris Austar Pharmaceutical Equipment (Shanghai) Co. Ltd.*), a wholly foreign owned enterprise established in the PRC on 14 May 2007 and a wholly-owned subsidiary of STERIS-AUSTAR JV
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between SFH and the Stabilising Manager on or about the same date as the International Placing Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of 100 shares of US$1.00 par value each in Austar BVI by our Company which was completed on 16 June 2014, being one of the steps of the Reorganisation
"subsidiary(ies)"	has/have the meaning ascribed to it under the Companies Ordinance
"substantial shareholder(s)"	has/have the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014

"TWG"	True Worth Global Limited, a company incorporated in BVI with limited liability on 7 November 2013 and wholly owned by Mr. KH Ho
"UEBMIS"	urban employee basic medical insurance scheme, an insurance scheme for employees, as promulgated by the State Council which is financed by both employers and employees
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Placing Agreement
"URBMIS"	urban resident basic medical insurance scheme, an insurance scheme for residents of the PRC which was piloted in cities of the PRC, as promulgated by the State Council which is largely funded by individuals and subsidised by the PRC Government
"USA" or "US" or "U.S."	the United States of America
"VAT"	value added tax, payable under the Provisional Regulations Concerning Value-Added Tax of the PRC (中華人民共和國增值税暫行條例)
"WFOE"	wholly foreign-owned enterprise
"HK$" or "HK dollars" or "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq. m." or "m^2"	square metre(s)
"US$" or "US dollars"	United States dollars, the lawful currency of the US
"%"	per cent.

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, RMB amounts have been translated using the following rates:

US$1 = RMB6.25

RMB1 = HK$1.245

No representation is made that any amounts in US$, RMB or HK$ were or could have been converted at the above rates or at any other rates or at all.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with "" are for identification purpose only.*

The English text of this prospectus shall prevail over the Chinese text in case of inconsistency.

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to the standard industry definitions.

"biopharmaceutical" or "biological drug"	a pharmaceutical product manufactured or extracted from biological sources
"bioprocess engineering"	a specialisation of biotechnology, biological engineering, chemical engineering and of agricultural engineering, it deals with the design and development of equipment and processes for the manufacturing of products such as food, feed, pharmaceuticals, nutraceuticals, chemicals, and polymers and paper from biological materials
"bioreactor"	a manufactured or engineered device or system that supports a biologically active environment
"BS OHSAS 18001: 2007"	a British standard of OHSAS for occupational health and safety management assessment series 18001
"China GMP"	GMP issued from time to time pursuant to the Law of the PRC on the Administration of Pharmaceuticals to provide quality assurance and ensure that pharmaceutical products subject to the guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended uses
"China New GMP "	new edition of China GMP issued in 2010
"cold chain management"	a quality related management system which maintains a series of storage and distribution activities in a given temperature and humidity range. It is used to help extend and control the shelf life of products such as temperature controlled pharmaceutical products, agricultural products, etc.
"drug delivery system"	formulation or device that delivers therapeutic agent(s) to desired body location(s) and/or provides timely release of therapeutic agent(s). The system, on its own, is not a therapy, but improves the efficacy and/or safety of the therapeutic agent(s) that it carries

"EDI"	electrodeionisation, which is a water treatment technology that utilises an electrode to ionise water molecules and separate dissolved ions (impurities) from water
"EHS"	environment, health and safety
"EU GMP"	GMP issued from time to time effective in the European Union to provide quality assurance and ensure that pharmaceutical products subject to the guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended uses
"excipient"	an inactive substance that serves as the vehicle or medium for pharmaceutical products
"factory acceptance testing"	a testing procedure which takes place prior to delivery or final installation, at the Group's assembling plant to ensure the process systems or equipment operates according to its assembling code and contractual specifications and functional requirements
"GEP"	the set of good engineering practices, which are applied to engineering and technical activities to ensure a company manufactures products of the required quality as expected (including those by the relevant regulatory authorities)
"GMP"	the set of good manufacture practices, including guidelines and regulations in general required in order to conform to guidelines laid down by agencies which control authorisation and licensing for manufacture and sale of food, drug products, and active pharmaceutical products, and different countries may have adopted and legislated for their own GMP
"heat exchanger"	an equipment for efficient heat transfer from one medium to another
"HVAC"	heating, ventilation and air conditioning

"ISO"	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality system of business organisations
"ISO 9001:2008"	a standard published by ISO that specifies requirements for a quality management system where an organisation needs to demonstrate its ability to consistently provide products that meet customer and applicable statutory and regulatory requirements
"ISO 14001:2004"	a standard of the ISO 14000 series, which specifies a framework of control for an environmental management system against which an organisation can be certified by a third party
"LDPE"	low-density polyethylene
"liquid preparation system"	a system which processes phases of first and second mixing, filtering, weighing and transfer and on-line system cleaning and sterilisation and transfer to filling production workshop
"MES"	a manufacturing execution system which is a computerised system used in manufacturing enabling the control of multiple elements in a production process by providing the right information at the right time and show the manufacturing decision maker as to how the current conditions on the plant floor can be optimised to improve production output
"modularisation"	a design technique that emphasises separating the functionality of a program into independent, interchangeable modules, such that each contains everything necessary to execute only one aspect of the desired functionality
"monoclonal antibody"	monospecific antibody that are the same because they are made by identical immune cells that are all clones of a unique parent cell, in contrast to polyclonal antibody which are made from several different immune cells

"multiple effect water stills"	an equipment which removes impurities in water by evaporation followed by condensation and then produces high quality water for injection in multiple distillation columns
"pharmaceutical equipment"	machines and devices which are used as component in various phases in a pharmaceutical production process. Typical equipment includes process equipment, filling and packaging equipment, sterilising equipment, etc.
"pharmaceutical equipment, process system and service market"	the provision of integrated engineering solutions including the design, installation and commissioning of process systems comprising pharmaceutical equipment and other components, the provision of validation and other services, and manufacture and distribution of consumables for pharmaceutical industry
"pharmaceutical water system"	a system which prepares different grades of water for different pharmaceutical uses
"PLC"	programmable logic controller, which is a digital computer used for automation of industrial processes, such as machinery control in factories
"powder micronisation"	a process of reducing the average diameter of a solid material's particles to up to only a few micrometers in diameter
"pure steam generator"	an equipment which produces pure steam by evaporation and removal of pyrogen (a substance that causes fever)
"PVC"	polyvinyl chloride, a type of plastic material
"QMS"	quality management systems
"R&D"	research and development
"recombinant protein drug"	a protein drug which is created from laboratory methods of genetic recombination
"site acceptance testing"	a testing procedure which takes place after the delivery and installation of the process systems or equipment, which usually involve inspections, adjustments and system testing

"skid"	a modular designed frame which is based on plug-and-play concept and integrates equipment and parts into a frame and thus enables the system to be ready to use
"Tyvek"	a brand of flashspun high-density polyethylene fiber
"validation"	the act of demonstrating and documenting that a procedure operates consistently at a high degree of assurance and meets the required regulatory requirements and standards. It is generally accepted as a regulatory requirement of the international regulatory bodies (such as FDA, EMA and WHO) for manufacturers of a pharmaceutical product be validated before a facility inspection is made
"VHP"	vapourised hydrogen peroxide, a kind of technology for sterilisation
"WHO"	World Health Organisation, which is the directing and coordinating authority for health within the United Nations system. It is responsible for providing leadership on global health matters, shaping the health research agenda, setting norms and standards, articulating evidence-based policy options, providing technical support to countries and monitoring and assessing health treads

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as "may", "will", "should", "would", "could", "believe", "expect", "anticipate", "intend", "plan", "continue", "seek", "estimate" or the negative of these terms or other similar terms. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- the risks, challenges and uncertainties in the pharmaceutical manufacturers and research institutes industries and for our business generally;
- our operations and business prospects;
- changes in our strategies, plans, objectives and goals;
- changes to our current expansion strategy, including our ability to expand our production facilities and capabilities;
- uncertainties relating to our ability to maintain and expand our agency and distribution network;
- changes in the pharmaceutical industry in China and international markets, including changes in the policies in the pharmaceutical industry and regulations of the PRC government;

- technological changes affecting the industries which pharmaceutical manufacturers and research institutes are within;

- uncertainties relating to our ability to comply with all relevant environmental, health and safety laws and regulations;

- uncertainties relating to our ability to obtain and maintain permits, licenses and registrations to carry on our business;

- changes in our planned use of proceeds;

- uncertainties relating to our future prospects, business development, results of operations and financial condition;

- changes in our future capital requirements and capital expenditure plans;

- the actions and developments of our competitors;

- fluctuations in general economic and business conditions in China; and

- volumes, operations, margins, overall market trends, risk management and exchange rates.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events, including those set forth in the section headed "Risk factors" in this prospectus, could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement. Investors should not place undue reliance on such forward-looking information.

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

In addition to the risk factors described below, other risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deemed immaterial, may also adversely affect our business, operating results and financial condition in a material respect and the trading price of the Offer Shares could also fall considerably.

RISKS RELATING TO OUR BUSINESS

We may not be able to maintain our historical growth rates or profit margins, and our results of operations may fluctuate significantly

During the three years ended 31 December 2013, we have been experiencing significant growth by having a significant increase in revenue. For the three years ended 31 December 2013, our revenue totalled RMB325.2 million, RMB420.8 million and RMB705.2 million, respectively, representing a CAGR of 47.3% over the three years. Our revenue totalled RMB320.8 million for the six months ended 30 June 2014, representing a drop of 9.4% from RMB354.1 million for the same period in 2013. For the three years ended 31 December 2013, our profit for the year totalled RMB27.3 million, RMB35.5 million and RMB53.6 million, respectively, representing a CAGR of 40.0% over the three years. Our profit for the six months ended 30 June 2014 totalled RMB32.7 million, representing a drop of 8.0% from RMB35.6 million for the same period in 2013. For a variety of reasons, we may not be able to expand our business at a rate comparable to our historical performance. Growth could be hampered by an economic downturn, fierce competition, change in regulations and government policies, failure to catch up with technology developments, shortage of key or specialised personnel or other risks described in this section.

Our success depends on the market recognition of our brand and we could be adversely affected by negative publicity

We rely heavily on the market recognition of our "AUSTAR" brand. We have a well-established operating history and strong brand recognition. We believe that business growth in our services and products depends heavily on the public perception of our brand and we anticipate that we will continue to rely on our brand in our future business. If we fail to promote our brand or to maintain or enhance the brand recognition and awareness amongst our customers, or if we are subject to events or negative allegations affecting our brand image or publicly perceived position of our brand, our business, our operating results and our financial condition could be adversely affected.

Our expansion of the production facilities and the investment in the new R&D facilities and demonstration centres may not be as successful as we have planned

To support our growing operations, we are planning to consolidate our existing production bases located in different leased premises in Shijiazhuang and Shanghai and expand our production capacity at Shijiazhuang and Shanghai. We plan to acquire land use rights in Shijiazhuang and develop the land, and further develop part of our owned property in Shanghai which is currently vacant to consolidate our production workshops in Shanghai. Both involve construction of new production and ancillary facilities and the installation of new production and assembling equipment, the total investment cost of which is estimated to be approximately RMB148.0 million.

As at the Latest Practicable Date, we have received indicative approval from the PRC local government of Shijiazhuang in relation to site selection of a piece of land in Shijiazhuang High-New Technology Industry Development Zone, and we are discussing the terms of acquisition, and no definitive terms of acquisition have been agreed upon and no legally binding agreement has been entered into. Assuming that completion of the acquisition of land in Shijiazhuang is completed by the 1st quarter of 2015, and development of the land can be commenced in 1st quarter of 2015, completion of construction works of phase one is expected to complete by the end of 2015. Upon the expected completion of construction works of phase one of the production centre by the end of 2015, the Shijiazhuang R&D and Production Centre is expected to enhance our operational efficiency, increase our production capacity, in particular in relation to our integrated engineering solutions and our production of skid under our Liquid and Bioprocess System segment and discharging machine under our Powder and Solid System segment; and upon its expected completion of construction of the R&D facilities in phase two by the end of 2016, it is also expected to enable us to showcase our products and services and enhance our R&D capabilities, further details of which are set out in the section headed "Business – Business strategies – To establish R&D centre and consolidate production workshops".

The development of the Songjiang Production Centre is also expected to consolidate our production workshops in Shanghai and increase our production capacity in relation to clean room enclosure system under our Clean Room and Automation Control and Monitoring System segment, purified water generator, heat exchanger and pressure vessel under our Liquid and Bioprocess System segment, upon its expected completion in early 2017. The completion of the above new production facilities may significantly increase our existing effective production capacity as at 30 June 2014. Our expansion plans described above may involve the following risks:

- The success of the implementation of our expansion plan relies heavily on our ability to secure the land in Shijiazhuang and obtain the relevant approvals, permits and licenses to commence the construction of the production facilities in both Shijiazhuang and Shanghai in accordance with our planned expansion timeline. We cannot assure you that we can successfully acquire the land in Shijiazhuang and obtain the relevant approvals, permits and licenses in both Shijiazhuang and Shanghai in a timely manner. In the event that we failed to acquire the land and obtain the necessary approvals, permits and licenses, our expansion plan may be delayed.

- Our actual production volume may vary depending on the demand and order intake of different types of our products to be received from our customers which in turn may be affected by market trend, customers' preferences or other factors which are beyond our control. The demand for our products as well as the order intake to be received and the revenue and profits to be generated may not increase in line with our increase in production capacity and we cannot assure you that there will not be under-capacity.

- In addition, we expect to incur increased costs, such as direct labour costs (as a result of additional production and R&D staff) and depreciation costs (as a result of our significant investment in land, buildings, machinery and equipment), in connection with the plan as described.

- We cannot assure you that our investment in R&D facilities and demonstration centres will successfully yield any meaningful R&D results, attract additional and continuing interest in our product lines or secure any new projects from any potential customers. If our capital expenditure spent on these R&D facilities and demonstration centres exceeds the benefits of capturing new business opportunities, our business, financial condition and results of operations may be materially and adversely affected.

- Further, as we fund our expansion plan by both net proceeds from the Global Offering as well as cash flows from our operations, it will require funding of a portion of the development cost out of the cash flows from our operation, which may in turn adversely affect our liquidity position. If we are not able to maintain our cash flow, our liquidity position may be adversely affected.

- We cannot assure you that our production capacity expansion plans will be successfully implemented without delay or at all. Any failure or delay in implementing any part of these plans may result in a lack of production capacity to support our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations.

Part of our sales is project based, and we may not have recurring business

We provide integrated engineering solutions with quality pharmaceutical manufacturing equipment and GMP Compliance Service to the pharmaceutical manufacturing industry on a project basis. The products comprised in our integrated engineering solutions may have a useful life of many years. As such, other than our business under the Life Science Consumables segment, our revenue may not be recurring in nature and we cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing projects. Our Group has to go through a competitive tendering or quotation process to secure new project works. In the event we are unable to maintain business relationship with existing customers or unable to price our tender or quotation competitively, our business and hence our revenue will be adversely affected. It is critical to our Group to secure new projects of similar or larger contract sum on a continuous basis, and should we fail to do so, the financial performance of our Group will be adversely affected.

Cost overruns in our integrated engineering solutions projects will affect our costs and materially affect our financial performance

The duration of our integrated engineering solutions projects usually range between 6 and 12 months. Due to the duration of the project, cost management is critical in ensuring that the project meets its budgeted profit margin. The risk of cost overrunning increases with the duration of a project, due to possible increase in the price of materials and labour. In our preparation of quotations, we will carry out internal costing and budgeting estimates of labour and supplies which are based on the quotations given by our suppliers, as well as our own estimation of costs to be incurred. Thereafter, the contract value, as quoted to the main contractor for a project, is arrived at by evaluating all related costs which include, inter alia, the indicative pricing of our suppliers. As the contract may be awarded (and hence, the contract valued committed) sometime subsequent to the date of quotation submission, there is a possibility that the actual prices obtained from our suppliers and subcontractors will be less favourable. We will normally issue a purchase order approximately within approximately 1-2 months from the date we obtained the contract for the project. Our contracts with our customers do not permit any adjustment for escalation in the price of supplies or labour. In the event prices required to be paid to our suppliers and subcontractors are higher than budgeted in our quotation, and we are unable to pass such cost increase to our customers, our profitability and financial performance will be adversely affected.

We depend on a stable and adequate supply of quality raw materials which are subject to price volatility and other risks

For each of the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, our cost of raw materials accounted for approximately 80.5%, 75.6%, 77.9% and 73.3%, respectively, of our total cost of sales over the same periods. As a result, our ability to deliver quality integrated engineering solutions, and our production volume and production costs depend on our ability to source quality raw materials, including main equipment, and other ancillary parts for our services and products offered. We either supply our manufactured products or source other equipment or component as part of our integrated engineering solutions from our suppliers based in the PRC and overseas, at competitive prices. If we are unable to obtain raw materials in the quantities and of a quality that we require, our production volume, quality of products and profit margins may be adversely affected. In addition, raw materials used in our production are subject to price volatility caused by external conditions, such as market supply and demand, commodity price fluctuations, currency fluctuations, changes in governmental policies and natural disasters. In addition, our ability to pass increased raw materials costs on to our customers may be limited by competitive pressure. We cannot assure you that we will be able to raise the prices of our products sufficiently to cover increased costs resulting from increases in the cost of our raw materials or overcome the interruption of sufficient supply of qualified raw materials for our products. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability.

A failure to complete certain of our integrated engineering solutions projects and consulting service projects on a timely basis could materially affect our financial performance, reputation or we may be subject to resultant claims

Billings of our integrated engineering solution projects which require construction works and consulting service projects are based on the completion of certain milestone works in a timely manner as set out in our contract. A delay in a project will therefore affect our billings, revenue, operational cash flows and financial performance. We are also required to pay our suppliers notwithstanding the delay in the project if the purchase orders have been fulfilled. A delay or cancellation of projects could also result in idle or excess manpower resources in the event that replacement projects cannot be secured on a timely basis. A delay in the project can be due to various factors, including but not limited to, shortage of manpower. In addition, there may be a lapse of time between the completion of existing projects and the commencement of subsequent projects which may adversely affect our Group's financial performance and financial position. If the delay is caused by us, we are liable to pay our contracting parties for the liquidated damages stipulated in our contracts and our reputation could also be materially affected.

The preferential tax treatment for "High and New Technology Enterprises" currently available to us in the PRC may be changed or discontinued

Shanghai Austar, Austar SJZ and Austar Hansen are currently qualified as "High and New Technology Enterprises" under the PRC income tax law and subject to as mentioned below, were entitled to a preferential income tax rate of 15% on their taxable incomes during the Track Record Period. Their qualification as "High and New Technology Enterprises" is valid through September 2016, November 2015 and November 2016 respectively. We intend to apply for renewal of such qualification thereafter but there is no assurance that our application will succeed. In the event that this preferential tax treatment is discontinued, these subsidiaries will become subject to a 25% standard enterprise income tax rate, which would increase our income tax expenses and could materially reduce our net income and profitability. Austar SJZ is qualified as a "High and New Technology Enterprise" under the PRC income tax law and was entitled to a preferential income tax rate of 15% on its taxable income and its qualification as "High and New Technology Enterprise" was issued in November 2012 and valid from November 2012 through November 2015. Austar SJZ has paid its income tax based on preferential income tax rate of 15% in 2012 and 2013. However, in September 2014, Austar SJZ was notified by the relevant tax authority to pay back the preferential income tax benefit enjoyed by Austar SJZ in 2012 and 2013. Accordingly, the Group has made a provision of additional income tax expenses payable in the amount of RMB3.6 million and RMB4.3 million for the years ended 31 December 2012 and 2013, respectively, based on the income tax rate of 25%. Austar SJZ has settled such income tax expenses as at the Latest Practicable Date. As confirmed by the relevant tax authority in writing, Austar SJZ is entitled to the preferential income tax rate of 15% for quarterly income tax filing for the year ending 31 December 2014. For more details, please refer to the section headed "Financial Information – Key factors affecting our results of operations – PRC taxation and preferential tax treatment". We cannot assure you that Shanghai Austar, Austar Hansen and Austar SJZ will not encounter incidents of similar nature in the future and the relevant tax authorities will not further revoke the preferential tax treatment enjoyed by Shanghai Austar, Austar Hansen and Austar SJZ. Should the preferential tax treatment enjoyed by Shanghai Austar and Austar Hansen for the year ended 31 December 2013 have been revoked (i.e. subject to review or challenge by higher or other authorities), the profit for the year of our Group would be decreased from RMB53.6 million to RMB53.0 million for the year ended 31 December 2013 whereas the net assets of our Group would be changed from RMB128.4 million to RMB127.8 million as at 31 December 2013. Should the preferential tax treatment enjoyed by Shanghai Austar, Austar Hansen and Austar SJZ for the six months ended 30 June 2014 have been revoked, the profit of our Group during such period would be decreased from RMB32.7 million to RMB29.1 million whereas the net assets of our Group would be changed from RMB206.6 million to RMB202.4 million as at 30 June 2014.

Our insurance coverage may not be sufficient to cover product liability claims and we may incur significant losses resulting from product liability claims

We are exposed to risks associated with product liability claims if the use of our products results in damage or injury. With respect to our products, as at the Latest Practicable Date, we maintain product liability insurance. We cannot assure you that future changes of the rules and regulations in the PRC and the overseas jurisdictions in which we export to in relation to our products will not impose costly compliance requirements on us or otherwise subject us to future liabilities. We cannot assure you that product liability claims against us will not arise in the future, whether due to product malfunctions, defects or other causes, which may or may not exceed our insurance coverage. As a result, any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

We may face difficulty managing our expansion into new markets and such difficulty may materially affect our results of operation

Our expansion and growth may be dependent in part on our ability to expand into new markets by various ways including acquisition of suitable businesses or companies. The risks we face related to market expansion include difficulty in adapting to the new markets, for example, the new markets may have different business environments, competitive conditions, consumer preferences and discretionary spending patterns from our existing markets. As a result, consumers in the new markets may not be familiar with our brand and we may need to build brand awareness in such markets through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture. In addition, we may have difficulty in finding reliable suppliers or distributors with adequate supplies of raw materials and parts meeting our quality standards in the new markets. Sales in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

Furthermore, the success of our expansion through acquisitions and joint ventures is limited by the availability of, and competition for, suitable acquisition targets or joint venture partners and by our financial resources, including available cash and borrowing capacity. As we may pursue additional acquisitions in the future, we may face a number of risks, including diversion of management attention, inability to retain key personnel, other employees and clients of the acquired business, potential dilutive effect on our earnings, inability to establish uniform standards, controls, procedures and policies in the new markets or service areas, exposure to legal claims for activities of the acquired business prior to acquisition and inability to effectively integrate the acquired company and its employees.

Third parties may infringe upon our intellectual property rights, or we may be subject to claims of alleged infringement on the intellectual property rights of others

We use various intellectual property rights, including patents and trademarks, in our daily business. At present, we have obtained trademark and patents registrations for our principal products and know-how that have already been marketed. We rely on trademark, patent, domain names and trade secret protection laws and confidentiality agreements with our employees, customers and other stakeholders to protect our intellectual property rights. Trade secrets such as product designs and product customisation are covered by confidentiality agreements as well.

Our intellectual property is exposed to theft and other forms of misappropriation. In particular, the legal protection to trademarks, trade names, copyrighted materials, domain names, trade secrets, know-how and other forms of intellectual property in the PRC is limited and less effective as compared to many other countries.

Preventing unauthorised use of our intellectual property is therefore difficult, time-consuming and expensive, yet yielding limited and uncertain results. Misappropriation of our content, trademarks and other intellectual property could divert significant business to our competitors, damage our brand names and reputation, and may require us to initiate litigation that could be expensive, time consuming and require us to divert management resources from the operations of our business.

On the other hand, there is no assurance that infringement claims against us from third parties will not occur. We may be subject to legal proceedings and claims from time to time alleging infringement of copyrights, trademarks or patents, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such claims, regardless of merit, may involve us in time consuming and costly litigation or investigation, divert significant management and staff resources, require us to enter into expensive royalty or licensing arrangements, prevent us from using important technologies, business methods, content or other intellectual property, result in monetary liability, prevent us from distributing our products through the use of injunctions or other legal means, or otherwise disrupt our operations. As at the Latest Practicable Date, our Directors were not aware of any claims or imminent claims against us alleging infringement of proprietary intellectual property rights. We expect the likelihood of such claims may increase, particularly in our software business, as the number of competitors in our markets grows and as related patents and trademarks are registered or copyrights are obtained by such competitors.

For details of our intellectual property rights, including copyrights, trademarks and patents, please refer to the paragraph headed “8. Intellectual property rights” in Appendix IV to this prospectus.

Ongoing evolution of our business model driven by market demand may result in changing mix of our services and products, fluctuations in profit margins and working capital requirements

Our array of services and products fall into six business segments, which range from Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System, GMP Compliance Service, Life Science Consumables to Distribution and Agency of Pharmaceutical Equipment. Due to the variation in cost structures across our product mix, these product segments reported different segment results margins during the Track Record Period. Our overall gross margins fluctuated between 30.5% and 35.5% during the Track Record Period. The fluctuations were principally attributable to change in demand for mix in our services and products and hence the revenue derived from each business segment. We expect changes in the mix in our services and products and the business segment gross margins may continue to lead to fluctuations in our overall profit margins and working capital requirements in the future. This may also affect our business risk profile.

In addition, the continued evolution of our service and product offerings will also lead to an increase in risks relating to competition. Failure to adapt swiftly to these competitions may adversely affect our business operations and profitability in the future.

Our research and development activities aimed at enhancement of system and product applications may not yield meaningful results

We consider our R&D as one of the keys to our success. Success in developing system and product applications in our provision of integrated engineering solutions depends on our ability to anticipate and respond to technology development trend, customer preference and market demand. For each of the years ended 31 December 2011, 2012, 2013, our R&D costs amounted to approximately RMB11.8 million, RMB16.1 million and RMB23.9 million respectively, representing approximately 3.6%, 3.8% and 3.4% of our total revenue respectively and a CAGR of approximately 42.3%. Our R&D costs amounted to approximately RMB10.2 million for the six months ended 30 June 2014, representing an increase of 2.8% from RMB9.9 million for the same period in 2013. Currently, we have a number of R&D projects underway. Our Directors presently intend to apply approximately 9.5% of the net proceeds from the Global Offering for R&D purposes.

Developing new services and products in a timely manner can be time-consuming and costly. Based on our experience, the service and product development process is a lengthy process that may take one to two years before services and products can be commercially launched or adopted. There is no assurance that our service and product development projects can be completed within the anticipated time frame and our research and development efforts may not lead to new services and products that are commercially successful. We may also experience delays or be unsuccessful in any stage of service and product development and manufacturing. We may not be able to successfully adopt such services and products in our integrated engineering solutions or our customers may not be receptive to our new services and products. Our competitors' service and product R&D capabilities may be more effective than ours, and thus enabling them to launch or adopt their new services and products earlier than us and produce more effective integrated engineering solutions on a more cost-efficient basis. The introduction of new services and products, by our competitors, may result in price reductions in our integrated engineering solutions or reduced margins or loss of market share, and may lead to certain of our services and products becoming obsolete or non-competitive. Since the growth of our turnovers and profits in the future will heavily depend on our ability to provide quality integrated engineering solutions, in the event that we fail to provide quality integrated engineering solutions, our business prospects and profitability may be adversely affected.

We rely on our executive Directors and senior management and our ability to attract and retain qualified personnel, and failure to attract and retain qualified personnel may have a material adverse effect on our business, results of operations and financial condition

Our executive Directors and other members of our senior management have been instrumental in achieving our growth during the Track Record Period. In particular, the expertise and experience of Mr. Mars Ho, our chairman, chief executive officer and executive Director, Mr. KH Ho, our executive Director, Mr. Chen Yuewu, our executive Director, Madam Zhou Ning, our executive Director, Mr. Gao Qiang, our vice president and Mr. Yi Jun, our general manager, have been important to our success. If we lose the service of any of our executive Directors or other members of our senior management and there are no suitable and competent replacements, our business operations and future planning may be adversely affected.

Our success also depends to a significant extent on the continued service of our mid-level management, engineers, skilled technical personnel and marketing and sales personnel and on our ability to continue to attract, retain and motivate such personnel. If we lose the service of any of these key personnel without adequate and timely replacement, our business, results of operations and financial condition may be materially and adversely affected.

Failure to maintain our relationship with our joint venture partners may have an adverse effect on our business results of operations and financial condition

We entered into joint venture with STERIS in relation to STERIS-AUSTAR JV where we act as the exclusive distributor and exclusive sales agent for STERIS-AUSTAR WFOE in the PRC in respect of pure steam generators and multiple effect water stills manufactured by it, which are in turn integrated into our integrated engineering solutions in the business segment of Liquid and Bioprocess System. STERIS-AUSTAR WFOE exclusively supplies these two pharmaceutical equipment to us, or through the exclusive agency arrangement, supplies to our customers, in the PRC. For the three years ended 31 December 2013 and the six months ended 30 June 2014, revenue derived from integrated engineering solutions which consisted of equipment manufactured by STERIS-AUSTAR WFOE amounted to approximately RMB22.4 million, RMB50.5 million, RMB77.9 million and RMB26.1 million respectively. These represented approximately 6.9%, 12.0%, 11.0% and 8.1% of our total revenue during the Track Record Period respectively. For the three years ended 31 December 2013 and the six months ended 30 June 2014, our purchases from STERIS-AUSTAR WFOE amounted to approximately RMB18.0 million, RMB19.7 million, RMB38.9 million and RMB7.7 million respectively, which represented approximately 9.9%, 8.9%, 9.6% and 5.3% of our total purchases during the Track Record Period respectively.

We entered into joint venture with PALL in relation to the PALL-AUSTAR JV where we act as the exclusive distributor for PALL-AUSTAR WFOE in the PRC and exclusive sales agent for PALL-AUSTAR WFOE in specified territory in Asia Pacific region, in each case, other than certain companies identified by PALL, in respect of the life science consumables manufactured by it, such as powder transfer vessels, sterile bags and tyvek bags. These are the products that we offer to our customers in the business segment of Life Science Consumables. PALL-AUSTAR WFOE exclusively supplies these life science consumables to us, or through the exclusive agency arrangement, supplies to our customers in the PRC. For the three years ended 31 December 2013 and the six months ended 30 June 2014, revenue derived from sale of life science consumables manufactured by PALL-AUSTAR WFOE amounted to approximately RMB0.3 million, RMB3.0 million, RMB9.9 million and RMB8.2 million respectively. These represented approximately 0.1%, 0.7%, 1.4% and 2.6% of our total revenue during the Track Record Period respectively. For the three years ended 31 December 2013 and the six months ended 30 June 2014, our purchases from PALL-AUSTAR WFOE amounted to approximately RMB0.4 million, RMB3.4 million, RMB9.2 million and RMB6.7 million respectively, which represented approximately 0.2%, 1.5%, 2.3% and 4.6% of our total purchases during the Track Record Period respectively.

We believe our joint ventures will help us increase our existing market share, tap into new markets, and broaden our customer base in the PRC.

As discussed in the section headed "History, Reorganisation and Group Structure" in this prospectus, neither our Company nor our joint venture partners could exert unilateral control over PALL-AUSTAR JV and STERIS-AUSTAR JV. We cannot assure you that these joint ventures and the respective joint venture partners will always cooperate with us to carry out our business plans or if the relevant joint venture companies fail to develop any product which may correspond to market and technological trend in the future, or if there are changes in the laws and regulations in the PRC that adversely affect our joint venture arrangements, our financial condition and results of operations could be materially and adversely affected. In the event that our joint venture partners breached the territorial restrictions set out in our joint venture contracts or breached other terms of our joint venture contracts, our joint venture partners may compete with us for the services and products we offered, in which case our business, our financial condition and results of operations may be adversely affected.

For details relating to our joint ventures and transactions with the joint ventures, please refer to the sections headed "Business – Our joint ventures" and "Business – Our major supplier who is also our major customer".

We are exposed to the credit risks of our customers and may face long turnover period in respect of trade receivables, exposing our Group to an increased level of trade receivables and additional credit risk on its customers

We grant our customers different credit periods according to business segments which is in line with the industry norm. The credit terms for our integrated engineering solutions project are highly variable depending on the negotiation with the customers. During the Track Record Period, some customers in each customer type did not strictly adhere to the payment terms stipulated in our contracts with them. During the Track Record Period, our average turnover days of trade receivables ranged from 90 days to 118 days. As at 30 June 2014, trade receivables of RMB181.7 million were past due but not impaired, of which RMB29.4 million (representing 16.2% of the total amount of trade receivables past due but not impaired) were past due for over one year. As at 31 August 2014, the amount of trade receivables amounted to approximately RMB242.1 million, of which, trade receivables of RMB26.3 million were past due over 1 year but not impaired (representing 17.2% of the total amount of trade receivables past due but not impaired of RMB153.1 million).

To manage and minimise our credit risk exposure, customers are given different terms of payment depending on the nature and value of the transaction, level of risk involved, cost structure, payment history of the customer, our relationship with the customer and the credit standing of the customer. Customers with good credit standing may, on a case-by-case basis, be able to extend their payment terms. Due to the relatively long credit terms granted to our customers, our Group may face pressure on working capital management and our Group is exposed to the credit risks of our customers.

Given the nature of our business is project-based, we may be exposed to additional credit risks as any increase in turnover would be likely to result in an increased level of trade receivables

Given that the nature of our business mainly involves the provision of integrated engineering solutions and services in stages, we recognise revenue for our contracts based on percentage of completion of our projects, whilst the payment schedules are determined by the contract terms with individual customers, any increase in revenue recognized will increase our level of trade receivables. If our customers do not strictly adhere to the stipulated credit terms, an increase of revenue would likely lead to an increase level of trade receivables which may further expose our Group to additional credit risks.

We rely on information systems in managing our operations and any system failures or deficiencies of our information systems may have an adverse effect on our business, financial conditions and result of operations

We depend on the capabilities of our information systems to process our transactions on a timely and accurate basis and to store and process our business and operating data. The proper functioning of our financial control, risk management, credit analysis and reporting, accounting, customer service and other information systems, as well as the communication networks between our business segments and our main data processing centers, are critical for us to conduct our business in an orderly manner and to increase our competitiveness. Our business activities could be materially disrupted if there is a partial failure or complete breakdown of any of our information systems or communication networks. Such failure can be caused by a variety of reasons, including natural disasters, extended power outages, breakdown of key hardware and systems, software malfunction and computer viruses. The proper functioning of our information systems also depends on accurate and reliable data input and installation of ancillary systems, which are subject to error. Any failure or delay in recording or processing our transaction data could expose us to significant financial risk and subject us to the risk of claims for losses and regulatory fines and penalties.

Our competitiveness will to some extent depend on our ability to upgrade and optimise our information systems on a timely and cost-effective basis. In addition, the information available to and received by us through our existing information systems may not be timely or sufficient for us to manage risks and prepare for, and respond to, market changes and other developments in our current operating environment. Any failure to improve or upgrade our information systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S. government, the UNSC, the E.U. and other relevant sanctions authorities

The U.S. and other jurisdictions, including the E.U., Australia and the U.N., have comprehensive or broad economic sanctions targeting the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) and Sanctioned Persons. During the Track Record Period, we had product sales in certain of the Sanctioned Countries, namely, Iran and Lebanon, and Russia (where certain Sanctioned Persons are located) and our revenue derived therefrom in aggregate accounted for approximately 0.6%, 1.2%, 0.7% and 1.9%, respectively, of our revenue for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, and we still carry out such business activities in connection with such Sanctioned Countries and Russia (where certain Sanctioned Persons are located). For details of the business operations in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located), see “Business – Business activities in the Sanctioned Countries”.

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) or Sanctioned Persons or any other government, individual or entity sanctioned by the U.S., the E.U., Australia, the U.N. or Hong Kong, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the Stock Exchange that we will not enter into sanctionable transactions that would expose us or the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock

Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, see "Business – Business activities in the Sanctioned Countries – Our undertakings and internal control procedures".

As a Group with operations based in China, we will comply with all PRC laws and applicable laws in the jurisdictions where we have operations. We will also seek to prevent our transactions in relation to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) from being subject to sanctions under the laws of the U.S., the E.U., Australia, the U.N. or Hong Kong, and avoid doing business with any Sanctioned Persons. However, to the extent such sanctions are imposed on our Company, our business and Shareholders' interests could be impacted.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the E.U., Australia, the U.N. and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) and/or with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the U.S., the E.U., Australia, the U.N. or Hong Kong. However, we can provide no assurance that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the U.S., the E.U., the U.N., Australia, the United Nations Security Council (UNSC) or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. Over the past few years, the U.S. and the E.U. have significantly increased the scope of their Iran sanctions, many of which now have direct extraterritorial effect. Although we believe that our business operations currently do not involve industries or sectors that are subject to extraterritorial Iran sanctions, there is a possibility that the U.S. government, the E.U. or other jurisdictions may introduce more severe sanctions in relation to Iran should the current on-going negotiation efforts with the government of Iran on nuclear issues fail, in which case, the current sanctions laws and regulations may be expanded to cover industries or sectors in which we are involved. In such case, our business and Shareholders' interests could be impacted. In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and Russia (where certain Sanctioned Persons are located). As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) and/or with Sanctioned Persons could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders' interests in us, despite our commitment not to direct the proceeds from the Global Offering to dealings with any parties subject to International Sanctions. In addition, international financial sanctions in effect against Iran may adversely affect our ability to receive payment for export made to the Sanctioned Countries. Before investing in our Shares, you should consider if such investment would expose you to any of the U.S., the E.U. or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

RISKS RELATING TO OUR INDUSTRY

Our Group is dependent on growth in the pharmaceutical industry

The performance of our Group is reliant on the demand of pharmaceutical manufacturers and research institutes for integrated engineering solutions projects, pharmaceutical equipment and life science consumables as well as consulting services in the PRC and globally, which is in turn significantly affected by the policies of governments, the economic environment and the development of pharmaceutical technology on a worldwide basis. The PRC Government has in recent years increased its support for healthcare reforms, expanding its basic medical insurance program to approximately 95% of its population during 2009 to 2011 and establishing essential pharmaceutical product supply systems to meet basic needs for treatment of diseases. The market size of China's pharmaceutical equipment, process system and service market grew at a CAGR of 24.8% from RMB27.0 billion in 2008 to RMB81.9 billion in 2013. However, there can be no assurance that the demand of pharmaceutical manufacturers and research institutes for integrated engineering solutions projects, pharmaceutical equipment and life science consumables as well as consulting services will continue to grow in the PRC and overseas, and if there is a substantial decrease in the demand of our integrated engineering solutions projects, pharmaceutical equipment, life science consumables, or consulting services, the business of our Group could be adversely affected.

Our Group may face competition from other players for pharmaceutical manufacturers

The pharmaceutical equipment, process system and service market is competitive. The competitors of our Group include international corporations with substantially greater resources than our Group, as well as new domestic and foreign market entrants. The competitors of our Group may develop and introduce new products sooner, or provide more attractively priced, enhanced, or better quality products and systems, than our Group does. In addition, competition may intensify if the pharmaceutical equipment, process system and service market expands as demand increases, and in such case, it may result in downward pressure on price which could negatively impact our business, financial condition, results of operations and prospects.

Nonetheless, the pharmaceutical equipment, process system and service market in the PRC is fragmented, and our Group faces intense competition from domestic and international providers of those services and products. Therefore, there can be no assurance that our Group will be able to maintain its position as a leading provider of these services and products in the future. While our Directors believe that our Group's established design, manufacturing and distribution capabilities will enable us to maintain as a leading provider of integrated engineering solutions systems, there is no assurance that our Group will be able to compete successfully against its current and future competitors.

We are subject to various environmental, safety and health regulations in the PRC, compliance with which may be difficult or expensive, and any failure to comply with such regulations may render us subject to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business

Our operations are subject to the environmental protection, safety and health laws and regulations in the PRC. Failure to comply with these regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business. Non-compliance with the relevant regulations may result in us being ordered to suspend or cease production, subject us to penalty and the confiscation of the income derived from such manufacturing activity. Given the number and complexity of these regulations, compliance with them may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. In addition, these regulations are constantly evolving. There can be no assurance that the PRC government will not impose additional or more stringent laws or regulations, the compliance with which may cause us to incur significant costs which we may be unable to pass on to our customers and may take significant time which may affect or interrupt our operations.

Our employees could act contrary to our interest and instructions, engage in corrupt or other improper practices and harm our reputation, sales and business prospects.

Our employees may fail to comply with our guidelines and authorisations, engage in illegal practices, provide information that is contrary to information we provide or otherwise provide inaccurate, misleading or incomplete information about our products. As a result, our customers may misunderstand or misuse our products, and we or our products may be exposed to negative publicity, unfavorable consumer perceptions or liability. If our employees engage in behaviors that are contrary to our policies, our reputation may be harmed, and our sales and business prospects may suffer and our products may be seized, and any of which could adversely affect our reputation, sales and business prospects.

In the pharmaceutical product industries, corrupt practices, include, among others, acceptance of kickbacks, bribes or other illegal gains or benefits by employees from suppliers and other service providers in connection to the procurement of certain products. Although our company policies prohibit our employees from engaging in unlawful act, we may not be able to effectively control the conduct of. If our employees engage in unlawful conduct such as violating applicable anti-corruption laws, we could be required pay damages or fines, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, we could be held liable for actions taken by our employees, including any violations of applicable law in connection with the marketing or sale of our products, or anti-corruption laws and regulations of China or other jurisdictions. It is also possible that the PRC government could adopt new or different regulations affecting the way in which pharmaceutical products can be sold to address anti-corruption or other concerns.

Moreover, PRC laws and regulations relating to incentive payments are not always clear. As a result, we, our employees could make certain payments in connection with the promotion of sales of our products or services which at the time are considered by us or them to be legal but are later deemed impermissible by the PRC government authorities. Moreover, the PRC government authorities have recently increased their efforts to combat corrupt, illegal or improper business practices in the PRC pharmaceutical industry, which could subject our employees to increased scrutiny. If our employees, either knowingly or unknowingly, engage in corrupt or improper conduct in connection with the marketing, promotion or sales of our products. Our brand and reputation and our sales activities could be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changing economic, political and social conditions or government policies in the PRC could affect our business and prospects

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of governmental involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been in transition from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a highly significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition. As our Group places a high degree of reliance on the PRC market, any decrease in sales in the PRC market may materially and adversely affect our business, financial conditions and results operations.

Uncertainties in the PRC legal system may have a material adverse effect on us

A substantial part of our operations are conducted in the PRC and most of our employees are PRC citizens. Our operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since the late 1970s, a substantial number of new laws and regulations covering general economic matters have been promulgated in the PRC. Despite these efforts, the legal system of the PRC is still evolving. Even where adequate law exists in the PRC, the enforcement of laws or contracts based on existing law may be uncertain, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

It may be difficult to effect services of process upon us or our Directors or senior management who reside in the PRC or to enforce non-PRC court judgments against them in the PRC

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for you to enforce against us, any of our Directors or our senior management in the PRC any judgments obtained from non-PRC courts.

Fluctuations in foreign exchange rates and government control in currency conversion may adversely affect our results of operations and financial condition as well as our ability to remit dividends

The RMB is not a freely convertible currency. In the PRC, the conversion of the RMB into foreign currencies, including the HK dollars and US dollars, is based on rates set by the PBOC. The official exchange rate for the conversion of the RMB to US dollars had generally been stable from 1994 until July 2005, when the PRC government introduced a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 21 July 2005, or the effective date of the new regime, the RMB appreciated against the US dollars and HK dollars by approximately 2.0%. On 23 September 2005, the PRC government widened the daily trading band for the RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. It is uncertain if the exchange rates of the HK dollars and US dollars against the RMB will further fluctuate. In addition, since our revenue and net profit are denominated in RMB, any depreciation of the RMB would materially and adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms.

We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilise such funds

Our Company is a holding company incorporated in the Cayman Islands and our operations are conducted through our subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service our indebtedness depends on dividends received from these subsidiaries. If our subsidiaries incur any debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends or other distributions and to service our indebtedness will be restricted.

PRC law requires that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC law also requires foreign-invested enterprises, such as our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business

In utilising the proceeds from the Global Offering, as an offshore holding company of our PRC operating subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to foreign invested enterprises cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange, or SAFE, or its local counterparts; and loans by us to domestic PRC enterprises must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts.

We may also decide to finance our subsidiaries by means of capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart. Because certain of our subsidiaries are domestic PRC enterprises, we are not likely to finance their activities by means of capital contributions due to regulatory issues relating to foreign investment in domestic PRC enterprises, as well as licensing and other regulatory issues. We cannot assure you that we can obtain these government registrations or approvals on a timely manner, if at all, with respect to future loans or capital contributions by us to any of its subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds from our initial public offering and to capitalise our PRC operations would be negatively affected, which would adversely and materially affect our liquidity and our ability to expand our business.

We may be treated as a PRC tax resident enterprise under the EIT law, which may subject us to PRC income taxes on our worldwide income

We are a holding company incorporated in the Cayman Islands. However, under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), which came into effect on 1 January 2008 (the "EIT Law"), and its implementation rules, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC tax resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise.

The SAT issued the Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (境外註冊中資控股居民企業所得稅管理辦法(試行)) in April 2009 and July 2011, respectively, which set out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

As a result, it is unclear whether we will be deemed to be a "PRC tax resident enterprise" for the purpose of the EIT Law even though substantially all of the operational management of our Company is currently based in the PRC. We are currently not treated as a PRC resident enterprise by the relevant tax authorities. Nonetheless, we cannot assure you that we will not be treated as a PRC resident enterprise under the EIT Law and not be subject to the enterprise income tax rate of 25% on our global income in the future. If we were treated as "PRC tax resident enterprise", we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profit to our Shareholders.

Gains on the sales of shares and dividends on the shares may be subject to PRC income taxes

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is applicable to dividends payable by "PRC tax resident enterprises" to investors that are "non-PRC residents", that is, investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares of "PRC tax resident enterprises" by such investors is also subject to PRC income tax, usually at rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC.

We are a holding company incorporated in the Cayman Islands and substantially all of our operations are in the PRC. There is uncertainty whether we will be considered a "PRC tax resident enterprise" for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realised from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC income tax. If we are considered a "PRC tax resident enterprise", then any dividends paid to our Shareholders that are "non-PRC residents" and any gains realised by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to a 10% PRC income tax, unless otherwise reduced or exempted. It is unclear whether, if we are considered a "PRC tax resident enterprise", our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and other countries or regions. If dividends payable to our non-PRC Shareholders that are "non-PRC residents", or gains from the transfer of our Shares are subject to PRC tax, the value of such non-PRC Shareholders' investment in our Shares may be materially and adversely affected.

We face uncertainty with respect to PRC tax obligations in connection with direct and indirect transfers of equity interests in PRC resident enterprises through their non-PRC holding companies

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or SAT Circular 698, issued by the State Administration of Taxation of the PRC on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an "Indirect Transfer", and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5%; or (ii) does not tax foreign income of its tax residents enterprises, the foreign investor must report to the competent tax authority of the PRC resident enterprise such Indirect Transfer within 30 days from the date of the share transfer agreement is signed. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains, if any, derived from such Indirect Transfer may be subject to PRC withholding income tax at a rate of 10.0%.

There is uncertainty as to the application of SAT Circular 698. For example, while the term "Indirect Transfer" is not clearly defined in Circular 698, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. In addition, to date there have not been any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. We intend to manage the Reorganisation in such a manner that the steps should not be fallen within the scope of Circular 698, although this cannot be guaranteed that the PRC tax authorities would hold the same view. As a result, we may be required to expend resources to comply with SAT Circular 698 or to establish that SAT Circular 698 is not applicable to the Reorganisation, all of which may have an adverse effect on our results of operations and financial conditions.

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

An active trading market in our Shares may not develop, which could have a material adverse effect on the Share price and your ability to sell your Shares

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We expect our Shares to be listed on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors could cause the market price of our Shares following the Global Offering to vary significantly from the Offer Price:

- variation in our turnover, earnings and cash flow;
- liability claims brought against us based on, for example, defective products or safety-related regulatory actions;
- our failure to execute our strategy;
- any unexpected business interruptions resulting from operational breakdowns or natural disasters;
- inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights;
- any major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our products; and
- political, economic, financial and social developments.

You will experience immediate dilution in the pro forma adjusted consolidated net tangible asset value per Share if the Offer Price is higher than our net tangible asset value per Share, and may experience further dilution if we issue additional Shares in future

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value to HK$1.13 per Share, based on HK$2.705 per Share, being the mid-point of the indicative offer price range of HK$2.29 to HK$3.12, assuming that the Over-allotment Option will not be exercised. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Certain facts and statistics in this prospectus relating to the PRC economy and the pharmaceutical industry are derived from official government publications and the industry report prepared by the independent industry consultant, which have not been independently verified by us

Facts, statistical and forecast information relating to China, the Chinese economy and the pharmaceutical market contained in this prospectus have been compiled from various publicly available official governmental sources and the Frost & Sullivan Report. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Sponsor, the Underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts forecasts and statistics include the facts forecasts and statistics used in the sections headed "Summary", "Risk factors", "Industry overview" and "Business" in this prospectus. Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere.

In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Controlling Shareholders, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, and these laws relating to the protection of interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us are to a large extent governed by the common law of the Cayman Islands and our Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be different compared to the laws of other jurisdictions. See "Summary of the constitution of our Company and Cayman Islands company laws" in Appendix III to this prospectus.

Our Controlling Shareholders and their close associates have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders

Immediately following the Global Offering and the Capitalisation Issue, our Controlling Shareholders, collectively, will hold in aggregate 67.5% of our issued Shares, assuming the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions with respect to mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

The initial trading price of our Shares could be lower than the Offer Price

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices for the merchandise sold could cause large and sudden changes in the volume and price at which the Shares will trade. Therefore, the original share price may be lower than the offer price. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein much not be relied upon as having been authorised by our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offer. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Global Offering is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by Sole Global Coordinator. If, for any reason, the Offer Price is not agreed upon among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm, that he is aware of the restrictions on offers and sale of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued under the Capitalisation Issue. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 1,000 Shares. The stock code of the Shares is 6118.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

All Offer Shares subscribed for pursuant to applications made in the Hong Kong Public Offer will be registered on our Company's branch share register of members to be maintained in Hong Kong by our branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Dealings in Offer Shares registered in the branch share register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares. None of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of Offer Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares – Terms and conditions of an application" in this prospectus.

ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of this settlement arrangements and how such arrangements will affect their rights and interests.

DIRECTORS

Set out below are the directors of the Company, further information is disclosed in the "Directors, senior management and staff" section of this prospectus.

Name	Address	Nationality
Executive Directors		
Mr. Ho Kwok Keung, Mars (何國強)	19/F, Block 38, Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	British
Mr. Ho Kin Hung (何建紅)	Flat C, 21/F, BLK 8 Villa Athena 600 Sai Sha Road Ma On Shan New Territories Hong Kong	Chinese
Mr. Chen Yuewu (陳躍武)	6-1-3002 Rongjing Yuan 7 He Ping Dong Road Shijiazhuang Hebei Province PRC	Chinese
Madam Zhou Ning (周寧)	Room 2303, Block 2 Guan Jun Cheng Nanshatan 66 Yuan Chaoyang District Beijing PRC	Chinese

Non-executive Directors

Mr. Enzo Barazetti	Viale delle Rimembranze di Greco n. 1 20125 Milano Italy	Italian
Madam Ji Lingling (季玲玲)	Room 706, Block 5 Linglong Shan Project 3 Sanjian Fang Xiang Xin Fang Rd Chaoyang District Beijing PRC	Chinese

Independent non-executive Directors

Mr. Cheung Lap Kei (張立基)	24/F, Flat F, Block 1 Tsuen Kam Centre Tsuen Wan New Territories Hong Kong	Chinese
Madam Chiu Hoi Shan (趙凱珊)	Flat F, 18th Floor, Block 2 1 Austin Road West The Harbourside Tsim Sha Tsui Kowloon, Hong Kong	Chinese
Mr. Raco Ivan Jordanov (alias Racho Jordanov)	15345 Via Simpatico Rancho Santa Fe CA 92091 USA	American

Sole Sponsor	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Sole Global Coordinator	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Lead Managers	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	KGI Capital Asia Limited 41/F Central Plaza 18 Harbour Road, Wanchai Hong Kong

Legal advisers to our Company	*As to Hong Kong law:* Leung & Lau Units 7208-10, 72nd Floor The Center, 99 Queen's Road C. Central Hong Kong *As to PRC law:* Jia Yuan Law Offices F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing PRC *As to Cayman Islands law:* Conyers Dill & Pearman (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands *As to BVI law:* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* Deacons 5th Floor, Alexandra House 18 Chater Road Central Hong Kong *As to PRC law:* King & Wood Mallesons 20th Floor, Office Tower East World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing PRC

Auditor and reporting accountant	PricewaterhouseCoopers *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong
Independent industry consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 2802-2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai PRC
Receiving Bank	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Workshop 6 on 1/F. New Trade Plaza No. 6 On Ping Street, Shatin New Territories Hong Kong
Headquarter and principal place of business in the PRC	Room 1801, Building B Chaowai Men Office Building No. 26 Chaowai Street Chaoyang District Beijing PRC
Company's website	www.austar.com.hk *(information on the website does not form part of this prospectus)*
Company secretary	Mr. Chen Wai Chung, Edmund (陳煒聰) *HKICPA* Flat A, 16/F, Tower III Harbour Place 8 Oi King Street Hunghom Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Madam Zhou Ning Mr. Chen Wai Chung, Edmund
Authorised representatives (for the purpose of the Companies Ordinance)	Mr. Ho Kwok Keung Mars 19/F, Block 38, Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong Mr. Chen Wai Chung, Edmund Flat A, 16/F, Tower III Harbour Place 8 Oi King Street Hunghom Kowloon Hong Kong

Compliance adviser	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Audit committee	Mr. Cheung Lap Kei (張立基) *(Chairman)* Madam Chiu Hoi Shan (趙凱珊) Madam Ji Lingling (季玲玲)
Remuneration committee	Madam Chiu Hoi Shan (趙凱珊) *(Chairlady)* Mr. Cheung Lap Kei (張立基) Mr. Enzo Barazetti
Nomination committee	Mr. Ho Kwok Keung, Mars (何國強) *(Chairman)* Mr. Cheung Lap Kei (張立基) Madam Chiu Hoi Shan (趙凱珊)
Corporate governance committee	Madam Zhou Ning (周寧) *(Chairlady)* Mr. Ho Kwok Keung, Mars (何國強) Madam Chiu Hoi Shan (趙凱珊)
Risk management committee	Madam Zhou Ning (周寧) *(Chairlady)* Mr. Enzo Barazetti Madam Ji Lingling (季玲玲)
Principal share registrar and transfer office in the Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China Songjiang Sub-Branch of Shanghai No. 208, Middle Zhongshan Road Songjiang District Shanghai PRC

This section contains information which is derived from official government publications and Independent Third Party publications, which include a report we commissioned from Frost & Sullivan. The information extracted from the Frost & Sullivan Report reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool. References to Frost & Sullivan should not be considered as opinion of Frost & Sullivan as to the value of any security or the advisability of investing in us.

Our Directors believe that the official government publications and sources of the information extracted from the Frost & Sullivan are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information extracted from the official government publications and the Frost & Sullivan Report has not been independently verified by us, or any of our or its, affiliates or advisers, nor by the Sole Sponsor, the Underwriters, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or any of their respective directors, affiliates or advisers or any party involved in the Global Offering. Further, the information from official government publications may not be consistent with information available from other sources within or outside the PRC. We, our affiliates or advisers, the Sole Sponsor, the Underwriters, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, or their respective directors, affiliates or advisers, or any party involved in the Global Offering do not make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information.

SOURCES OF INFORMATION

Report commissioned from Frost & Sullivan

We engaged Frost & Sullivan to undertake a research on the pharmaceutical market in the PRC and the global market at a fee of approximately RMB920,000, which includes pharmaceutical equipment, process system and service market we compete in. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Our Directors confirm that Frost & Sullivan, including all of its subsidiaries, divisions and units, is independent of and not connected to us in any way.

About Frost & Sullivan

Frost & Sullivan is an independent global consulting firm founded in 1961 and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research, market strategies, provides growth consulting and corporate training. Its industry coverage in China includes agriculture, forestry, husbandry and fishery, automotive and transportation, chemicals, materials, food and beverage, airlines and aviation, financial services, retail and consumer goods, energy and power systems, environment and building technologies, healthcare, industrial automation, machinery, and electronics, metals and mining, and technology, media, and telecom. The Frost & Sullivan report that our Group commissioned includes both historical and forecast information on the pharmaceutical market as well as the economies of the PRC and other economic, and industry data, which have been quoted in this prospectus.

Research Methodology and Assumptions

Frost & Sullivan's independent research was undertaken through both secondary and primary research obtained from various official government publications as well as information provided by international organizations and industry sources. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Primary research involved interviews with leading industry participants in the pharmaceutical industry and related industry experts. Frost & Sullivan has assumed that the information and data, which it obtained from independent third parties and publicly available data, are complete and accurate. The information contained herein has been obtained from sources which Frost & Sullivan believes are reliable, but there can be no assurance as to the accuracy or completeness of any such information, and may be affected by the accuracy of the assumptions and the choice of these parameters.

The bases and assumptions for the projections in the Frost & Sullivan report include the following:

1) The PRC economy is likely to witness steady growth in the forecast period of 2014 to 2019.

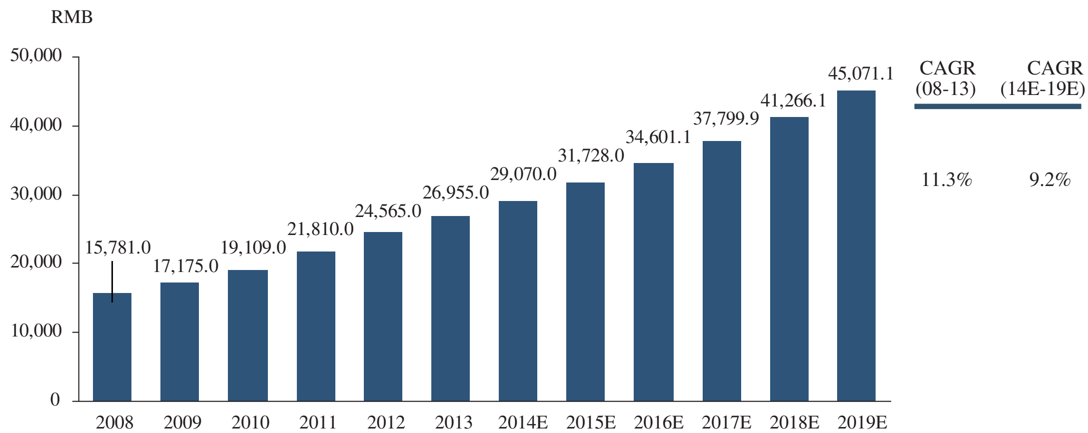
2) The PRC's social, economic and political environment is likely to remain stable in the forecast period of 2014 to 2019, which ensures the steady growth of the pharmaceutical industry.

3) The forecast excludes any extreme scenarios in which the market may be impacted dramatically or fundamentally such as natural disasters or the wide outbreak of diseases which may affect the pharmaceutical industry.

OVERVIEW OF MACRO-ECONOMIC ENVIRONMENT IN CHINA

As one of the most important economies in the world, China has experienced robust economic growth since the onset of the economic reform. The total population of the PRC increased from 1,328.0 million in 2008 to 1,360.8 million in 2013 and is expected to increase further to 1,401.1 million in 2019. While export remains a major growth driver for the PRC, it has gradually shifted its focus from being an export-oriented economy to one that is increasingly driven by domestic consumption. Urban disposable income in the PRC has been growing significantly since 2008. Per capita annual disposable income of urban households in the PRC increased from RMB15,781.0 in 2008 to RMB26,955.0 in 2013, representing a CAGR of 11.3%. Given the expectation of continuous economic growth in the PRC, it is expected to increase further to RMB45,071.1 in 2019, representing a CAGR of 9.2% from 2014 to 2019. The expected increases in population and purchasing power of urban residents are driving the growing pharmaceutical market in the PRC. The following chart illustrates the per capita annual disposable income of urban households in the PRC from 2008 to 2013 and the forecast from 2014 to 2019.

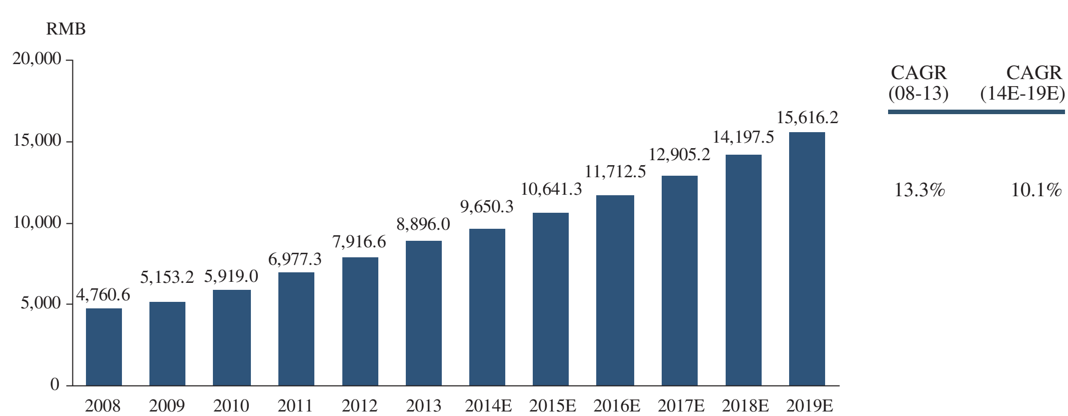
PRC per capita annual disposable income of urban households, 2008-2019E



Source: Frost & Sullivan

Per capita net income of rural households in the PRC increased from RMB4,760.6 in 2008 to RMB8,896.0 in 2013, representing a CAGR of 13.3%. Given the expectation of continuous economic growth of the PRC, it is expected to increase further to RMB15,616.2 in 2019, representing a CAGR of 10.1% from 2014 to 2019. The introduction of a rural co-operative medical insurance scheme provided greater accessibility and raised rural resident's demand for a greater variety of pharmaceutical products. The following chart illustrates the average annual net income per capita in the PRC for rural households from 2008 to 2013 and the forecast from 2014 to 2019.

PRC per capita net income of rural households, 2008-2019E



Source: Frost & Sullivan

PHARMACEUTICAL INDUSTRY IN THE PRC

Value chain of the pharmaceutical industry in the PRC

The value chain of the pharmaceutical industry in the PRC comprises of 3 main blocks, (i) the upper stream consists of pharmaceutical equipment manufacture, (ii) the middle stream consists of pharmaceutical equipment, process systems and services and (iii) the down stream is the pharmaceutical manufacture. Our business primarily covers the middle stream industry which is a key sector that connects upper stream of pharmaceutical equipment manufacture and down stream of pharmaceutical manufacture by providing integrated engineering solutions.

The pharmaceutical equipment, process system and service market in the PRC

The pharmaceutical equipment, process system and service market is a technology intensive industry, which covers several fields such as pharmaceutical process technology, machinery manufacturing, automation control, engineering and validations.

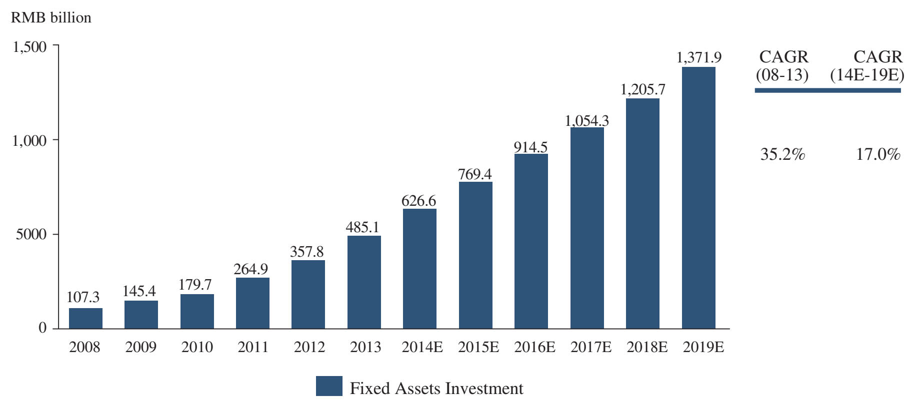
Overview of pharmaceutical equipment, process system and service market in the PRC

Since 2008, there has been healthcare reform in the PRC to provide a primary healthcare system which is both affordable and accessible across urban and rural areas in the PRC. In particular, China has been implementing public hospital reform, expanding its basic medical insurance programs and establishing a national essential pharmaceutical product supply system to meet basic needs for treatment and prevention of diseases.

During 2009 to 2011, the PRC government expanded its basic medical insurance coverage to approximately 95% of the Chinese population, and thereby established the largest essential medical insurance system in the world. Since 2003, the PRC government has attempted to promote the implementation of the new rural cooperative medical insurance scheme to provide the essential healthcare services to rural residents and extend insurance coverage to the vast rural areas in the PRC. There are medical insurance schemes led by the government to expand its coverage in the PRC such as UEBMIS, URBMIS and NRCMIS. According to the PRC government, China has built its universal medical insurance to cover a population of 1,270 million, 95% of total population by the end of 2010, increasing from 15% of total population in 2000.

With the implementation of the new Good Manufacturing Practices ("**GMP**"), to ensure products are consistently produced and controlled according to quality standards, pharmaceutical manufacturers are expected to invest approximately RMB85 billion in improvements, updates and new projects.

Fixed Assets Investment of Pharmaceutical Industry, China, 2008-2019E



Note: Fixed assets investment includes investment in API, dosage, biological pharmaceutical, Chinese medicine, medical devices, etc.

Source: Frost & Sullivan

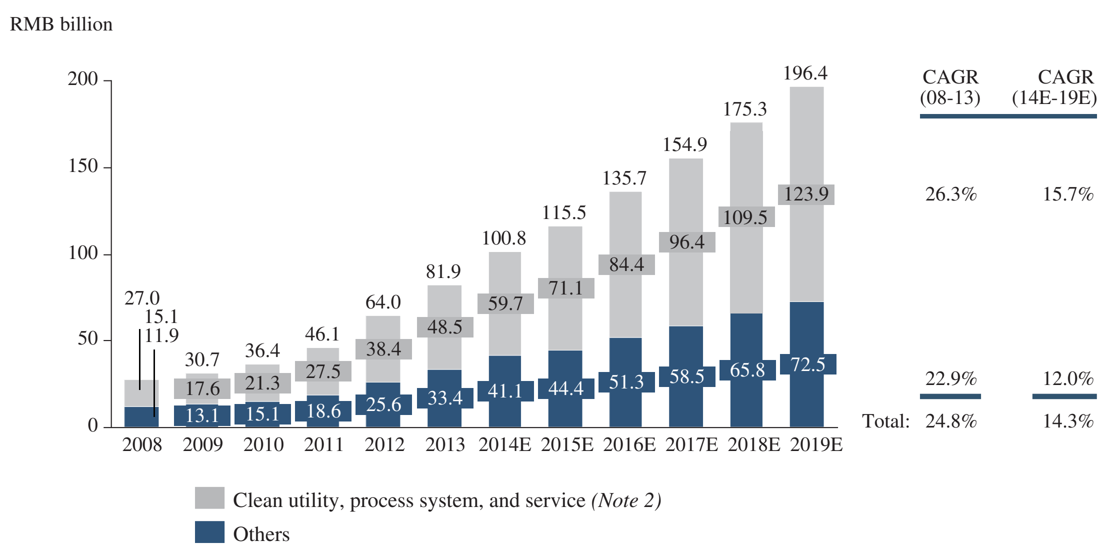
Fixed assets investment of China's pharmaceutical industry increased from RMB107.3 billion in 2008 to RMB485.1 billion in 2013, with a CAGR of 35.2%, due to the implementation of "National Drug Safety 12th Five Year Plan", "New Environmental Standards in Pharmaceutical Industry" and enforcement of new good manufacturing practice (GMP) standard.

Given the continued government focus on healthcare under the 12th Five-Year Plan for 2011-2015, which implies increasing government investment in healthcare services and the healthcare infrastructure, and the efforts made by the pharmaceutical manufacturers ahead of the deadline of enforcement of GMP, the fixed assets investment of China's pharmaceutical industry is estimated to reach RMB1,371.9 billion in 2019, representing a CAGR of 17.0% from 2014 to 2019.

Market size and growth of pharmaceutical equipment, process system and service market in the PRC

The market size of pharmaceutical equipment, process system and service market in the PRC grew at a CAGR of 24.8% from RMB27.0 billion in 2008 to RMB81.9 billion in 2013 and is expected to grow at an estimated CAGR of 14.3% from 2014 to 2019. The clean utility, process system and service market grew at a CAGR of 26.3% from RMB15.1 billion in 2008 to RMB48.5 billion in 2013 and is expected to grow at an estimated CAGR of 15.7% from 2014 to 2019.

Market size of pharmaceutical equipment, process system, and service market in the PRC, 2008-2019E



Notes:

(1) Market Size is calculated by engineering settlement income, which, as a generally accepted indicator in engineering market, represents the amount payable to contractors based on the actual construction progress.

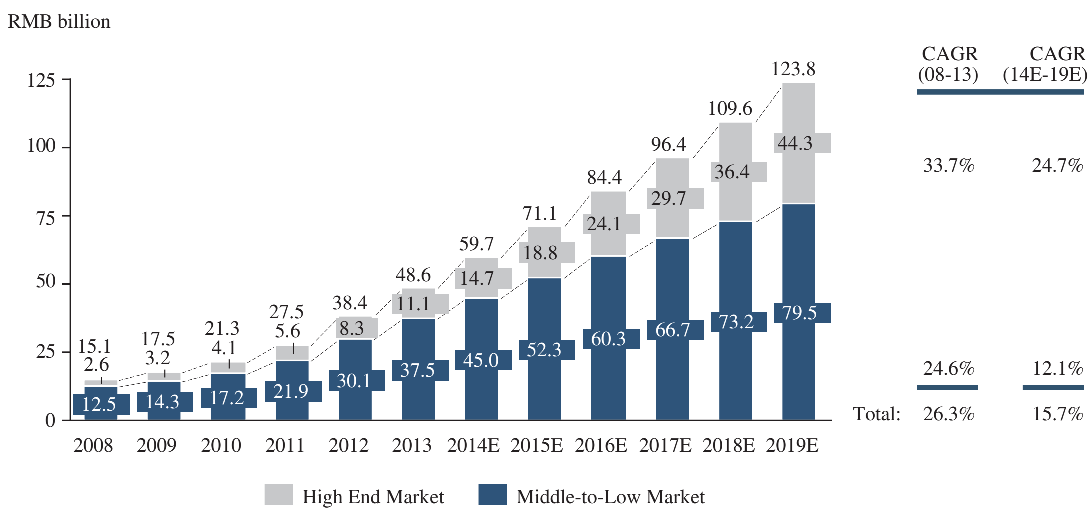
(2) Clean utility, process system and service includes segments of liquid and bioprocess system, cleanroom and automation control and monitoring system, powder and solid system, GMP compliance services, distribution of life science consumables and distribution and agency of pharmaceutical equipment.

Others are the remaining part of the pharmaceutical equipment, process system and service market including high voltage equipment and communication systems.

Source: *Frost & Sullivan*

The market size of the high-end clean utility, process system and service market grew from RMB2.6 billion in 2008 to RMB11.1 billion in 2013, representing a CAGR of 33.7%. The market is expected to increase from RMB14.7 billion in 2014 to RMB44.3 billion in 2019, representing a CAGR of 24.7%. The expected growth in the high-end clean utility, process system and service market is beneficial to high-end players like our Group.

Market size of clean utility, process system, and service market breakdown by grade, the PRC, 2008-2019E



Note: Market size is calculated by engineering settlement income, which, as a generally accepted indicator in engineering market, represents the amount payable to contractors based on the actual construction progress.

The market segments of the pharmaceutical equipment, process system and service market in 2013 is:

Segments	**Share** *(%)*
Liquid and Bioprocess System	15.9
Clean Room and Automation Control and Monitoring System	19.7
Powder and Solid System	8.7
GMP Compliance Service	4.1
Life Science Consumables	5.7
Distribution and Agency of Pharmaceutical Equipment	5.2
Others	40.7
Total	100.0

Note: Based on market size of pharmaceutical equipment, process system and service market in 2013. Others are the remaining part of the pharmaceutical equipment, process system and service market including high voltage equipment and communication systems.

Market structure of the pharmaceutical equipment, process system and service market in the PRC

The market structure is 3 tiered with high-end brand awareness, middle end brand awareness and low end brand awareness. In the high-end tier there are approximately 10 players who generally deal in two or more segments of business. Such high-end market players are qualified to provide pharmaceutical equipment, process systems and services to multinational pharmaceutical manufacturers and large sized domestic pharmaceutical manufacturers who are involved in sterile active pharmaceutical ingredients, dosage and biological medicine. Most of the high-end pharmaceutical manufacturers can meet standards such as the FDA, EMA or WHO. In the overall market, the high-end market players have rich engineering experience, experienced professionals, advanced project management and sophisticated equipment. We are a high-end player as and we deal in six segments of the pharmaceutical equipment, process systems and services business. The middle end brand awareness tier captures customers from middle to large sized domestic pharmaceutical manufacturers. These pharmaceutical manufacturers have to meet the China GMP standards. Players of the low end brand awareness have customer bases of middle to small sized domestic pharmaceutical manufacturers.

Drivers of the pharmaceutical equipment, process system and service market in China

Factors contributing to the growth of the pharmaceutical equipment, process system and service market in China include the following:

- *China New GMP standard:* The new China GMP standards require the manufacturers of sterile pharmaceuticals including the blood products, vaccines, injections, etc. to pass the specified standards by the end of 2013. The other pharmaceutical manufacturers shall pass the required standards before 31 December 2015. This has been creating and is expected to create sustainable revenue in both new projects and retrofit projects. The pharmaceutical manufacturers who fail to pass China New GMP standards by 2015 are expected to continue to invest funds in improvements and updates in forthcoming years. It is estimated that approximately 1,134 pharmaceutical manufacturers are expected to continue to pass China New GMP standards after 2015. In order to obtain the China New GMP certification, it is predicted that each pharmaceutical manufacturer will invest RMB150 million to RMB200 million. Furthermore, the China New GMP standard requires qualified pharmaceutical manufacturers to achieve GMP compliance on an annual basis so retrofit projects are generated from such investments.

- *Difference in GMP standard between the PRC and the U.S. and Europe:* Compared with the GMP of a mature market, China's New GMP absorbs the mature markets' advantages and localises certain aspects to adapt to pharmaceutical industry in the PRC. As there is a gap in standards between the PRC, the U.S. and Europe, there exists potential growth for solutions providers to merge foreign technology and standards with domestic equipment and systems to supply integrated engineering solutions to domestic pharmaceutical manufacturers.

- *Increasing pharmaceutical exports are expected to drive pharmaceutical manufacturers to adopt more advanced equipment and systems:* From 2008 to 2013, the export value of China's pharmaceutical industry grew rapidly. The value increased approximately from USD8.1 billion to USD12.3 billion, representing a CAGR of 8.7%. Pharmaceutical manufacturers in the PRC are facing higher standards and more stringent requirements on their operations imposed by both foreign (FDA, EMA, etc.) and domestic (CFDA) authorities. Therefore, the demand for machinery reconstruction and equipment upgrade of pharmaceutical manufacturers is growing, which in turn promotes the demand for pharmaceutical equipment, process systems and services.

- *Increasing market share of the high-end tier:* Market size of high-end clean utility, process system and service market was estimated to have increased from RMB2.6 billion in 2008 to RMB11.1 billion in 2013, representing a CAGR of 33.7%. The market is expected to increase from RMB14.7 billion in 2014 to RMB44.3 billion in 2019, representing a CAGR of 24.7%. At the beginning of the China New GMP applications, many foreign and large sized pharmaceutical manufacturers firstly invested heavily in improving and updating their systems to ensure quality and maintain brand awareness. In addition, they also adopted sophisticated equipment and systems, and utilised advanced processes which were often highly priced. At the same time, these pharmaceutical manufacturers are also willing to invest in maintaining GMP compliance in order to achieve sustainable quality control. In addition, with industry consolidation caused by the introduction of the China New GMP, many middle-to-small pharmaceutical manufacturers are expected to merge with foreign and large sized players. These events are a key factor to increase market size of the high-end segment in the PRC.

- *Growing market share of the bio-pharmaceutical sector is expected to create opportunities for market players:* The major sales of the bio-pharmaceuticals was dominated by the mature and developed countries, comprising around 85% in 2013 whereas emerging countries accounted for 14% in 2013. However, as the household income increases and coverage of health care expands in emerging countries, the market share of bio-pharmaceuticals is expected to reach 38% in 2019. China, as a leader of emerging countries in the pharmaceutical manufacture industry, is expected to face a rising demand for high-end pharmaceutical equipment, process systems and services, in order to meet the growing demand of bio-pharmaceuticals in 2019.

- *Foreign pharmaceutical manufacturers introducing international technologies into the PRC:* Foreign direct investment normally creates positive spill-over effects for domestic pharmaceutical manufacturers, such as technologies transfer, standards improvement and training. There is a strong demand for solutions providers which can provide turn-key projects on combining imported technologies and standards with local expertise and existing equipment and systems.

- *Increasing labour cost, and low production value per capita increase demand of the pharmaceutical equipment, process systems and services:* From 1990 to 2010, the growth rate of the working age population was estimated to have decreased from 6% to 0.3%. The decreasing trend indicates that the PRC is stepping into the economy with a labour shortage. With factors of rising wages and episodic labour shortages, pharmaceutical manufacturers had to rely on alternatives, such as using factory automation solutions. Compared with mature markets in 2013, namely the U.S., Japan and Germany, the value of per capita output of pharmaceutical manufacturing in the PRC remained low in 2013. The 2013 respective per capita output value of pharmaceutical manufacturing of the U.S., Japan and Germany were 350%, 430% and 209%, much higher than that of the PRC. As a result, further investments in the pharmaceutical equipment, process system and service market is expected to increase PRC's productivity and quality.

Competitive advantages of our Group

We are a leading provider of integrated engineering solutions with high-end and comprehensive services and products. In the PRC, we rank the first to third in five of our business segments. Please refer to the section "Business – Our competitive strengths" for further details of our Group's key competitive strengths.

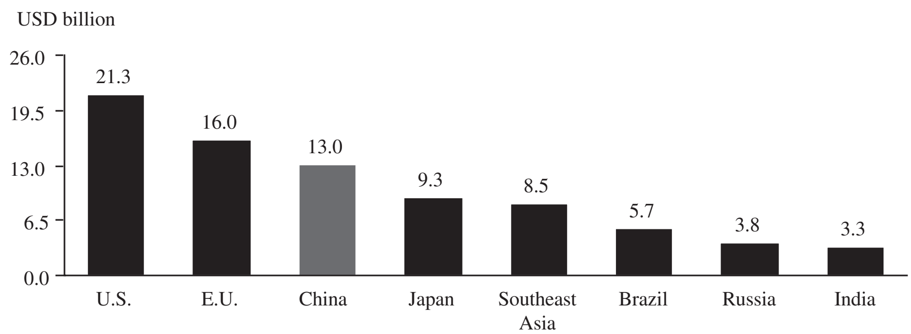
Comparison of pharmaceutical equipment, process system and service market in the PRC with mature market and emerging market

China was the third largest market of pharmaceutical equipment, process system and service market in 2013. In terms of market size per capita, there is growth potential for China to catch up with mature markets. China is treated as one of the most important manufacturing centre and outsourcing location in the global market.

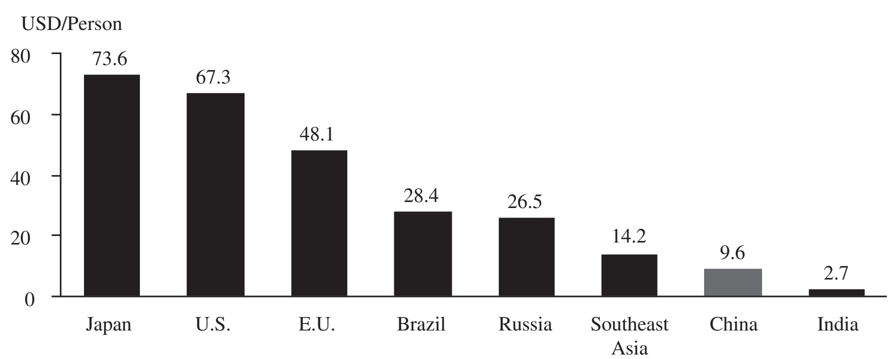
Compared with products from the mature market in the middle-to-low end tier, China's products have a leading advantage in cost. However, in the high-end tier, China's products lack competitive edges on technology. In recent years, China's government has placed more efforts on developing sophisticated equipment and machinery through technology imports from the mature market.

Compared with products from the emerging market, including BRIC and Southeast Asian countries, China's products have overall advantages in price, quality and after sales services. With a large labour force, a growing economy, a strong manufacturing sector and a vast consumer market, the pharmaceutical equipment, process system and service market in the PRC is expected to continue to grow.

Market size of pharmaceutical equipment, process system, and service market, global, 2013



Per capita market size of pharmaceutical equipment, process system, and service market, global, 2013



Note: Market size is calculated by engineering settlement income, which, as a generally accepted indicator in engineering market, represents the amount payable to contractors based on the actual construction progress

Source: Frost & Sullivan

Competitive landscape in Pharmaceutical Equipment, process system and service market in the PRC

The pharmaceutical equipment, process system and service market in the PRC is fragmented, with only small market share differential among the top players.

According to the Frost & Sullivan Report, our ranking in our individual segments in 2013 are as follows:

Business segment	Ranking in the PRC in 2013 in terms of revenue	High-end market share in the PRC	Total market share in the PRC
		(%)	*(%)*
Liquid and Bioprocess System	1	11.7	2.9
Clean Room and Automation Control and Monitoring System	1	4.2	0.9
Powder and Solid System	3	3.1	0.6
GMP Compliance Service	2	6.4	1.4
Life Science Consumables	1	4.5	1.1
Distribution and Agency of Pharmaceutical Equipment	7	0.6	0.6

In addition to our Group, leading market players in pharmaceutical equipment, process system and service market in the PRC includes the following:

- *Competitor A* has strong competitive edges in the powder and solid system market, automation control engineering market and GMP compliance service market. Competitor A is also involved in pharmaceutical equipment manufacturing, including automatic dosage systems, pulverisers and conveyer systems. Its major products and services include automatic dosage systems, pulverisers, conveyer systems, MES systems, batch systems, HVAC automation control systems and automatic loading and unloading systems. In 2013, it had a market share of 5.6% in the high-end Powder and Solid System and 3.0% in the high-end Clean Room and Automation Control and Monitoring System in the PRC.

- *Competitor B* is involved in multiple business sectors and offers a variety of services and products relating to the pharmaceutical process, including pharmaceutical equipment manufacture and system integration solutions for pharmaceutical manufacturers. Its major products and services include clean room enclosure, clean room maintenance, MEP system, GMP validation, automatic control system, cleaning in place module system, feeding system, utility system and extraction system. It is a strong competitor in the automation control engineering and clean room enclosure market. In 2013, it had a market share of 1.8% in the high-end Clean Room and Automation Control and Monitoring System in the PRC.

- *Competitor C* is a major competitor in the market and is involved in multiple business sectors and offers a variety of services and products relating to the pharmaceutical process. Competitor C has a strong competitive advantage in liquid system market, GMP compliance service market and clean room engineering market. Its major products and services include water purifier and distiller, clean steam generation, cleaning and sterilisation in place module, water systems, clean room enclosure, automation systems and equipment. In 2013, it had a market share of 2.9% in the high-end Liquid and Bioprocess System, 1.5% in the high-end Clean Room and Automation Control and Monitoring System and 2.0% in the high-end GMP Compliance Service in the PRC.

- *Competitor D* is a large pharmaceutical equipment manufacturer and a service provider. It is a public company listed on the Shenzhen Stock Exchange. Competitor D is a strong competitor in liquid system market, powder and solid system market, clean room enclosure and automation control market. Its major products and services include freeze dryers, vials automatic loading and unloading systems and barrier systems. In 2013, it had a market share of 1.8% in the high-end Liquid and Bioprocess System, 2.0% in the high-end Powder and Solid System and 1.3% in the high-end Clean Room and Automation Control and Monitoring System in the PRC.

Whilst there are overseas companies which are involved in the pharmaceutical equipment, process system market, they normally have diverse operation and cover various industries such as oil and gas, construction and infrastructure. As a result there are no directly comparable overseas integrated service provider companies in the pharmaceutical equipment, process system and service market.

Pharmaceutical manufacturers normally have strong bargaining power relative to solution providers in the pharmaceutical equipment, process system and service market, which sometimes may result in delayed payment for service rendered. This is common in the industry.

Barriers to entry

According to the Frost & Sullivan Report, the entry barriers to China's pharmaceutical equipment, process system and service market:

Talents, R&D capability and know-how

The pharmaceutical equipment, process system and service market is a technology intensive industry. It requires engineers to have extensive technical expertise and know-how in the manufacturing processes of pharmaceutical products. New entrants face hurdles in recruiting experienced professionals in terms of budget allowances and brand reputation. A pharmaceutical equipment, process system and service provider is expected to be sensitive to the development of the pharmaceutical industry, any new and changing policies and regulations affecting the industry and dynamics of technical innovations. Such market sensitivity is accumulated through years of experience dealing with customers and attending global seminars and conferences. It is challenging for new entrants to grasp customers' needs due to their lack of experience.

Personnel assets

The sales team of pharmaceutical equipment, process system and service market is required to have strong sales skills, knowledge of the pharmaceutical manufacture industry and machinery industry in order to better understand the needs of customers. It is a barrier for new entrants which can only provide a limited career platform to recruit such talented personnel.

Capital intensiveness

The pharmaceutical equipment, process system and service market is inherently capital intensive imposing an entry barrier for new entrants.

Brand and reputation

Despite China's pharmaceutical equipment, process system and service market is fragmented and highly competitive, it is still characterised by a few well-known brands. These distributors of well-known brands have loyal and stable customer bases make it difficult for new entrants.

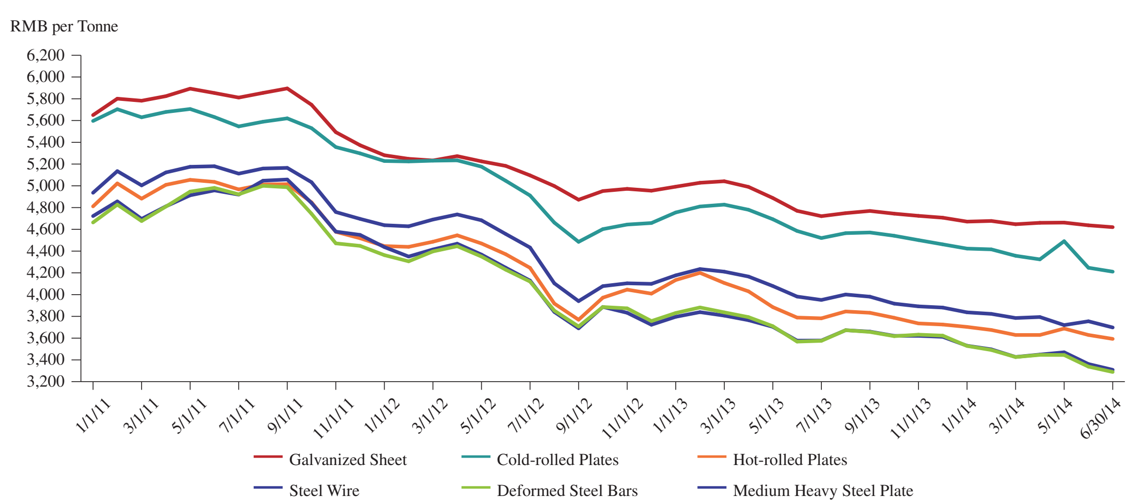
Absence of network restricts the expansion of the business

Consultancy services and sale of pharmaceutical equipment, process system and service market require connections with various parties in the industry, such as pharmaceutical equipment manufacturers, distributors, associations and even governmental authorities. The absence of network connections further weakens the competitiveness of a new entrant and restricts the future expansion of the company.

Historical price trends of raw materials

Based on different clinical needs, pharmaceutical equipment is usually made of different types of metal materials. The most widely used metal materials for pharmaceutical equipment include galvanised sheets, cold-rolled plates, hot-rolled plates, steel wires, deformed steel bars and medium heavy steel plates. The historical purchasing prices of these major raw materials have been decreasing. Fluctuations of raw material prices usually influence pharmaceutical equipment manufacturers' costs when they directly use the raw materials to produce components and machinery. Solutions providers which concentrate on solutions development and equipment assembly are not directly affected by the fluctuation of raw materials prices, as pharmaceutical equipment manufacturers may hedge its cost against increases in the price of raw materials. The trend below shows that the price of raw materials is declining. Whilst increased profit is captured by pharmaceutical equipment manufacturers, the reduction in costs is not passed onto solutions providers as products are still sold to solutions providers at the comparable price. Hence, the fluctuation of raw materials prices does not have a material influence on solutions providers and solutions providers' purchasing costs were stable during the Track Record Period. The following chart illustrates the historical prices for major steel products in the PRC from 2011 to 30 June 2014:

Monthly price trend of major steel product, China, 2011-30 June 2014



Source: Frost & Sullivan

This section sets out an overview of the laws, regulations and rules applicable to our Group's business.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The Company, an exempted company with limited liability incorporated in Cayman Islands, is a foreign investor under PRC laws, therefore all of its PRC subsidiaries are foreign-invested enterprises and are governed by provisions of the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》).

The Company Law and the Wholly Foreign-owned Enterprise Law of the PRC

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "PRC Company Law"), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively. According to Article 217 of the Company Law of the PRC (《中華人民共和國公司法》), the companies are classified into categories of limited liability companies and limited companies by shares. The PRC Company Law shall also apply to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are also regulated by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990 and amended on 12 April 2001.

Catalogue of Industries for Guiding Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is governed by the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "Catalogue"). The Catalogue is a long-standing tool that PRC policymakers have used to manage and direct foreign investment, and has been amended several times. The Catalogue (2011 Version) was jointly promulgated by the NDRC and the MOFCOM on 24 December 2011, became effective on 30 January 2012. The Catalogue divided foreign investments in the relevant industry into three categories: encouraged, restricted or prohibited. The permitted is not listed within the Catalogue. According to the Catalogue, encouraged investments are eligible to receive certain benefits and incentives from the government, which may change from time to time; permitted investments are permitted without entry restrictions, but are not eligible for benefits and incentives from the government; restricted investments are permitted subject to restrictions; and prohibited investments are where foreign investments are not allowed.

None of the Group's investments in the pharmaceutical equipment industry, pharmaceutical packaging materials industry, electrical equipment installation industry falls within the restricted or prohibited category and accordingly, the Group is not subject to restrictions or prohibitions under the Catalogue.

REGULATIONS OVER RELEVANT INDUSTRIES

Regulations over pharmaceutical equipment industry

The competent authority over pharmaceutical equipment industry

Our Group engages in manufacturing and assembly of pharmaceutical equipment. The NDRC is the macroscopic competent authority over the pharmaceutical equipment industry according to applicable laws, which implements macroeconomic regulation and control on pharmaceutical equipment industry, makes the whole development plan, guides the structural adjustment, and supervises the reform, technical upgrading and promotion etc. of the whole industry. The National Pharmaceutical Equipment Standardisation Technical Committee formulates the criterion of pharmaceutical equipment industry.

According to the General Rules on Pharmaceutical Machinery in Conformity with the Drug Production Quality Management Standard (《製藥機械符合藥品生產質量管理規範的通則》), as a pharmaceutical equipment company in the PRC, we are subject to the supervision of the NDRC and its local counterparts.

PRC Laws and regulations relating to the quality of pharmaceutical equipment

On February 12, 2011, the Ministry of Health issued the Drug Production Quality Management Standard (revised in 2010) (《藥品生產質量管理規範》 (2010年修訂)), which was implemented from March 1, 2011. The Fifth Chapter of this regulation detailed rules on equipment design, selection, installation, modification and maintenance requirements on the equipment used by pharmaceutical enterprises. The Article Seventy-one provides that the design, selection, installation, modification and maintenance of pharmaceutical equipment must be consistent with the designated use, shall to the utmost reduce pollution, cross contamination, confusion and error, and shall be convenient for operations, cleaning, maintenance, disinfection and sterilisation. The Article Seventy-three provides that the pharmaceutical enterprise should set up and maintain the documents and records of equipment procurement, installation and confirmation. The Article Seventy-four provides that the production equipment shall not have any adverse effect on the quality of pharmaceutical products. The surface of the production equipment, which is directly contacted with pharmaceutical products, should be smooth, bright, easy to clean or disinfect and corrosion resistance, shall not set off any chemical reaction with pharmaceutical products, adsorb pharmaceutical products or release any substances to pharmaceutical products.

In 2005, the NDRC issued the General Rules on Pharmaceutical Machinery In Conformity With The Drug Production Quality Management Standard (《製藥機械符合藥品生產質量管理規範的通則》) and the Guidelines For Pharmaceutical Machinery (Equipment) Verification (《製藥機械(設備)驗證導則》). These two regulations stipulate relevant rules for design, manufacturing, inspection, use and other relevant matters of the pharmaceutical machinery products, and set out details on principles, purposes, scopes, procedures, and solutions for pharmaceutical machinery (equipment) verification. The pharmaceutical machinery (equipment) verification is a series of activities conducted by pharmaceutical production enterprises to prove that the procedure, production processing, materials, activities or systems of the questioned equipment can actually lead to the expected results, accompanied by documentary confirmation, and it includes design verification, installation verification, operational verification and performance verification. The Guidelines For Pharmaceutical Machinery (Equipment) Verification (《製藥機械(設備)驗證導則》) stipulates the pharmaceutical manufacturing enterprises are in charge of the work of the pharmaceutical machinery (equipment) verification,and the pharmaceutical machinery manufacturing enterprises shall cooperate with pharmaceutical manufacturing enterprises in their verification and certification.

In addition, the Regulation on Manufacturing of Drugs (《藥品生產監督管理辦法》), the Drug Production Quality Management Standard (《藥品生產質量管理規範》), and the Certification Administrative Rules on Drug Production Quality Management Standard (《藥品生產質量管理規範認證管理辦法》) stipulate relevant rules on certification of pharmaceutical production facilities by pharmaceutical manufacturing enterprises. After purchasing relevant pharmaceutical production facilities, pharmaceutical manufacturing companies must conduct relevant certification according to the above laws and regulations.

PRC Laws and regulations relating to import/export of pharmaceutical equipment

According to the Article Fifteen of the Regulations on Import and Export Inspection of Goods (《進出口商品檢驗法》), the goods listed in the "Catalogue of Goods Which Must Be Inspected For Import and Export" (except those exempted from inspection as approved by competent authorities) shall be reported to the inspection authority for inspection at the specified place and within the specified time limit. The inspection authority shall conclude the inspection before the deadline stipulated by the central administration of inspection, and issue the inspection certificate.

Regulations on pharmaceutical packaging industry

The competent authority of pharmaceutical packaging industry

PALL-AUSTAR WFOE engages in production and sale of pharmaceutical packaging materials and containers, and subject to supervision by the CFDA and its local counterparts according to the Regulations on Supervision and Management of Medical Devices (《醫療器械監督管理條例》).

PRC laws and regulations on the pharmaceutical packaging industry

According to the Regulations on Supervision and Management of Medical Devices (《醫療器械監督管理條例》), medical devices are classified into three different categories, Classes I, II and III, depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. The class to which a medical device is assigned determines, among other things, whether a manufacturer needs to obtain a production permit and the level of regulatory authority involved in granting such permit. The classification of a medical device also determines the types of product registration certificates required and the level of regulatory authority involved in granting the product registration certificates.

Class I devices are those with low risk to the human body and are subject to "general controls". Product registration certificates for Class I devices are regulated and granted by the city level food and drug administration where the manufacturer is located. Our Group falls within Class I devices.

In addition, according to the Regulations on Supervision and Management of Medical Devices (《醫療器械監督管理條例》), which came into effect on April 1, 2004, and the Regulations on the Licenses for Enterprises Engaging in Medical Devices (《醫療器械經營企業許可證管理辦法》), which came into effect on August 9, 2004, the enterprise engaged in wholesale or retail of medical devices must obtain the license from the provincial food and pharmaceutical product administration authority before they conduct any sale activities of Classes II and III medical devices. Therefore, enterprises engage in the sales activities of Class I medical devices do not need to obtain the abovementioned licenses.

Regulations on mechanical and electrical equipment installation industry

The competent authority on mechanical and electrical equipment installation industry

Austar SJZ engages in automation control system engineering and installation business which belongs to the mechanical and electrical installation industry. According to Administrative Provisions on the Qualifications of Project Supervising Enterprises (《工程監理企業資質管理規定》), it is subject to supervision by the Chinese Ministry of Housing and Urban-rural Development and its local counterparts.

PRC Laws and regulations on mechanical and electrical equipment installation industry

According to the Administrative Provisions on the Qualifications of Project Supervising Enterprises (《工程監理企業資質管理規定》) which came into effect on August 1, 2007, companies engaged in supervision activities on construction projects should obtain the qualification for project supervision and conduct relevant activities within the scope of the Project Supervision License. The company which obtains Class II Mechanical and Electrical Installation Engineering (Electrical Engineering) Qualification can undertake electrical installation engineering projects with a total investment less than RMB 100 million and below purification Level 6.

Regulations on Chinese special equipment industry

The competent authority on special equipment industry

Shanghai Austar engages in the business of pressure vessel production and installation, which belongs to special equipment industry, and according to the Regulations on the Safety Supervision of Special Equipment (《特種設備安全監察條例》), it is subject to supervision by the China General Administration of Quality Supervision, Inspection and Quarantine and its local counterparts.

PRC laws and regulations on special equipment industry

According to Article 14 of Regulations on the Safety Supervision of Special Equipment (《特種設備安全監察條例》), the entity engages in the manufacturing, installation and/or modification of boiler, pressure vessel, elevator, lifting machinery, passenger ropeway, large-scale amusement facilities and safety accessories, safety protection device, pipes, fittings, valves, flange, compensator, and safety protection devices used for pressure pipes, and special motor vehicles, shall be approved by the special equipment safety supervision and regulation department under the State Council before conducting any relevant activities.

PRC LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

Under the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994 and became effective on 1 January 1995 and subsequently amended on 27 August 2009, the PRC Employment Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007 and became effective on 1 January 2008 and subsequently amended on 28 December 2012 and became effective on 1 July 2013 and the Implementing Regulations of the Employment Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which were promulgated by the State Council and became effective on 18 September 2008, employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required, when employing labour, to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions as requested by the Labour Contract Law of the PRC.

Pursuant to applicable PRC laws, rules and regulations, including the Social Insurance Law (《社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and became effective on 22 January 1999, Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labour on 14 December 1994 and became effective on 1 January 1995, the Regulations on Work-related Injury Insurance (《工傷保險條例》), which was promulgated by the State

Council on 27 April 2003 and became effective on 1 January 2004 and subsequently amended on 20 December 2010, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, and maternity insurance. An employer who fails to make social insurance contributions timely and in full amount, the social insurance collecting authority will order the employer to make up outstanding contributions within the prescribed time period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine on the employer.

Under the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), promulgated by the State Council on 3 April 1999 and subsequently amended on 24 March 2002, employers are required to make contributions to a housing accumulation fund for their employees.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and last amended on 5 August 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996. Under these rules, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterparts is obtained. According to the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) FIEs in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (such as board resolutions), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain their recurrent exchange earnings according to their needs of operations and the sums retained may be deposited into foreign exchange bank accounts maintained with the designated banks in the PRC. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval form or filling with the relevant PRC government authorities (if necessary).

The Notice on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises ("Circular No.142",《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) was promulgated and became effective on 29 August 2008. It regulates the conversion by a FIE of foreign currency into RMB by restricting how the converted RMB may be used. It requires that RMB converted from the foreign currency-denominated capital of a FIE may only be used for purposes within the business scope approved by the relevant governmental authorities and may not be used for equity investments within the PRC unless otherwise specifically provided. Further, it cannot be used to repay RMB loans if the proceeds of such loans have not yet been used.

Pursuant to the Circular on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies ("Circular No. 59",《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which was promulgated by SAFE on 19 November 2012 and became effective on 17 December 2012, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment, for domestic transfer of the foreign exchange under direct investment. Circular No. 59 also simplified the capital verification and confirmation formalities for the FIEs and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equities and foreign exchange registration formalities required for the foreign investors to acquire the equities of Chinese party, and further improve the administration on exchange settlement of foreign exchange capital of FIEs.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated and effective on 26 December 1989, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The provincial governments and the local governments in autonomous regions and municipalities may also promulgate local standards for environmental protection on matters not specified under national standards and the local governments must report such standards to the competent department of environmental protection administration under the State Council for record.

Pursuant to the Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and effective on 1 September 2003, manufacturers must prepare environmental impact study report setting forth the impact the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the government authority prior to commencement of construction of the relevant project. Operations are prohibited until the installations are inspected and confirmed to have satisfied environmental standards by the relevant environment protection authorities.

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on December 29, 2004 and brought into effect on April 1, 2005, units generating industrial solid waste shall establish and enhance a responsibility system for the prevention and control of environmental pollution as well as adopt measures for the prevention and control of environmental pollution by industrial solid waste. The PRC government institutes a system of reporting and registration of industrial solid waste. Units generating industrial solid waste shall, in accordance with the regulations of the department of environmental protection administration under the State Council, provide information about the types, quantity, flow, storage, treatment, etc. of industrial solid waste to the local departments of environmental protection administration at or above the county level in the areas where they are located.

Pursuant to Air Pollution Prevention Law of the PRC (《中華人民共和國大氣污染防治法》) promulgated on 29 April 2000 by the SCNPC and effective on 1 September 2000, the environmental protection authorities above the county level are in charge of promulgating laws and regulations governing prevention of air pollution. The environmental protection department under the State Council formulates national standards and the local provincial governments formulate local standards on matters not specified under national standards. Manufacturers discharging polluted air must comply with applicable national and local standards. If a manufacturer emits polluted air exceeding national or local standards, it must correct its action during a certain period of time and the manufacturer may be subject to penalties.

Pursuant to Water Pollution Prevention Law of the PRC (《中華人民共和國水污染防治法》) promulgated by the SCNPC on 1 November 1984 and amended on 28 February 2008, the environment protection department under the State Council is in charge of promulgating laws and regulations governing national standards relating to discharge of waste water. Provincial governments may promulgate local waste discharge standards for matters not specified in national standards. Manufacturers must discharge of waste water in accordance with national and local standards. Manufacturers discharging waste water must pay water treatment fees. If the waste water discharged exceeds national or local standards, the manufacturer is required to pay higher waste water treatment fees. The environmental protection department has the right to order manufacturers which severely polluted water to correct their actions by reducing the amount of discharge during a stipulated period of time, suspend their operations or shutdown.

Pursuant to the Laws of Prevention and Control of Environmental Noise Pollution of the PRC (《中華人民共和國環境噪聲污染防治法》) promulgated on 29 October 1996 and effective on 1 March 1997, the environment protection department under the State Council is in charge of promulgating national standards for noise control. Local governments at the county level or above are in charge of promulgating local standards with respect to noise control. Manufacturers releasing exhaust fume exceeding the national or local standards may be required to correct their actions and be subject to penalties.

PRC LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY AND PROTECTION OF CONSUMERS

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which became effective from 1 January 1987, manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities.

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated in 1993 and amended in 2000 to strengthen quality control of products and protect consumers' rights. Under this law, manufacturers and operators who produce and sell defective products may be subject to the confiscation of earnings from such sales, the revocation of business licences and imposition of fines, and in severe circumstances, may be subject to criminal liability.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on 31 October 1993 and was amended on 25 October 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendment on 25 October 2013, all business operators shall pay high attention to protect the customers' privacy which they obtain during the business operations. In extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

Under the Tort Law of the PRC (《中華人民共和國侵權責任法》) promulgated by the SCNPC on 26 December 2009 and was implemented from 1 July 2010, producers shall bear liability for damage caused to others by their defective products, and for such damage, the injured party may seek compensation from either the producer or the seller. Where the product defect is caused by the producer, the seller may, after paying compensation, claim the same from the producer. Where the product defect is caused by the seller, the producer may, after paying compensation, claim the same from the seller. In addition, if the products are produced and sold with known defects, causing deaths or severe damage to the health of others, the infringed party shall have the right to claim respective punitive damages in addition to compensatory damages.

PRC LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Under the EIT Law (《企業所得稅法》) and its implementation rules (《企業所得稅法實施細則》) promulgated by the State Council on 6 December 2007, the tax rate for both domestic-funded enterprises and foreign-invested enterprises is 25% since 1 January 2008, and the high-technology enterprise receiving key support from the State enjoy a reduced EIT rate of 15%.

Under the EIT Law and its implementation rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the EIT Law, "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. Dividends from resident enterprises to their investors, which are treated as resident enterprises, are exempted from withholding tax.

The EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an established or place of business in the PRC, or which do not have an established or place of business in the PRC but have income sourced within the PRC. The implementation rules of EIT Law provide that after 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-resident enterprise investors which do not have an establishment or place of business in the PRC, or which have such established or place of business but the relevant income is not effectively connected with the established or place of business, to the extent such dividends are derived from source within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and the jurisdiction in which the non-resident enterprise investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which was promulgated by the Stated Council on 13 December 1993 and subsequently amended on 10 November 2008 and its Implementation Rules (《中華人民共和國營業稅暫行條例實施細則》), which was promulgated by the MOF and SAT on 18 December 2008 and subsequently amended on 28 October 2011, all of which became effective on 1 January 2009, unless stated otherwise, the tax payers providing taxable services in the PRC are required to pay a business tax at a normal tax rate of 5% of their revenues.

Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and subsequently amended on 10 November 2008 and its implementation rules by the MOF on 28 October 2011, all of which became effective on 1 January 2009, unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing repairs and replaced services in the PRC shall be 17% or 13% depending on the goods being sold.

Tax Treaties

According to the Arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, such tax shall not exceed 10% of the gross amount of dividends payable, if a Hong Kong resident holds less than 25% equity interest in a PRC company; and in the case where a Hong Kong resident holds 25% equity interest or more in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

PRC LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends of foreign holding companies include the PRC Company Law, the Wholly Foreign-owned Enterprise Law of the PRC and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law.

Under the laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in China, like our PRC subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

IMPACT OF SANCTIONS LAWS

During the Track Record Period, we had exported pharmaceutical equipment in the ordinary course of business to customers in Sanctioned Countries, namely, Iran and Lebanon, and also certain customers in Russia (where certain Sanctioned Persons are located). In light of our Group's sale of products to customers in the Sanctioned Countries, which are countries that are subject to sanctions administered by the OFAC, the sanctions laws of other countries and under international law (collectively, "International Sanctions") and customers in Russia (where certain Sanctioned Persons are located), we have appointed DLA Piper Hong Kong, an international law firm, to determine whether our sale of products to the Sanctioned Countries and in Russia (where certain Sanctioned Persons are located) during the Track Record Period violate the International Sanctions.

As advised by DLA Piper Hong Kong, our legal advisers as to International Sanctions laws, our Group's historical sales and other business dealings in Iran, Lebanon and in Russia (where certain Sanctioned Persons are located) during the Track Record Period do not implicate the applicability of the relevant sanctions laws on our Group, or any, person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors. For details on our business activities in the Sanctioned Countries and in Russia (where certain Sanctioned Persons are located) and impact of sanctions laws, please refer to the section headed "Business – Business Activities in Sanctioned Countries".

OVERVIEW

The founder of our Group, Mr. Mars Ho, started his career in pharmaceutical industry departments of several Hong Kong companies in 1985. In 1991, Mr. Mars Ho started his own agency business in the sale of pharmaceutical and packaging machineries in Hong Kong with his accumulated experience and savings.

With Mr. Mars Ho's mission in promoting industry advancement against the background of the rapid development of the pharmaceutical industry in the PRC, we commenced our business in the early 2000's. As led by Mr. Mars Ho, we have now become a leading provider of integrated engineering solutions with high-end and comprehensive services and products to reputable pharmaceutical manufacturers and research institutes in the PRC and also a provider of those services and products to customers in the emerging countries. For a detailed discussion on our business, please refer to the section headed "Business" in this prospectus.

Since the inception of our Group and throughout the relevant period, companies engaging in our current businesses have been ultimately owned as to 89% by Mr. Mars Ho, 1% by Madam Gu, the spouse of Mr. Mars Ho, and 10% by Mr. KH Ho.

The following table sets out the key milestones of our Group's business development:

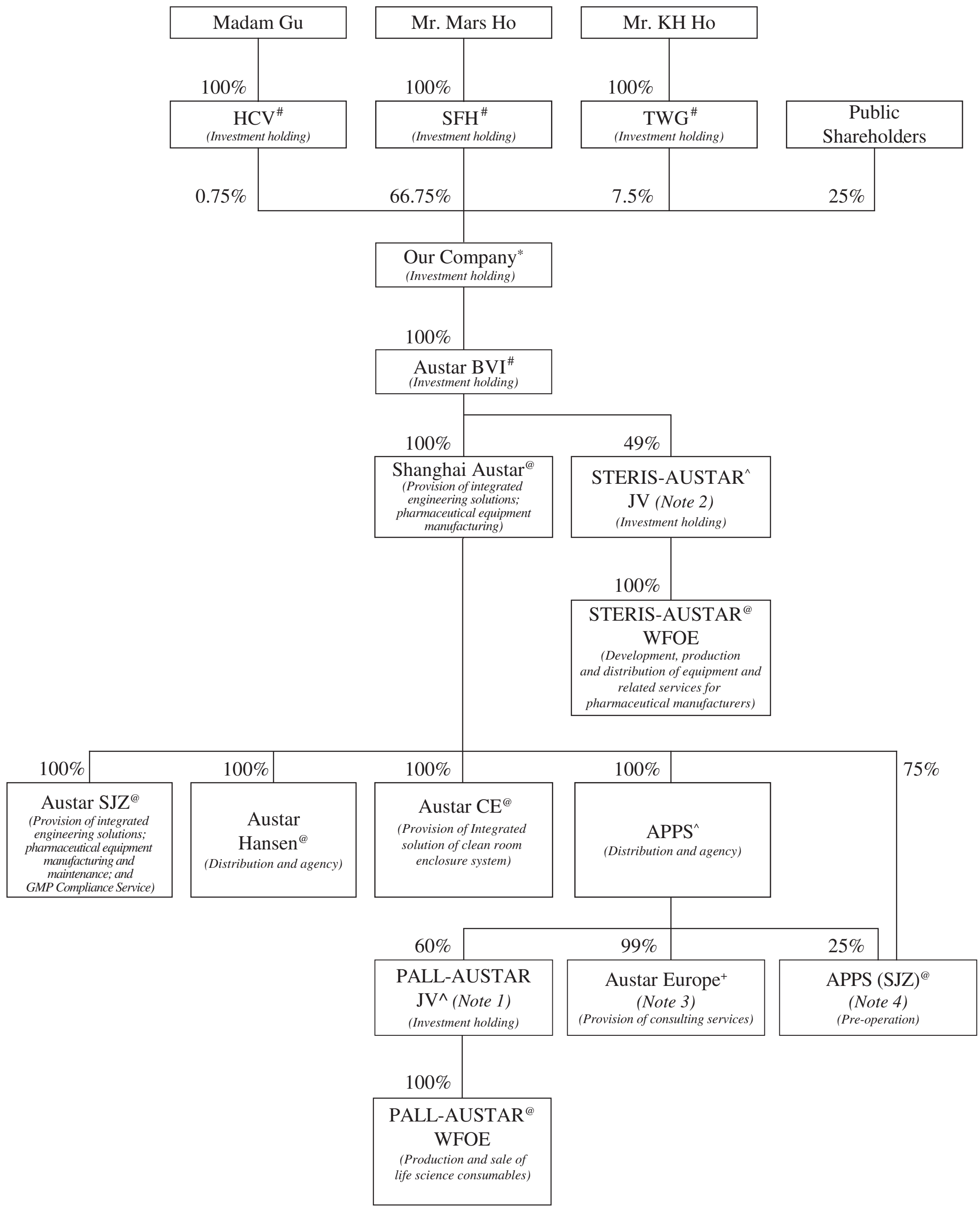
Year	**Events**
2003	Shanghai Austar was established and we commenced business in manufacturing of purified water generators in 2004. This marked the foundation of our Liquid and Bioprocess System business segment.
2004	Austar SJZ was established. We commenced our Clean Room and Automation Control and Monitoring System business segment through Austar SJZ in 2006.
2006	We entered into a joint venture with STERIS and commenced business of manufacturing of multiple effect water stills and pure steam generators with the establishment of STERIS-AUSTAR WFOE in 2007.
2007	Austar CE was established and we commenced business of our production and processing of clean room enclosure systems in our production plants in Songjiang District, Shanghai, the PRC. This has enhanced our Clean Room and Automation Control and Monitoring System business segment.

Year	Events
	PALL-AUSTAR JV (then known as ATMI Austar Lifesciences Limited) was formed with ATMI Packaging N.V. (now known as Pall Life Sciences Belgium BVBA) to commence the business of manufacturing, marketing and distribution of sterile and other packaging life science consumable products and PALL-AUSTAR WFOE was established in 2008.
2008	Our Liquid and Bioprocess System business segment was formally established by Shanghai Austar.
2009	We commenced our Powder and Solid System and GMP Compliance Service business segments through Austar SJZ.
2011	We were certified as Siemens Solution Partner by Siemens.
2012	We were certified as a Recognised System Integrator of Rockwell.
2013	In respect of GMP Compliance Service, we assisted Chengdu Institute of Biological Products to pass the WHO pre-qualification of Japanese encephalitis vaccine, which is the first biopharmaceutical company in the PRC to pass the WHO pre-qualification of vaccine.
	We were certified as Gold Solution Partner by Siemens.
2014	We were appointed as an exclusive distributor in the PRC for Allentown on the supply of animal laboratory research products.
	Over the years, we have expanded our Group's business scope to include integrated engineering solutions of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System and Powder and Solid System; provision of GMP Compliance Service; Life Science Consumables; and Distribution and Agency of Pharmaceutical Equipment.

OUR GROUP AND SHAREHOLDING STRUCTURE

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 January 2014 and as part of the Reorganisation, became the holding company of our Group with our business being conducted through our subsidiaries.

The following diagram illustrates the shareholding and corporate structure of our Group upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue:



*	incorporated in the Cayman Islands
#	incorporated in BVI
@	established in the PRC
^	incorporated in Hong Kong
+	incorporated in Italy

Notes:

(1) PALL-AUSTAR JV is owned as to 60% by APPS and as to 40% by Pall Life Sciences, a company incorporated in Belgium and a wholly owned subsidiary of PALL, an Independent Third Party. PALL-AUSTAR JV is owned as to 60% by us and is a subsidiary of our Company within the meaning of the Companies Ordinance. For accounting purpose, PALL-AUSTAR JV is treated as a joint venture. For a discussion on the accounting treatment on PALL-AUSTAR JV, please refer to the paragraph headed "History and development – (C) Our joint ventures – Accounting treatment of our joint ventures" in this section below.

(2) STERIS-AUSTAR JV is owned as to 49% by Austar BVI and as to 51% by STERIS Mauritius Limited, a company incorporated in Mauritius with limited liability and a wholly owned subsidiary of STERIS, an Independent Third Party. For accounting purpose, STERIS-AUSTAR JV is treated as a joint venture. For a discussion on the accounting treatment on STERIS-AUSTAR JV, please refer to the paragraph headed "History and development – (C) Our joint ventures – Accounting treatment of our joint ventures" in this section below.

(3) Austar Europe is owned as to 99% by APPS and as to 1% by Mr. Enzo Barazetti, a non-executive Director.

(4) APPS (SJZ) is owned as to 75% by Shanghai Austar and as to 25% by APPS.

HISTORY AND DEVELOPMENT

Members of our Group which are material to the performance of our Group during the Track Record Period are set out below:

(A) Principal members of our Group

(1) Austar BVI

Austar BVI is the intermediate holding company of our Group.

Austar BVI was incorporated in BVI on 25 January 2005 and on the same date 100 shares of US$1.00 par value each were allotted and issued to AIL at par. For administrative convenience, on 1 July 2005, the entire issued share capital of Austar BVI was transferred by AIL, a company incorporated in Hong Kong, to AIHL, a company incorporated in BVI, at US$100 based on the par value of such shares. Since that date and up to immediately prior to the Reorganisation, Austar BVI was wholly owned by AIHL.

Since the incorporation of Austar BVI and up to the date when the entire issued share capital of Austar BVI was transferred to AIHL, AIL was owned as to 89% by Mr. Mars Ho, as to 1% by Madam Gu and as to 10% by Mr. KH Ho. Since its incorporation and up to the Latest Practicable Date, AIHL was owned as to 89% by Mr. Mars Ho, as to 1% by Madam Gu and as to 10% by Mr. KH Ho.

Austar BVI has been our Group's intermediate holding company throughout the Track Record Period and up to the Latest Practicable Date.

(2) Shanghai Austar

Shanghai Austar is currently principally engaged in the provision of integrated engineering solutions and pharmaceutical equipment manufacturing.

Shanghai Austar was established in Songjiang District, Shanghai, the PRC as a wholly foreign owned enterprise on 20 August 2003 by AIL as its sole investor. On 15 June 2005, as a step to rationalise the structure of the core business of our Group, AIL entered into an agreement to transfer the 100% equity interest of Shanghai Austar to Austar BVI at a consideration of US$3,949,315 based on the investment cost of AIL in Shanghai Austar. Upon completion of the transfer of the 100% equity interest of Shanghai Austar from AIL to Austar BVI, Shanghai Austar became a wholly owned subsidiary of Austar BVI.

Throughout the years, the registered capital of Shanghai Austar has been increased from US$2.25 million to US$14.68 million. On 8 February 2014, Shanghai Austar passed a board resolution to propose to reduce its registered capital from US$14.68 million to US$11.49 million. Such proposal was approved by the regulatory authority in Songjiang District, Shanghai, the PRC and the updated certificate of approval of Shanghai Austar with the reduced registered capital of US$11.49 million was issued on 7 May 2014. The whole process relating to the reduction of the registered capital of Shanghai Austar was completed on 17 June 2014.

(3) Austar SJZ

Austar SJZ is currently principally engaged in the provision of integrated engineering solutions; pharmaceutical equipment manufacturing and maintenance; and GMP Compliance Service.

Austar SJZ was established in Shijiazhuang, Hebei Province, PRC as a wholly foreign owned enterprise on 9 July 2004 by AIL as its sole investor. As a step to rationalise the structure of the core business of our Group, on 18 June 2005, AIL entered into an agreement to transfer the 100% equity interest of Austar SJZ from AIL to Austar BVI at a consideration of HK$1.

Since the incorporation of Austar SJZ and up to the date when the 100% equity interest of Austar SJZ was transferred from AIL to Austar BVI, Mr. Mars Ho, Madam Gu and Mr. KH Ho remained the ultimate beneficial owners of AIL.

With a view to leveraging on the stronger financial position of Shanghai Austar for obtaining banking facilities in the PRC, on 8 October 2011, Austar BVI entered into an agreement to transfer the 100% equity interest of Austar SJZ from Austar BVI to Shanghai Austar, so as to reorganise Austar SJZ as a wholly-owned subsidiary of Shanghai Austar, at a consideration of RMB11.49 million, based on the unaudited net asset value of Austar SJZ as at 30 June 2011. Upon completion of the transfer of the 100% equity interest of Austar SJZ from Austar BVI to Shanghai Austar, Austar SJZ became a wholly-owned subsidiary of Shanghai Austar and became a PRC domestic enterprise.

As at the Latest Practicable Date, the registered capital of Austar SJZ was RMB20,060,000, which was fully paid up.

(4) Austar Hansen

Austar Hansen is currently principally engaged in the trading of life science consumables.

Austar Hansen was established in Pudong New Area, Shanghai, PRC as a wholly foreign owned enterprise on 29 March 2001 by AIL as its sole investor. On 28 November 2004, AIL entered into an agreement to transfer the 100% equity interest of Austar Hansen to Austar PMC (SH) Limited, a company incorporated in BVI with limited liability and wholly owned by Austar PharmMed Consumable Limited, at a consideration of HK$1 for the purpose of internal reorganisation and became a wholly-owned subsidiary of Austar PMC (SH) Limited.

Austar PharmMed Consumable Limited is a company incorporated in BVI and a subsidiary of AIHL. Since the establishment of Austar Hansen and up to the date when the 100% equity interest of Austar Hansen was transferred from AIL to Austar PMC (SH) Limited, Mr. Mars Ho and Madam Gu (and since September, 2001, Mr. KH Ho) remained to be the ultimate beneficial owners of AIL.

For the purpose of internal reorganisation so that the business of our Group could be rearranged to be under a common holding company, on 20 April 2012, Austar PMC (SH) Limited entered into an agreement to transfer the 100% equity interest of Austar Hansen from Austar PMC (SH) Limited to Shanghai Austar at a consideration of US$2,615,414, based on the audited net asset value of Austar Hansen as at 31 December 2011. Upon completion of the transfer of its equity interest to Shanghai Austar, Austar Hansen was converted into a PRC domestic enterprise and became a wholly-owned subsidiary of Shanghai Austar.

As at the Latest Practicable Date, the registered capital of Austar Hansen was RMB1.66 million, which was fully paid up.

(5) Austar CE

Austar CE is currently principally engaged in the provision of integrated solution of clean room enclosure system.

Austar CE was established in Songjiang District, Shanghai, PRC as a sino-foreign joint venture enterprise on 12 November 2007 by AIEL and 上海奧星潔淨室系統工程有限公司 ("**SACSE**") (in English, for identification purpose only, Shanghai Austar Cleanroom System Engineering Co., Ltd.) holding 90% and 10% equity interest in Austar CE respectively. AIEL is a company incorporated in Hong Kong with limited liability which was then a wholly-owned subsidiary of AIHL, and SACSE is a limited liability company established in the PRC which was then wholly owned by Mr. Gu Lugong, the father-in-law of Mr. Mars Ho.

On 18 January 2012, (1) AIEL entered into an agreement with Shanghai Austar to transfer the 90% equity interest of Austar CE held by it to Shanghai Austar at a consideration of RMB2,709,000; and (2) SACSE entered into an agreement with Shanghai Austar to transfer the 10% equity interest of Austar CE held by it to Shanghai Austar at a consideration of RMB301,000, each based on the audited net asset value of Austar CE as at 31 December 2011. Upon completion of the aforementioned transfers of its equity interest, Austar CE was converted into a PRC domestic enterprise and wholly owned by Shanghai Austar.

Since the establishment of Austar CE and up to the date when the aggregate 100% equity interest of Austar CE was transferred to Shanghai Austar, AIEL was wholly owned by AIHL.

As at the Latest Practicable Date, the registered capital of Austar CE was RMB2,155,446 and was fully paid up.

(6) APPS

The principal business of APPS was distribution and agency. APPS was incorporated in Hong Kong on 20 April 2012 with an authorised share capital of HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each. Since its incorporation, APPS has been wholly owned by Shanghai Austar and its paid up capital has been increased from HK$1,000,000 to HK$12,271,200 up to the Latest Practicable Date.

(B) Our Company

Our Company was incorporated on 9 January 2014 in the Cayman Islands under the Companies Law as an exempted company with limited liability. On the same date, (i) the one subscriber Share, allotted and issued as fully paid at par, was transferred to SFH, a company incorporated in BVI with limited liability and wholly owned by Mr. Mars Ho; (ii) 889,999 Shares were allotted and issued to SFH for cash at par; (iii) 10,000 Shares were allotted and issued to HCV, a company incorporated in BVI with limited liability and wholly owned by Madam Gu, for cash at par; and (iv) 100,000 Shares were allotted and issued to TWG, a company incorporated in BVI with limited liability and wholly owned by Mr. KH Ho, for cash at par.

SFH, HCV and TWG are the three special purpose vehicles for Mr. Mars Ho, Madam Gu and Mr. KH Ho respectively ("**Austar Shareholders**") for holding their interest in our Company after completion of the transactions contemplated under the Reorganisation.

On completion of the Reorganisation on 20 June 2014, our Company became the holding company of all the existing subsidiaries of our Company. Details of the Reorganisation are set out in the sub-section headed "Reorganisation" in this section below.

(C) Our joint ventures

Our joint venture with STERIS

On 7 August 2006, Steris Mauritius Limited, Austar BVI and AIL (as guarantor) entered into an agreement ("**Steris JV Agreement**") to establish a joint venture in the business of developing, producing and distributing pharmaceutical equipment and related services. Steris Mauritius Limited was a wholly-owned subsidiary of STERIS, an Independent Third Party and a company established under the laws of the State of Ohio, USA. STERIS, which together with its subsidiaries, is engaged in the business of manufacturing, and marketing of infection prevention, contamination control, microbial reduction, and procedural support products and services for healthcare, pharmaceutical, scientific, research, industrial, and governmental customers, and whose common shares are listed on NYSE.

Pursuant to the Steris JV agreement, STERIS-AUSTAR JV, a joint venture company owned as to 51% by Steris Mauritius Limited and as to 49% by Austar BVI, was incorporated on 27 September 2006. The Steris JV Agreement provided that, among other things, (a) the board of STERIS-AUSTAR JV shall consist of five directors, of which Steris Mauritius Limited shall be entitled to appoint three directors and Austar BVI shall be entitled to appoint two directors to the board of directors of STERIS-AUSTAR JV; and (b) among other matters, the following matters would require a majority approval of 80% of the directors at the board meeting of STERIS-AUSTAR JV or, as the case may be, STERIS-AUSTAR WFOE (as referred to below): (i) declaration of, and amendment to, dividends to be paid by it as provided in the Steris JV Agreement; (ii) any investment in another company or business or incorporate any subsidiary; (iii) approval of and amendment to its business plan and annual budget; (iv) merger into or with or acquisition of all or part of the business of another entity; (v) providing remuneration to its directors; (vi) any significant change in the scope of its business; (vii) sale of all or substantially all its assets; (viii) approval and execution of any agreements, documents or other arrangements between STERIS-AUSTAR JV and any shareholder (or its affiliate, excluding STERIS-AUSTAR JV and any of its wholly-owned subsidiaries), as well as any amendment with respect thereto; (ix) any capital expenditure or commitments for capital expenditures by STERIS-AUSTAR JV that individually exceeds US$100,000 or in the aggregate exceeds US$100,000, unless such expenditure or commitment is provided for in the then current budget; (x) entering into any employment agreement with senior managers or entering into any consulting agreement with any individual currently or previously serving in a managerial or executive capacity in any business organisation; (xi) dismissing any of senior managers of STERIS-AUSTAR JV, except in circumstances where STERIS-AUSTAR JV is entitled to summarily dismiss such managers; (xii) giving any guarantee, indemnity or security in respect of the obligations of any person (provided that no guarantee, indemnity or security in respect of the obligations of any director of STERIS-AUSTAR JV may be given in violation of the applicable law); (xiii) borrowing by STERIS-AUSTAR JV in excess of US$500,000, which is not covered by the then current budget; and (xiv) transfer of shares between the shareholders of STERIS-AUSTAR JV as provided in the Steris JV Agreement. Please also refer to the paragraph headed "Accounting treatment of our joint ventures" in this section below.

Through STERIS-AUSTAR JV as its sole investor, STERIS-AUSTAR WFOE was established in Songjiang District, Shanghai, PRC as a wholly foreign owned enterprise on 14 May 2007. As at the Latest Practicable Date, the investment amount of STERIS-AUSTAR WFOE was US$2.171 million and the registered capital of STERIS-AUSTAR WFOE was US$1.52 million, which was fully paid up.

Currently, STERIS-AUSTAR WFOE is principally engaged in development, production and distribution of equipment and related services for pharmaceutical manufacturers.

Pursuant to the Steris JV Agreement and certain ancillary documents, STERIS-AUSTAR WFOE has been granted an exclusive licence by STERIS to manufacture and sell multiple effect water stills and pure steam generator products in the PRC and to sell such products to STERIS or its designees outside of the PRC, and Shanghai Austar has been appointed as the exclusive distributor and sales agent of STERIS-AUSTAR WFOE for products manufactured by STERIS-AUSTAR WFOE in the PRC. Please also refer to the sections headed "Business – Our joint ventures" and "Business – Suppliers and procurement" in this prospectus.

Each of Austar BVI and Steris Mauritius Limited has granted a call option in favour of each other regarding its holding in the STERIS-AUSTAR JV, in each case, is exercisable if there is a change in the ultimate control of Austar BVI or, as the case may be, Steris Mauritius Limited at a pre-agreed pricing mechanism.

In connection with the Reorganisation, AIL, as the original guarantor, novated all its obligations and liabilities under the Steris JV Agreement to our Company so that the performance of the Steris JV Agreement by Austar BVI is now guaranteed by our Company.

Our joint venture with Pall Corporation

On 25 January 2007, ATMI Packaging N.V. (now known as Pall Life Sciences Belgium BVBA) and Austar PharmMed Consumable Limited entered into an agreement ("**Pall JV Agreement**") to establish a joint venture in the business of manufacturing, marketing and distribution of sterile and other pharmaceutical products. Austar PharmMed Consumable Limited was a company incorporated in BVI and then controlled by AIHL, and ATMI Packaging N.V. (which subsequently changed its name to ATMI BVBA and now known as Pall Life Sciences) was a company incorporated in Belgium and then a wholly-owned subsidiary of ATMI.

Following the completion of the acquisition of the life science businesses and related assets of ATMI by PALL in February 2014, our joint venture partner concerned became a wholly-owned subsidiary of PALL, an Independent Third Party, and changed its name to Pall Life Sciences. PALL, together with its subsidiaries, is engaged in supplying filtration, separation and purification solutions to meet the critical fluid management needs of customers across the broad spectrum of life sciences and industry, and whose shares are listed on the NYSE.

Pursuant to the Pall JV Agreement, PALL-AUSTAR JV, a joint venture company owned as to 60% by us and 40% by our joint venture partner, was incorporated in Hong Kong on 18 April 2007 with an authorised share capital of US$1,250,000 divided into 1,250,000 shares of US$1.00 each. On incorporation, 500,000 shares were issued for cash at par to Austar PharmMed Consumable Limited and 500,000 shares were issued for cash at par to ATMI Packaging N.V. (now known as Pall Life Sciences). On 22 June 2007, 250,000 shares were issued at par to Austar PharmMed Consumable Limited by way of capitalisation of the services provided by Austar PharmMed Consumable Limited in setting up of the pharmaceutical factory and implementation of the manufacturing and operational procedures and sales and marketing network in the amount of US$250,000.

On 30 November 2012, to pool the business of our Group together, Austar PharmMed Consumable Limited transferred the 750,000 shares of PALL-AUSTAR JV held by it to APPS, which is an indirectly wholly-owned subsidiary of Austar BVI, at a consideration of US$270,000, based on its audited net asset value as at 31 December 2011. As a result, since that date and up to the Latest Practicable Date, PALL-AUSTAR JV was owned as to 60% by APPS and as to 40% by Pall Life Sciences. The principal business of PALL-AUSTAR JV was investment holding.

According to the Pall JV Agreement, among other matters, the following matters would require a unanimous approval of board resolutions of PALL-AUSTAR JV: (i) the entering by PALL-AUSTAR JV into any business other than the prescribed business; (ii) any approval or alteration of its business plan; (iii) any appointment or removal of members to the management committee of PALL-AUSTAR JV; (iv) any commitment of capital expenditure in one transaction or a series of related transactions, the amount of which exceeds the amount previously approved as part of the annual budget; (v) the entering into of any partnership or equity joint venture arrangement by PALL-AUSTAR JV; (vi) the incorporation of any subsidiary or the granting of permission to dispose of or dilute any interest directly or indirectly in any subsidiary or acquisition of shares in any company or the disposition of any shares in any company or acquisition or disposition of any loans or loan capital; (vii) the entering into of any abnormal or unusual contract or contract outside the ordinary course of business of PALL-AUSTAR JV or the entering into of any contracts other than on an arm's length basis by it; (viii) any transaction between PALL-AUSTAR JV and a shareholder or any officer, director, employee or affiliate of PALL-AUSTAR JV or any shareholder not expressly contemplated in the Pall JV Agreement (other than provision of consumer services in the ordinary and usual course of business of PALL-AUSTAR JV pursuant to one or a series of related transactions involving not more than US$20,000); (ix) any decision not to extend the three-year term, or any subsequent term, of the management committee; (x) the creating, incurring or suffering to exist of any mortgage, pledge, lien charge, hypothecation or security interest in respect of shares of PALL-AUSTAR JV held by any shareholder; (xi) the delegation by the board of any of its powers to any committee of the directors, the appointment and removal of the members of any such committee, and the imposition of any regulations on any such committee; (xii) the issuance or allotment of any shares in PALL-AUSTAR JV other than those subject to the subscription referred to therein; (xiii) the authorisation, grant or issuance of any options, rights, warrants, debentures or other securities or rights convertible into or exercisable for securities of PALL-AUSTAR JV; (xiv) the variations of any rights attaching to any shares; (xv) the subscribing for any shares or securities of any entity or the taking up or exercise of any option or right with respect to any shares or securities of any entity; (xvi) the borrowing of any money or obtaining of any financial facilities exceeding US$20,000; (xvii) the entering into of any agreements or arrangements with respect to any currency hedging or any investment in currency other than in bank accounts; (xviii) the mortgage of other encumbrance on any significant assets of PALL-AUSTAR JV; (xix) the extension or termination of PALL-AUSTAR WFOE; (xx) the designation of authorised representatives for signing on behalf of PALL-AUSTAR JV; and (xxi) any profit distribution of PALL-AUSTAR JV. Please also refer to the paragraph headed "Accounting treatment of our joint ventures" and the section headed "Treatment of PALL-AUSTAR JV under the Listing Rules" in this section below.

Through PALL-AUSTAR JV as its sole investor, PALL-AUSTAR WFOE was established in Huairou District, Beijing, PRC as a wholly foreign owned enterprise on 15 January 2008. As at the Latest Practicable Date, the investment amount of PALL-AUSTAR WFOE was US$3.56 million and the registered capital of PALL-Austar WFOE was US$2.50 million which was fully paid up.

Currently, PALL-AUSTAR WFOE is principally engaged in the production and sale of life science consumables.

Pursuant to the Pall JV Agreement and certain ancillary documents, ATMI-Austar WFOE has been granted an exclusive license to manufacture, offer to sell and sell products using technology licensed by Pall Life Sciences in the PRC and certain regions in Asia and Australia. Please also refer to the sections headed "Business – Our joint ventures" and "Business – Suppliers and procurement" in this prospectus.

Accounting treatment of our joint ventures

As neither our Company nor our joint venture partners could exert unilateral control over each of STERIS-AUSTAR JV and PALL-AUSTAR JV, each of STERIS-AUSTAR JV and PALL-AUSTAR JV is considered a joint venture of our Company for accounting purposes.

TREATMENT OF PALL-AUSTAR JV UNDER THE LISTING RULES

As explained above, since neither our Company nor our joint venture partner could exert unilateral control over PALL-AUSTAR JV, we treat PALL-AUSTAR JV as our joint venture for accounting purpose notwithstanding the fact that we hold 60% of the issued share capital of PALL-AUSTAR JV and that PALL-AUSTAR JV is a subsidiary of our Company within the meaning of the Companies Ordinance.

Currently, the Listing Rules do not contain any provisions in relation to jointly controlled entities of a listed group. Given that PALL-AUSTAR JV is a subsidiary of our Company within the meaning of the Companies Ordinance, PALL-AUSTAR JV is a subsidiary of our Company under the Listing Rules. For the sole purpose of the Listing and compliance with the Listing Rules, PALL-AUSTAR JV should, in general, be regulated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of applying the Listing Rules (apart from Rules 13.13 to 13.19 of the Listing Rules relating to disclosure of financial information).

Summarised below is the applicability of the key provisions under the Listing Rules relating to PALL-AUSTAR JV:

(i) the activities of PALL-AUSTAR JV are considered as part of our Group's activities and as such are subject to Rule 13.09(1) of the Listing Rules;

(ii) in respect of Chapter 14 of the Listing Rules, the transactions undertaken by PALL-AUSTAR JV will be treated as transactions of our Group for the purposes of identifying notifiable transactions;

(iii) in respect of Chapter 14A of the Listing Rules, PALL-AUSTAR JV will be considered as part of our Group for the purposes of applying the connected transactions requirements;

(iv) subject to the provisions contained in Chapter 14A of the Listing Rules, connected persons of our Group will include our joint venture partner in PALL-AUSTAR JV and the directors of PALL-AUSTAR JV and their respective associates;

(v) subject to the provisions contained in Chapter 14A of the Listing Rules, transactions between our Group (including PALL-AUSTAR JV) on the one hand, and (a) the joint venture partner of PALL-AUSTAR JV and its associates; (b) the directors of PALL-AUSTAR JV, PALL-AUSTAR WFOE and their respective associates; or (c) the connected persons of our Group (e.g. our substantial Shareholders and their respective associates), on the other, would be considered as connected transactions under Chapter 14A of the Listing Rules;

(vi) the Stock Exchange may exercise discretion to deem transactions involving amendments to the terms of the joint venture agreement to be connected transactions;

(vii) for the purpose of Chapter 13 of the Listing Rules on continuing obligations, the definition of "major subsidiary" will apply to PALL-AUSTAR JV, where appropriate;

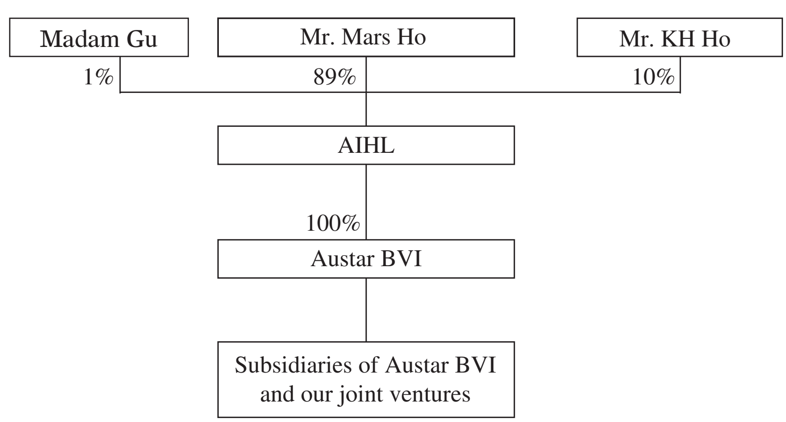
(viii) an issue by PALL-AUSTAR JV and its subsidiaries will be applicable to the requirements under Chapter 15 of the Listing Rules on the issuance of options, rights and warrants;

(ix) Chapter 17 of the Listing Rules governs the share option scheme of our Company or any of our subsidiaries, including PALL-AUSTAR JV; and

(x) Practice Note 15 of the Listing Rules will apply to any proposals to affect the separate listing on the Stock Exchange or elsewhere of assets or business wholly or partly within our Group, including operations conducted by PALL-AUSTAR JV.

REORGANISATION

The companies comprising our Group underwent the Reorganisation to rationalise our Group structure in preparation for the Listing. As a result, our Company became the holding company of our Group. The following diagram illustrates the simplified shareholding and corporate structure of our Group immediately prior to the Reorganisation:



The steps of the Reorganisation are set out below:

Step 1: Incorporation of our Company which acts as the holding company of our Group

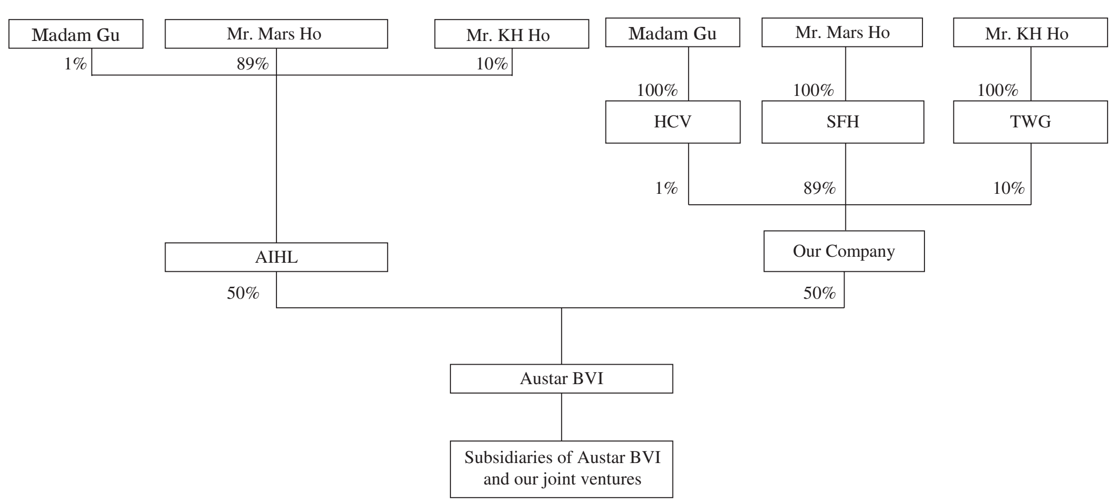
Our Company was incorporated on 9 January 2014 in the Cayman Islands under the Companies Law as an exempted company with limited liability. On the same date, (i) the one subscriber Share, allotted and issued as fully paid at par, was transferred to SFH; (ii) 889,999 Shares were allotted and issued to SFH for cash at par; (iii) 10,000 Shares were allotted and issued to HCV for cash at par; and (iv) 100,000 Shares were allotted and issued to TWG for cash at par.

Step 2: Subscription of shares in Austar BVI

On 16 June 2014, our Company subscribed for 100 shares of US$1.00 par value each in Austar BVI, representing 50% of the issued share capital of Austar BVI as enlarged by the subscription of such new shares for cash at par.

After completion of the Subscription, Austar BVI was owned as to 50% by AIHL and as to 50% by our Company and the effective shareholding of the Austar Shareholders in Austar BVI remained the same immediately before and immediately after the Subscription.

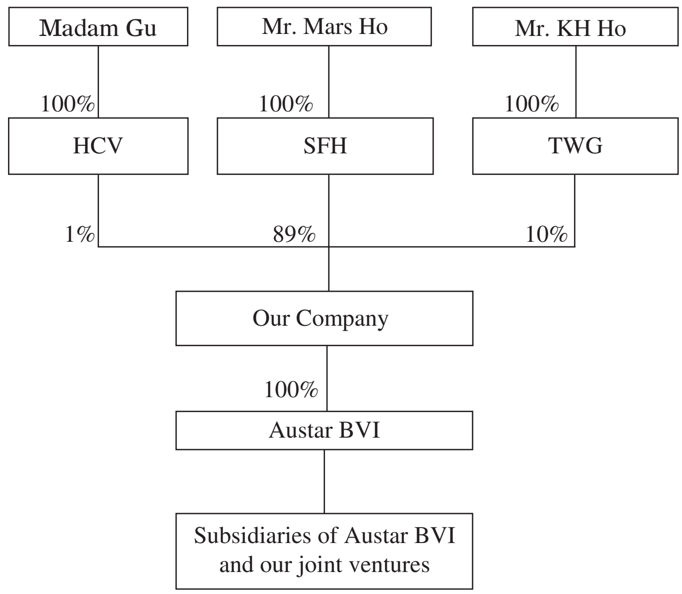
The following diagram illustrates the simplified shareholding and corporate structure of our Group immediately after the Subscription:



Step 3: Repurchase of shares in Austar BVI held by Austar International BVI

On 20 June 2014, Austar BVI repurchased and cancelled all the 100 shares of US$1.00 par value each in Austar BVI held by AIHL, representing 50% of the issued share capital of Austar BVI and the entire equity interest owned by AIHL in Austar BVI, at the consideration of US$100 which is based on the par value (and the original subscription price) of such shares. Upon completion of the Share Repurchase, our Company became the sole shareholder of Austar BVI.

The following diagram illustrates the simplified shareholding and corporate structure of our Group immediately after the Share Repurchase and up to the Latest Practicable Date:



Each of the steps as mentioned above in the Reorganisation was properly and legally completed and settled.

COMPLIANCE WITH PRC LAWS

Circular No. 37

The SAFE issued a public notice named the Notice on Relevant Issues Concerning Foreign Exchange Administration Relating to Domestic Residents' Offshore Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (including its appendixes), (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (Circular No. 37), which become effective on 4 July 2014, which replaced the previous Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, (Circular No. 75.) Circular No. 37 requires PRC residents, including PRC individuals and institutions, to register with the SAFE or its local branches in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, such offshore entity being referred to as a offshore special purpose vehicle. In addition, such PRC residents must update their foreign exchange registrations with the SAFE or its local branches when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by Circular No. 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Our PRC Legal Adviser has confirmed that with regard to Mr. Mars Ho, Madam Gu and Mr. KH Ho, who are the existing ultimate beneficial owners of our Company, since each of Mr. Mars Ho and Mr. KH Ho is a holder of a Hong Kong permanent identity card and Madam Gu is an Australian citizen, each of them does not fall under the definition of PRC residents under the Circular No. 37. Accordingly, the requirement regarding foreign exchange registration under Circular No. 37 is not applicable to each of them and thus each of them is not required to complete such registration.

M&A Rules

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) ("**M&A Rules**") which became effective on 8 September 2006 and was revised on 22 June 2009. Pursuant to the M&A Rules, where a domestic company, enterprise or natural person intends to take over his/her/its related domestic company through an offshore company which he/she/it lawfully established or controls, the takeover shall be subject to the examination and approval of the MOFCOM. The M&A Rules require a special purpose vehicle formed for overseas listing purpose and controlled directly by PRC companies or natural persons shall obtain the approval of the CSRC prior to the listing and trading of the securities of such special purpose vehicle on an overseas stock exchange.

Our PRC Legal Adviser has confirmed that since Mr. Mars Ho, who is the ultimate Controlling Shareholder, is a holder of a Hong Kong permanent identity card and not a holder of a PRC resident identity card, he does not fall under the definition of a domestic natural person under the M&A Rules, and therefore pursuant to the M&A Rules, the Reorganisation is not subject to the examination and approval of the MOFCOM, nor the proposed Listing is subject to the approval of the CSRC.

As advised by our PRC Legal Adviser, all necessary administrative and legal procedures and requirements in relation to the establishment (and the contribution of the registered capital by the then equity holders), increases in registered capital and changes in equity interests in each of our PRC subsidiaries have been complied with and completed and settled.

BUSINESS OVERVIEW

We are a leading provider of integrated engineering solutions with high-end(1) and comprehensive services and products to reputable pharmaceutical manufacturers and research institutes in the PRC and also a provider of those services and products to customers in emerging countries. Our customers include pharmaceutical companies such as Lijun Group Companies, Hisun Pharmaceutical, Chengdu Institute of Biological Products, Hualan Biological, Shanghai Institute of Biological Products, GlaxoSmithKline Biologicals and Beijing Fresenius Kabi. We offer high-end integrated engineering solutions for our customers to set up production facilities and also build up a clean environment which are both critical for pharmaceutical production. Our solutions cover Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System and GMP Compliance Service to assist our customers in key phases of pharmaceutical product lifecycle from research, development, pilot plant, commercial production to product launch. We, together with our joint ventures, also engage in the manufacture, sale and distribution of various types of high-end pharmaceutical equipment and life science consumables.

Our value-added integrated engineering solutions are tailor-made for our customers to build part of their production facilities. We assist our customers on system construction, utilising hardware and software engineering and techniques, including advice on system design, choice of equipment, production process flow, application of production techniques and validation documentation. Our solutions comprise our provision of equipment, parts and advice on application techniques which are aimed at enhancing efficiency and effectiveness of production processes of our customers.

As one of the earliest players in the PRC pharmaceutical equipment, process system and service market, we are well experienced with strong research and development capabilities and recognised brand awareness, professional expertise and dedicated management. Over the years, we have established long term business relationships with key customers by offering our diversified product portfolio and service offerings. We pride ourselves in having obtained recognised accreditations and reputable ranking in the pharmaceutical equipment, process system and service market within our history of operations. According to the Frost & Sullivan

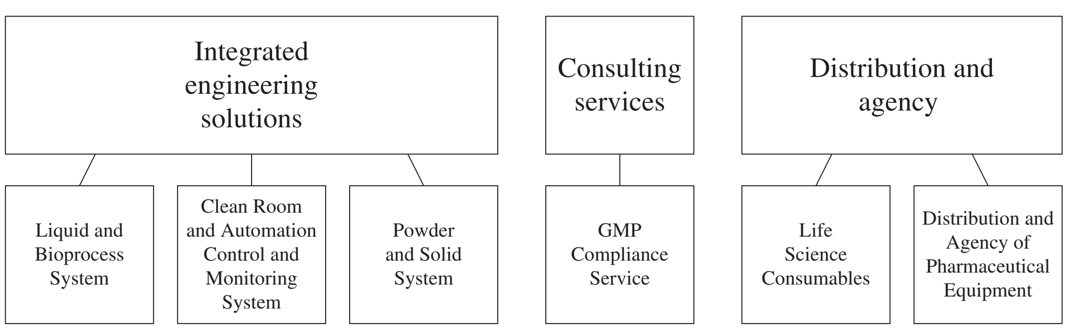
Note:

(1) As per the definition in the Frost & Sullivan Report, the high-end market of China's pharmaceutical equipment, process system and service market is formed by players that are qualified to provide pharmaceutical equipment, process system, and service to multinational pharmaceutical manufacturers, domestic large sized pharmaceutical manufacturers, and pharmaceutical manufacturers involved in sterile active pharmaceutical ingredients, dosage, and sterile biological medicine (such as vaccine, protein medicine, monoclonal antibody medicine). In addition, all medicines manufactured by the above pharmaceutical manufacturers must meet standards of U.S. FDA, EMA, or WHO.

Report, the pharmaceutical equipment, process system and service market is fragmented, and our ranking and market share in 2013 in terms of revenue in the PRC high-end market and the PRC total market in each of our business segments is summarised below:

Business segment	Ranking in the PRC in 2013 in terms of revenue	High-end market share in the PRC in 2013 (%)	Total market share in the PRC in 2013 (%)
Liquid and Bioprocess System	1	11.7	2.9
Clean Room and Automation Control and Monitoring System	1	4.2	0.9
Powder and Solid System	3	3.1	0.6
GMP Compliance Service	2	6.4	1.4
Life Science Consumables	1	4.5	1.1
Distribution and Agency of Pharmaceutical Equipment	7	0.6	0.6

Our services and products fall into six business segments, and our six business segments are operated under three different business models, namely, integrated engineering solutions, consulting services and distributorship and agency. We also manufacture a number of equipment which we supply as individual units or install as part of our integrated engineering solutions. Below sets out a diagram summarising the business models under which our different business segments operate:



The description of our business segments are set out below:

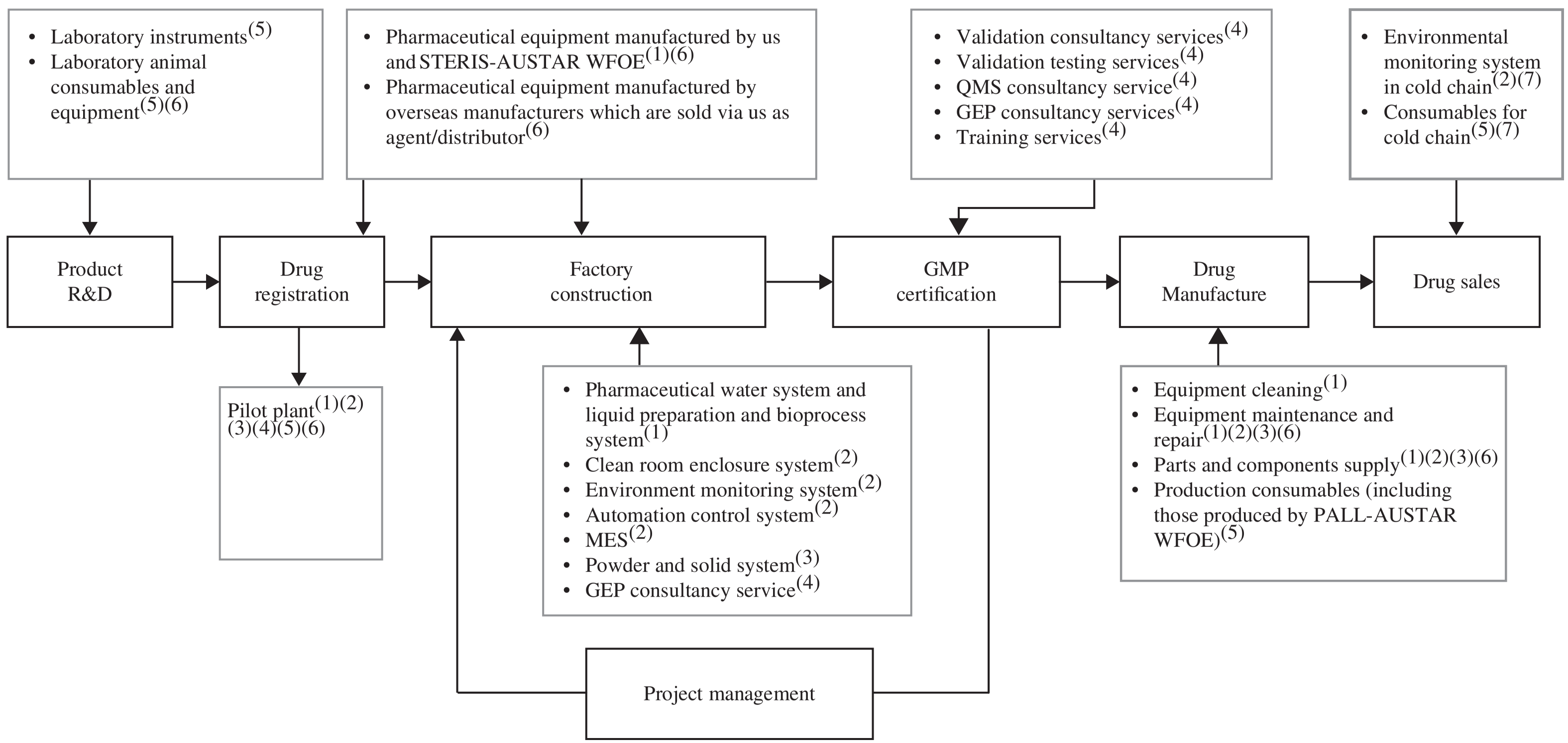
Business Model	Business Segment	Description
Integrated engineering solutions	Liquid and Bioprocess System	We provide our integrated engineering solutions for our customers to set up: (i) pharmaceutical water systems to treat water into different grades for pharmaceutical production; and (ii) liquid preparation and bioprocess systems to prepare solutions for production of various kinds of liquid dosage and bioprocess systems to create production medium for producing biopharmaceutical products from biological materials.
Integrated engineering solutions	Clean Room and Automation Control and Monitoring System	We provide our integrated engineering solutions for our customers to build up: (i) a clean room environment with controlled level of contamination for conducting pharmaceutical research and production process; and (ii) automation control systems and monitoring systems to control and monitor pharmaceutical production processes.
Integrated engineering solutions	Powder and Solid System	We provide integrated engineering solutions to set up systems to handle pharmaceutical products including raw materials, work-in-progress and finished goods, which are in either solid or powder form, in a dust-free and contained manner.
Consulting services	GMP Compliance Service	We provide consultancy services in relation to GMP compliance.

Business Model	Business Segment	Description
Distribution and agency	Life Science Consumables	We distribute a wide range of life science consumables for use in the life science industry including pharmaceutical, medical and scientific research, such as cleansers, disinfectants, indicators, sterile bags, cleaning tools and personal protection items.
Distribution and agency	Distribution and Agency of Pharmaceutical Equipment	We act as distributor and sales agent of various types of pharmaceutical equipment, parts and components.

Through our joint venture arrangements with STERIS and PALL which are well-established companies in the life science industry, we were able to leverage on the different pharmaceutical manufacturing equipment developed and/or manufactured by STERIS and STERIS-AUSTAR WFOE and the life science consumables developed and/or manufactured by PALL and PALL-AUSTAR WFOE respectively, by integrating such products into our integrated engineering solutions and offering a variety of quality products in our product portfolio to our customers on a complementary basis with our joint venture partners. We act as the exclusive distributor for STERIS-AUSTAR WFOE in the PRC in respect of their pharmaceutical equipment such as pure steam generators and multiple effect water stills and the exclusive distributor for PALL-AUSTAR WFOE in the PRC in respect of life science consumables. We also act as the distributor of STERIS in the PRC in respect of products of STERIS such as VHP bio-decontamination devices.

With our extensive engineering knowledge pool through serving various customers and collaboration with our joint venture partners for many years, customers can benefit from our expertise accumulated from our different business segments, so as to allow our customers to enjoy shorter production lead time and cost efficiency, as well as better quality and reliability through compliance with relevant standards. Our solutions may comprise equipment manufactured by us, products produced by STERIS-AUSTAR WFOE or sourced from our solutions partners such as Siemens and Rockwell and third-party suppliers including those with which we have distributorship and/or agency arrangements such as PIAB and ChargePoint. By providing diversified portfolio of services and products at different stages of the pharmaceutical production process, we can also capture potential business opportunities with them, thereby benefiting us and our customers. This comprehensive portfolio enables us to not only better understand their needs but also proactively provide innovative and integrated solutions for them.

As at the Latest Practicable Date, we provided comprehensive services and products which were critical in the key phases of a pharmaceutical product lifecycle:



Notes:

(1) Integrated engineering solutions are offered under our business segment of Liquid and Bioprocess System.

(2) Integrated engineering solutions are offered under our business segment of Clean Room and Automation Control and Monitoring System.

(3) Integrated engineering solutions are offered under our business segment of Powder and Solid System.

(4) Services are offered under our business segment of GMP Compliance Service.

(5) Products are offered under our business segment of Life Science Consumables.

(6) Products are offered under our business segment of Distribution and Agency of Pharmaceutical Equipment.

(7) For cold chain management related products, we started to offer such products in 2014.

The founder of our Group, Mr. Mars Ho, started his business in trading of pharmaceutical equipment in 1991. With his dedication in promoting industry advancement against the background of the rapid development of the pharmaceutical industry in the PRC, he decided to expand the scale of operations and to diversify service and product portfolio by introducing advanced technology and products from Europe and USA and further localising the products via joint ventures or other partnerships. In recognition of Mr. Mars Ho's dedication and achievements in the pharmaceutical industry, he has won science and technology award in Huairou District of Beijing, and was elected and awarded the honor of "60年60人" ("60 Elites of 60 years" in the Chinese pharmaceutical industry) in November 2009 in recognition of his status as the pioneer of advanced technologies in the development of the pharmaceutical industry in China. He is currently a technical consultant and a member of the board of directors of China National Pharmaceutical Packaging Association.

Our customers include well-established domestic pharmaceutical companies, multinational pharmaceutical companies, biopharmaceutical companies and research institutes which may use one or more of our service and product offerings, including our integrated engineering solutions, through which we may supply pharmaceutical equipment either developed by us or by our suppliers, provide GMP Compliance Service and after-sales services and/or supply life science consumables. We have a large and diversified customer base, and on average we have over 3 years of business relationships with most of our top five customers for the three years ended 31 December 2013 and the six months ended 30 June 2014. For the three years ended 31 December 2013, we have transacted with more than 700 customers which may be our customers of one or more business segments. The majority of our customers were based in the PRC, and the rest were from overseas. For the three years ended 31 December 2013 and the six months ended 30 June 2014, approximately 92.8%, 92.2%, 93.9% and 91.2% of our revenue was generated from our customers based in the PRC whilst the remaining was generated from our overseas customers. We identify our potential customers and business opportunities via marketing activities of our sales team, including direct marketing, regular attendance of international conferences, and organisation of various seminars with our suppliers through active discussion and consultation with our potential customers or their business requirements. Our joint marketing efforts across our different segments also enable our Group to capture many business opportunities.

Our production plants and those of our joint ventures, are located in Shanghai, Shijiazhuang and Beijing. All the locations allow us and our joint ventures to enjoy convenient transportation network and proximity to our customers where most of the PRC pharmaceutical manufacturers are located, and a steady supply of both technical and non-technical labour. For further details of production plants and production capacity, please refer to the section headed "Business – Production" of this prospectus.

The following table sets forth the revenue for each of our business segments during the Track Record Period.

	For the year ended 31 December			For the six months ended 30 June		Change (%) 31 December		30 June	CAGR
	2011	2012	2013	2013	2014	2012 vs. 2011	2013 vs. 2012	2014 vs. 2013	2011-2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*				
Liquid and Bioprocess System	177,865	228,718	380,997	207,713	147,173	28.6	66.6	(29.1)	46.4
Clean Room and Automation Control and Monitoring System	67,903	82,595	152,545	73,172	73,765	21.6	84.7	0.8	49.9
Powder and Solid System	11,526	24,067	44,413	14,832	27,555	108.8	84.5	85.8	96.3
GMP Compliance Service	14,736	31,519	47,652	22,489	24,927	113.9	51.2	10.8	79.8
Life Science Consumables	27,393	34,560	52,756	28,022	34,389	26.2	52.7	22.7	38.8
Distribution and Agency of Pharmaceutical Equipment	25,755	19,294	26,790	7,842	13,014	(25.1)	38.9	66.0	2.0
Total	325,178	420,753	705,153	354,070	320,823	29.4	67.6	(9.4)	47.3

We derived our revenue from our services and products sold to our customers by way of the six business segments. For the three years ended 31 December 2013, we have been experiencing significant growth by having a significant increase in revenue. In 2011, 2012 and 2013, our revenue totalled RMB325.2 million, RMB420.8 million, RMB705.2 million respectively, representing a CAGR of 47.3% over the three years. In 2011, 2012 and 2013, our profit for the year totalled RMB27.3 million, RMB35.5 million and RMB53.6 million respectively, representing a CAGR of 40.0% over the three years. Our revenue decreased by 9.4% from RMB354.1 million for the six months ended 30 June 2013 to RMB320.8 million in the same period in 2014 and our profit also decreased from RMB35.6 million for the six months ended 30 June 2013 to RMB32.7 million for the same period in 2014, representing a decrease of 8.0%.

Revenue of our Liquid and Bioprocess System segment grew from RMB177.9 million in 2011 to RMB381.0 million in 2013, representing a CAGR of 46.4% over the three years. Revenue of this segment decreased by 29.1% from RMB207.7 million for the six months ended 30 June 2013 to RMB147.2 million in the same period in 2014. Revenue of our Clean Room and Automation Control and Monitoring System segment also grew from RMB67.9 million in 2011 to RMB152.5 million in 2013, representing a CAGR of 49.9% over the three years. Revenue of this segment remained relatively stable for the six months ended 30 June 2014 as compared to that for the same period in 2013 at RMB73.8 million and RMB73.2 million respectively. Revenue of our Powder and Solid System segment grew from RMB11.5 million in 2011 to RMB44.4 million in 2013, representing a CAGR of 96.3% over the three years. Revenue of this segment increased by 85.8% from RMB14.8 million for the six months ended 30 June 2013 to RMB27.6 million for the same period in 2014. Revenue of our GMP Compliance Service segment grew from RMB14.7 million in 2011 to RMB47.7 million in

2013, representing a CAGR of 79.8% over the three years. Revenue of this segment increased by 10.8% from RMB22.5 million for the six months ended 30 June 2013 to RMB24.9 million for the same period in 2014. Such increase in our revenue and profit is primarily due to the promulgation of Chinese New GMP and the ongoing demand for maintaining and upgrading the manufacturing plant as a result of the desire to bridge the gap and standard between developed countries such as USA and the European Union and those of PRC, and our increased marketing effort and our technical competitive advantages. Revenue of our Life Science Consumables segment grew from RMB27.4 million in 2011 to RMB52.8 million in 2013, representing a CAGR 38.8% over the three years. Revenue of this segment increased by 22.7% from RMB28.0 million for the six months ended 30 June 2013 to RMB34.4 million for the same period in 2014.

Going forward, we will continue to further expand our service and product offerings, improve our service and product quality, and penetrate deeper into the markets of the PRC and the emerging countries with our services and products.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and our potential for future growth are attributed to a combination of our competitive strengths set out as follows:

A leading comprehensive provider of high-end critical services and products capable of providing tailor-made and integrated engineering solutions and services for pharmaceutical manufacturers and research institutes

We are a leading brand in the PRC pharmaceutical sector and our products under the "AUSTAR" brand have gained recognition throughout the years. We have been in operation since 2003. We have focused on high-end critical services and products because we believe that our extensive technical expertise and know-how and our knowledge in market trends in the pharmaceutical industry would enable us to be a leader in the PRC in offering high-end services and products to quality customers in most of our business segments and therefore enjoy higher premiums in our services and products. We were awarded "Outstanding Brand" by Process Magazine published by Vogel Industry Media in 2013 and "Top Ten Most Competitive Well-Known Brands" by HC Pharmaceutical Industry Network in 2012. We have further obtained certification in ISO9001 for our quality control systems. In addition, one of our subsidiaries, Austar CE, has obtained certification in ISO9001, ISO14001 and BS OHSAS 18001.

According to Frost & Sullivan, in relation to each of our Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, and Life Science Consumables segments, we ranked first in the PRC high-end market in terms of revenue in 2013; in relation to our GMP Compliance Service segment, we ranked second in the PRC high-end market in terms of revenue in 2013; in relation to our Powder and Solid System segment, we ranked third in the PRC high-end market in terms of revenue in 2013.

As an integrated engineering solutions provider, it is essential for us to acquire and maintain our level of technology know-how of pharmaceutical manufacturing processes. The founder of our Group, Mr. Mars Ho, who has been operating the business of trading pharmaceutical equipment since 1991, is an early market entrant acting as an agent of European and US pharmaceutical equipment suppliers. Our strong technical knowledge in the pharmaceutical sector has been developed and long term relationships with different key players in the pharmaceutical sector including pharmaceutical companies, industry associations and organisations have been cultivated over the last decade of our operations. Through our cooperation arrangements with our suppliers including joint venture partners, and our experience in serving various customers in different business segments, we are able to accumulate an extensive engineering knowledge pool and leverage on quality products offered by our suppliers by integrating the same into our engineering solutions or our product portfolio, and thus we can best develop tailor-made solutions to match our customers' needs.

Over years of our operations, our project management team has grown to over 400 technical engineers and technicians and we have rich experience in the mechanism, automation and validation documentation of many types of pharmaceutical equipment, and are proficient in the pharmaceutical processes of all types of pharmaceutical products. With years of experience in the provision of diversified products and tailor-made integrated engineering solutions in the pharmaceutical sector, we are well experienced and are equipped with advanced technical expertise and know-how and are well-positioned to supply our products and services to our customers. Our service and product offerings facilitate the whole pharmaceutical manufacturing processes from pharmaceutical product research to product launch. Having acquired in-depth technical expertise and know-how in the different product lines through the whole product life cycle of pharmaceutical industry, we have a competitive edge in delivering our integrated engineering solutions to all types of customers including those of Chinese traditional medicines and biopharmaceuticals, research institutes and manufacturers of medical devices. According to the Frost & Sullivan Report, we are one of the few integrated engineering solutions providers which are capable of providing such a comprehensive range of tailor-made solutions and services. We differentiate ourselves from traditional original equipment manufacturers by our ability to deliver a comprehensive range of tailor-made solutions with quality assurance, and therefore we are well received by our customers.

We are well-positioned to capture opportunities in the rapidly growing and evolving pharmaceutical sector

According to the Frost & Sullivan Report, the pharmaceutical equipment, process system and service market in the PRC has been expanding rapidly in recent years, with a CAGR of approximately 24.8% from 2008 to 2013 and is expected to grow with a CAGR of 14.3% from 2014 to 2019. By leveraging on the opportunities created by the PRC pharmaceutical industry research and the technological gap of manufacturing companies in the PRC from those in the US and Western Europe, we plan to increase our market share in the PRC due to the anticipated rising demand for technological improvements in the manufacturing processes, including where the pharmaceutical companies with production plants based in PRC plan to comply with the requirements of the US FDA and EMA for export to US or Europe respectively and the elevated requirements for China New GMP compliance. We also assisted Chengdu Institute of Biological Products to pass the WHO pre-qualification of Japanese encephalitis vaccine on 9 October 2013, whereupon it became the first biopharmaceutical company in the PRC to pass the WHO pre-qualification of vaccine.

According to the Frost & Sullivan Report, the biopharmaceutical market is booming. In 2013, the major source of growth came from the mature markets, with a small percentage contributed by the emerging countries. However, with the increasing household income and larger coverage of health care in emerging countries, the market share of biological drugs is expected to reach 38% in 2019. And with the PRC emerging as an important player in the global pharmaceutical supply chain, the demand for GMP Compliance Service is expected to continuously expand. The demand for plant reconstruction and equipment upgrade of pharmaceutical manufacturers is growing, which promote the demand for our pharmaceutical equipment, process systems and related services.

With our high level of technical expertise and know-how and our comprehensive range of services and products, our Group is well-positioned to offer high-end services and products targeted to pharmaceutical manufacturers and research institutes. Any upgrade in regulatory GMP standards will further uplift the level and requirements of pharmaceutical industry, which will enlarge our targeted customer sector. Our Group is enjoying the benefits of the elevated requirements under China New GMP standards, which correspond with the EU GMP standards. The new edition emphasises not only hardware such as the physical environment of the production plants but also the quality and risk management standard of the pharmaceutical companies. The China New GMP standards has created business opportunities for our businesses under the segments of Clean Room and Automation Control and Monitoring System and GMP Compliance Service.

According to the Frost & Sullivan Report, the total market size of global clean utility, process system and service market is expected to reach US$94.8 billion in 2019, with a CAGR of 6.8% from 2014 to 2019, while the emerging countries is expected to grow with a CAGR of 11.7% from 2014 to 2019. Due to technological gap between the PRC and the emerging countries, leveraging on the know-how, expertise and experience which our group possesses based on our years of experience in the PRC and our competitive strengths, we plan to increase our market share in overseas market especially the emerging countries by offering and providing our existing range of services and products to pharmaceutical manufacturing companies based in those countries, where we consider that our service and product offerings will be competitive in terms of quality and pricing and will be appealing to potential customers in those markets.

Some of our high-end customers are pharmaceutical manufacturers which export their pharmaceutical products to regulated markets such as Europe, USA, Japan and Australia. In China, fierce competitions faced by pharmaceutical manufacturers have pushed more companies to invest in further production plants to manufacture high-end products and export to the regulated markets in order to obtain higher margins. It is expected that these pharmaceutical manufacturers will require advanced Liquid and Bioprocess System and Clean Room and Automation Control and Monitoring System and more imported equipment in order to comply with elevated standards. In addition, the EHS control qualification audit by the regulated countries may further facilitate these pharmaceutical manufacturers to consider to upgrade and use the advanced powder containment system, a higher standard of validation and quality control services and life science consumables to protect the safety and health of operators and environment.

According to Frost & Sullivan, biopharmaceutical products will play an increasingly important role in the global pharmaceutical industry. According to Frost & Sullivan, China follows the same trend and investment in antibody research, and development projects are booming. The manufacture of these biopharmaceutical products require full automation of water, bioprocess and air conditioning systems as well as risk and quality management systems. We are well-positioned to serve these customers with total biological solutions covering water and bioprocess systems, automation systems, validation services and life science consumables.

Our offices are strategically located in different parts of the PRC. Headquartered in Beijing, we, together with our joint ventures, have production plants in Shanghai, Shijiazhuang and Beijing and we have representative offices in Chengdu, Guangzhou and Harbin, the PRC. We also have offices in other countries such as Italy and Indonesia. Our production plants situated in Shijiazhuang and Songjiang area of Shanghai are close to where most of the pharmaceutical companies in the PRC are located. The production plants of STERIS-AUSTAR WFOE and PALL-AUSTAR WFOE are located in Shanghai and Beijing respectively. We believe we can better serve our customers by providing direct consultation services and products with quick response time and developing close relationships with our existing and potential customers.

With our technical expertise and know-how, we can provide integrated engineering solutions which comply with the prevailing industry requirements (e.g. the China New GMP requirements). Unlike our competitors which can only provide a specific or few product line(s) or service(s) to their customers, our comprehensive service offerings span over various sub-sectors and different phases of the products and product life cycle in the pharmaceutical sector, i.e. from pharmaceutical product research, drug registration, construction preparation and completion for production plants and/or production workshops, GMP certification to manufacturing services (which range from equipment maintenance and repair, cleaning, spare parts and consumables supply). We believe that our capability in the provision of such a wide range of services and products with technical expertise is an asset since we can better manage the risk of our business and easily expand or evolve our service and product offerings into new areas of the rapid growing pharmaceutical sector.

We have extensive technical expertise, in-depth experience and research and development capability

We have developed technical expertise and know-how over the years of our operations, in terms of producing pharmaceutical manufacturing equipment and providing integrated engineering solutions in the pharmaceutical sector.

Utilising our knowledge-experience acquisition model, we implement a four step approach to continually improve and keep abreast of industry developments to provide innovative and up-to-date technological solutions to our customers. We study academic journals and acquire new ideas and concepts from our partnerships with universities. We learn from our partnerships with suppliers and obtain practical experience in dealing with components, equipment and software. Applying such knowledge and experience, we provide integrated engineering solutions to our customers.

Our knowledge-experience acquisition model

Ways of acquiring knowledge/experience	Tools of knowledge/ experience	What we do	Source of knowledge/experience
Partnership with universities	Science	Inspired by	Academic journal/collaboration with universities
Partnership with vendors	Technology	Learn	Components/equipment/ software
Austar	Engineering techniques	Apply	On-site training provided by business partners
Austar	Application	Execute/ implementation	Execution of our projects

We have made conscious efforts in continuously engaging in research and development in-house so as to maintain our advanced level in technical expertise. Over the Track Record Period, our research and development expenses accounted for 3.6%, 3.8%, 3.4% and 3.2% of our total revenue for the three years ended 31 December 2013 and the six months ended 30 June 2014. As at the Latest Practicable Date, our research and development team consisted of 29 members, all of whom received tertiary education, and some obtained master or doctorate degrees. Over the Track Record Period, Mr. Mars Ho led our Group to publish numerous articles and books so as to demonstrate our technical expertise and know-how in pharmaceutical production processes, including articles and books titled as "Pharmaceutical Water System", "Pharmaceutical Process Validation Manual", "Microbial Control in Pharmaceutical Clean Room" and "Pharmaceutical Liquid Process Manual". In 2012 and 2013, staff of our Group published a total of 60 articles on pharmaceutical related journals. Our engineers often attend seminars, conferences and exhibitions in pharmaceutical sector held in both the PRC and overseas, which further enhanced their technical expertise and market sensitivity to the development of the pharmaceutical industry so as to better understand our customers' needs. We are sensitive to new product development trend in the pharmaceutical sector and the latest science and technology adopted in the development trend of pharmaceutical products. Through our experience accumulated through our years of operation, our in-house research and development, cooperation with Sichuan University and Shenyang Pharmaceutical University, participation in different seminars, conferences and exhibitions, new products demonstration and technical information exchange platform with our suppliers including our joint venture partners, PALL and STERIS, and industry associations including the ISPE and Parenteral Drug Association, and leveraging on our suppliers' technological competencies, we are able to further develop our own expertise and know-how and our engineers often leverage such knowledge onto our service and product offerings, and in particular, in our integrated engineering solutions by addressing and solving our customers' technical issues of process application.

We have also entered into strategic cooperation arrangements with international key players in the life science sector including PALL, STERIS, Siemens and Rockwell, which have enabled us to acquire technical knowledge and know-how in such arrangements and leverage onto our service and product offerings. Leveraging on our own competitive and integrated know-how and expertise, through our integrated engineering solutions and our GMP Compliance Service, we can assist our customers to design tailor-made application solutions and discover opportunities in improving their operations and thus helping our customers to enhance their production efficiency, quality system and energy utilisation efficiency.

As at the Latest Practicable Date, we have 50 registered patents and 29 patent applications in process in the PRC. Please see the paragraph headed "8. Intellectual property rights" in Appendix IV to this prospectus for further details.

We have established long term and stable business relationships with well-known and large scale pharmaceutical companies in the PRC and emerging countries

Our customers include pharmaceutical companies such as Lijun Group Companies, Hisun Pharmaceutical, Chengdu Institute of Biological Products, Hualan Biological, Shanghai Institute of Biological Products, GlaxoSmithKline Biologicals and Beijing Fresenius Kabi. We have established strong business relationships with our major customers. We have cultivated long-term relationships with a number of our major customers by providing them with quality products and services, including integrated engineering solutions and GMP Compliance Service. During the Track Record Period, we have transacted with more than 700 customers, which may be our customers in one or more of our business segments. Most of our key customers have been our customers for 3 years or more. Some of our customers ranked top 100 pharmaceutical enterprises in PRC in 2013.

Our "AUSTAR" brand stands for high quality and reliability which is well-recognised among customers. We believe that our consistent and high standard of service and product quality and our ability to deliver a wide range of service and product offerings to our customers have enabled us to continuously obtain business opportunities from our major customers. Our customers rely on our service and product offerings for growth, upgrade and meeting new industry standards. Further, we believe that our understanding of our customers' needs as well as our track record in delivery of solutions and services and supply of products have contributed to our success to date. This understanding enables us to anticipate market trends and preference to provide our customers with new products to meet their demand and needs. In addition, our ability to deliver quality services and products on a timely basis and at competitive costs as compared with other foreign players have been the key leading to our success in maintaining long term relationships with our customers.

We have an experienced and dedicated management team with extensive industry experience

We have an experienced management team that has extensive experience in the pharmaceutical sector, with a strong customer-oriented corporate culture focused in meeting high expectations and changing demands of our customers. Under the leadership of our management, our business has experienced significant growth. Mr. Mars Ho, the founder of our business, our chairman and chief executive officer, possesses over 29 years of experience in the pharmaceutical industry with a focus on equipment, engineering and technology. Due to his rich experience and participation in the pharmaceutical industry for such a long time, Mr. Mars Ho has witnessed the development of pharmaceutical industry in the PRC and has the vision and ability to lead our Group. Through his leadership, our Company has gained extensive technical expertise and know-how in the manufacturing processes of the whole pharmaceutical products and its product life cycle. Being the past chairman and current member of China board of directors and executive council of ISPE China, Mr. Mars Ho has devoted himself in bringing the latest and most advanced technology to pharmaceutical industry in the PRC and made immense contribution in the development of the pharmaceutical industry in the PRC. Other members of our management team also possess extensive experience in engineering and industry expertise and know-how, sales and marketing, financial management and corporate governance.

BUSINESS STRATEGIES

Our principal objective is to maintain our position as a leading provider of integrated engineering solutions with high-end and comprehensive services and products which are critical in facilitating the production process and build up clean environment for pharmaceutical manufacturers and research institutes in the PRC and to further strengthen our presence in emerging countries. We intend to achieve our objective by implementing the following strategies:

To increase our market share in the PRC and the emerging countries

China market

We plan to continue focusing in the PRC in the near future. In terms of territory coverage, we will place more resources and efforts to enhance our market penetration in the PRC, especially in various provinces where we target to increase our sales and where we see potential growth such as Hunan, Hubei, Guizhou, Yunnan and Gansu. We plan to increase our sales force, hire additional staff, place more experienced sales team to cover these areas, so as to implement our marketing plans for developing new and deepening existing relationships with targeted customers in these areas. We intend to set up additional representative offices in cities such as Wuhan, Jinan and Changsha and Xi'an in the next three years, so as to better serve our clients in the provinces of Hubei, Shandong, Hunan, Jiangxi and Shaanxi. Further details in relation to our plan for establishment of our additional representative offices and our marketing activities are set out in "Business – Sales and marketing" of this prospectus.

Emerging countries market

Our Group has a mid-long term objective to expand our market share in the emerging countries.

In order to satisfy the anticipated growing demand of our integrated engineering solutions and our supply of pharmaceutical equipment for customers based in the emerging countries such as Indonesia, Turkey and India, we have attracted and recruited additional European and US engineers who are expatriates to improve our competitive edge in technical expertise and increase our market coverage. In addition, we intend to enter into cooperation arrangements with our suppliers to undertake joint marketing abroad so as to promote our services and products.

Currently we have overseas offices in Italy and Indonesia. Our Italy office intends to recruit and offer office space for process specialists and design engineers who are able to support projects in Middle East, East Europe and North Africa, and key projects in China, and to offer sales and marketing support and after-sales technical services in the regions of Middle East, Eastern Europe and North Africa in medium term. Our Indonesia office intends to recruit and offer office space for GMP compliance specialists and after-sales service engineers, who are primarily serving Indonesia in the nearer term to offer sales and marketing support for Indonesia market, and supporting other South East Asian countries in medium term. We may consider implementing our overseas expansion plan of our sales and marketing network by establishing additional overseas offices, including additional branches or representative offices. Whether we consider expanding our operations into a new geographical jurisdiction, we will take into account the following considerations: (a) the concentration of our target customers in areas such as the number of pharmaceutical manufacturers; (b) the demand for and the supply of similar integrated engineering solutions which we are going to apply in terms of pricing and quality; and (c) the entry barriers in those new jurisdiction such as relevant laws and regulations on carrying of our business, language barrier and competition from existing local players, etc.

Diversification of our customer base

In terms of market coverage, we intend to diversify our customer base and we will continue to focus on customers who are manufacturers and research institutes in the areas of pharmaceuticals (including traditional Chinese medicines) and biopharmaceuticals and manufacturers of medical devices. We plan to hire additional sales executives who are industry specialists, enhance the collaboration between industry, product and territory specialists within our sales team and provide on-going training to them so as to support our existing and potential customers in their areas of expertise.

To continue to improve and widen our service and product offerings

We intend to develop and explore new customers and increase our market share with existing customers through offering our comprehensive range of services and products in the pharmaceutical industry, and in particular through the enhancement of our service and product offerings.

Improve our service and product offerings

With our experience, technical expertise and know-how accumulated over the years and our continuous efforts to keep abreast of the latest market trend, we plan to continue to increase and improve our service and product offerings by adopting the latest technological trends in response to our customers' demand, including:

- ***Liquid and Bioprocess System:*** the application of more innovative bioprocess engineering technology with more flexible and economical systems such as single-use technology and more reliable quality-control technologies such as process analytical technology in our integrated engineering solutions offered under this segment, so as to capture the expected growth of biopharmaceutical market especially in vaccines and monoclonal antibodies in China, and be able to offer technologically leading solutions and systems differentiating from others;

- ***Powder and Solid System:*** the application of powder containment and powder micronisation technologies in our integrated engineering solutions offered under this segment. Pharmaceutical manufacturers with production efficiency and in occupational safety can definitely be differentiating from others in order to capture the fast-growing formulation technology improvement market of drug delivery systems, more products related to formulation technology such as milling, sizing and blending with on-line monitoring integrated systems will be developed;

- ***Clean Room and Automation Control and Monitoring System:*** (i) in our clean room enclosure systems, the utilisation of new materials such as PVC and stainless steel in clean room panel, as these materials can help to improve the cleaning and sterilisation performance adapted to innovative in-process sterilisation processes such as vaporised hydrogen peroxide; (ii) in our automation control systems, the development of applications of manufacturing execution systems and process analytical technology, as manufacturing execution system with the linkage between enterprise resources systems and control systems of equipment can help improve the quality and compliance systems of a pharmaceutical company across the whole pharmaceutical manufacturing process;

- ***GMP Compliance Service:*** the extension of our consultancy services with our proper mix of foreign and local staff to offer competitive cost and technological advantages, in the following areas: (i) cold chain consultancy services due to the improved China's good supply practice (GSP); (ii) operational excellence consultancy services, by offering gap analysis and improvement initiatives advice and management tools; (iii) quality management system consultancy services pursuant to regulators' newly encouraged pharmaceutical quality systems; and (iv) registration support services, assisting pharmaceutical manufacturers or research organisations to register their pharmaceutical products with FDA, EMA and WHO;

- ***Distribution and Agency of Pharmaceutical Equipment:*** the entering into exclusive distributorship arrangements with our suppliers to include pharmaceutical equipment covering biotechnology, research laboratory, laboratory animal research and sterilisation.

Widen the industry applications of our services and products

In addition to the above, we plan to widen the industry applications of our services and products by making modifications in our product lines to cater for manufacturers of Chinese traditional medicine, additional industries and markets such as medical device manufacturers, and organisations or institutes which engage in laboratory animal research so as to further diversify our customer base.

In the future, we intend to put more focus on services and products with higher profit margin.

To establish R&D centre and consolidate production workshops

We anticipate that there is market potential for us to further penetrate into both the PRC and emerging countries. Currently, our production workshops in Shijiazhuang do not have extra space for accommodation of a large R&D facility and showrooms for our various product workshops. In addition, our production workshops in Shanghai are spreaded over 2 different locations, some of which have been leased by us. We plan to consolidate our existing production workshops in Shanghai to a centralised production base at our owned property in Shanghai so as to improve our operational efficiency. In addition, our existing production plants in Shanghai require refurbishment. The utilisation rate of our existing production facilities in Shijiazhuang and Shanghai are also quite high. In order to cope with our expanding business and capture future opportunities, we plan to acquire a piece of land in Shijiazhuang and develop it into our Shijiazhuang R&D and Production Centre and develop part of our owned property which is currently vacant and not being occupied by our existing production plants in Shanghai into our Songjiang Production Centre.

Shijiazhuang R&D and Production Centre

The Shijiazhuang R&D and Production Centre is intended to have a total gross floor area of approximately 32,000 sq. m. to 35,000 sq. m., which is intended to consolidate and replace our existing production workshops for assembling work for our integrated engineering solutions in the segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, and Powder and Solid System in Shijiazhuang and house our new powder and solid process application centre, liquid process application centre, and bioprocess application centre. These new application centres are our additional R&D facilities which are expected to also allow us to better demonstrate our capabilities to our customers and conduct application testing for our customers. The total investment cost of our Shijiazhuang R&D and Production Centre is estimated to be approximately RMB109.0 million which mainly includes cost of acquisition of land, professional fees, construction costs and purchase of equipment. We intend to acquire the land and develop it by two phases. As at the Latest Practicable Date, we have obtained indicative approval from the PRC local governmental authority in relation to site selection of a piece of land with an area of approximately 53,000 sq. m. at Shijiazhuang High-New Technology Industry Development Zone, and are discussing the terms of acquisition, and neither definitive terms of purchase have been agreed upon nor legally binding agreement have been entered into by the parties.

The following sets out the development plans of our Shijiazhuang R&D and Production Centre:

Phase	**Expected time frame**	**Expected date of operation**	**Estimated total investment cost** *(RMB million)*	**Source of funds**	**Details**
Phase One: Production plant and liquid process application centre					
Acquisition of land use rights	Completion by 1st quarter of 2015	–	16.0	Proceeds of the Global Offering	To acquire a piece of land with land area of approximately 33,000 sq. m. and build a production plant and liquid process application centre with a gross floor area of approximately 26,000 sq. m. to 28,000 sq. m.
Construction of production plant	Construction period: 1st quarter of 2015 to 4th quarter of 2015	1st quarter of 2016	45.0	Proceeds of the Global Offering	Foundation works, construction of production workshops for: (a) assembling work of integrated engineering solutions, (b) skid and (c) discharge machines
Purchase of equipment for production plant	Installation by 4th quarter of 2015	1st quarter of 2016	7.0	As to RMB5.0 million, internally generated funds; and as to RMB2.0 million, proceeds of the Global Offering	Upon installation and full operation, annual maximum production capacity of our production lines for skid are expected to increase as follows: skid: from 139 units to 300 units discharging machines: 23 to 50 units

Phase	Expected time frame	Expected date of operation	Estimated total investment cost *(RMB million)*	Source of funds	Details
Construction cost and cost of equipment purchase for liquid process application centre	Construction period: 1st quarter of 2015 to 4th quarter of 2015 Installation by 4th quarter of 2015	1st quarter of 2016	10.0	Proceeds of the Global Offering	Construction of a liquid process application centre
Phase Two: Powder and solid application centre and bioprocess system application centre					
Acquisition of land use rights	Completion by 4th quarter of 2015		9.0	Proceeds of the Global Offering	To acquire a piece of land with land area of 20,000 sq. m. to build the powder and solid process application centre and bioprocess application centre with gross floor area of approximately 6,000 sq. m. to 7,000 sq. m.
Construction cost and equipment purchase	Construction period: 1st quarter of 2016 to 4th quarter of 2016 Installation by 4th quarter of 2016	1st quarter of 2017	22.0	As to RMB12 million, internally generated funds; and as to RMB10 million, proceeds of the Global Offering	Construction of powder and solid process application centre and bioprocess application centre

As at the Latest Practicable Date, we had not yet implemented the above development plan and no expenditure had been incurred for such plan.

Songjiang Production Centre

The Songjiang Production Centre is intended to be developed on our self-owned property which is currently vacant and not occupied by our production facilities in Shanghai, and is intended to have a gross floor area of approximately 16,000 sq. m. to 18,000 sq. m. It will comprise our new production facilities in Shanghai, and will consolidate our existing production workshops for manufacture of our products in the segments of Liquid and Bioprocess System and Clean Room and Automation Control and Monitoring System in Shanghai. The expected total investment cost of the Songjiang Production Centre is approximately RMB39.0 million which mainly includes construction costs and purchase of equipment.

The following sets out the development plans of the Songjiang Production Centre:

	Expected time frame	Expected date of operation	Estimated total investment cost *(RMB million)*	Source of funds	Details of development works
Construction	Construction period: 1st quarter of 2016 to 4th quarter of 2016	1st quarter of 2017	32.0	Proceeds of the Global Offering	Foundation works, construction of production workshops for: (a) clean room panels, doors and windows; and (b) purified water generator
Purchase of equipment	Installation by 4th quarter of 2016	1st quarter of 2017	7.0	As to RMB6.0 million, internally generated funds; and as to RMB1.0 million, proceeds of the Global Offering	Upon installation and full operation, annual maximum production capacity of our production lines for clean room panels, doors and windows, purified water generators, heat exchanger and pressure vessels are expected to increase as follows: Clean room panels: from 31,320 units to 80,000 units Doors: from 5,600 units to 10,000 units Windows: from 5,567 units to 10,000 units Purified water generator: from 41 units to 100 units Heat exchanger: from 199 units to 500 units Pressure vessel: from 72 units to 200 units

As at the Latest Practicable Date, we had not yet implemented the above development plan and no expenditure had been incurred for such plan.

We expect the payback period[(1)] for the initial set up costs of the Shijiazhuang R&D and Production Centre and the Songjiang Production Centre to be approximately 36 to 48 months and approximately 36 to 48 months respectively. We expect the profit and loss breakeven period[(2)] for the Shijiazhuang R&D and Production Centre and the Songjiang Production Centre to be within 12 months, respectively.

Notes:

(1) Payback period refers to the period of time required to recover the initial setup costs, which is expected to grow in line with the Group's overall capital expansion plan of our production centre by its net profit, assuming the revenue will increase in line with the overall business growth and there will be no material impact on the business and operating result of the production centre due to fluctuation in market demand, market inflations, increase in new material costs and labor expenses throughout the operation periods.

(2) Breakeven period refers to the period of time required for a production centre to generate sales equal to its operating cost for the first time, assuming the nurturing period for a production centre would generally take one to three months after opening and revenue growth rates and growth profit margins would be similar to the existing production facilities.

The expansion plan and increase in production capacities have been made and planned by the Group after considering the market growth potential in both the PRC and emerging countries, and likelihood or recurrence of the various factors that have driven our historical performance during the Track Record Period. In general, our expansion plan aims to cater for market demand in the long term.

The China New GMP standards require the manufacturers of sterile pharmaceuticals to pass the specified standards by the end of 2013 while the other pharmaceutical manufacturers shall pass the required standards before 31 December 2015. Despite the 2013 and 2015 expiry, the Group expects that there will be an on-going and persistent demand of our services and products from the pharmaceutical manufacturers as they are required by the China New GMP standards to achieve GMP compliance on an annual basis, even after expiration of the deadline for initial compliance of the China New GMP. The China New GMP is thus expected to create a sustainable pipeline of new and retrofit projects. Those who fail to pass the China New GMP standards by 2015 are expected to continue to invest funds in improvement and updates in forthcoming years.

We consider that our business and future growth are driven by a number of factors apart from the promulgation of China New GMP standards, which include the growing bio-pharmaceutical sector, difference in the GMP standard between PRC and U.S. and Europe, increasing pharmaceutical exports (which are required to comply with higher standards) and increasing market share of the high end tier of our market, which our Directors believe, will be collectively expected to create a rising and continuous demand for high end pharmaceutical equipment, process systems and services, particularly for solution providers which can provide turn-key projects for foreign pharmaceutical manufacturers on combining imported technologies and standards with local expertise such as our Group. Further, we intend to continue to focus on the high-end market, which consists of foreign and large sized pharmaceutical manufacturers which are typically more willing and prepared to make investments in improving and upgrading their equipment and process systems to maintain quality and brand awareness.

A substantial amount of investment costs in our expansion plans is attributed to the acquisition of land and development of research and development facilities, which is in line with our long term goal of demonstrating and expanding our capabilities and allow us to deliver a better service to our customers including conducting testing application for them. In addition, our expansion plan will be executed prudently since the expansion plan is to be carried out in phases, where the development of Shijiazhuang R&D and Production Centre is divided into two phases which are expected to operate in 2016 and 2017 respectively, and that the Songjiang Production Centre is expected to operate in 2017, and their implementation may be adjusted in accordance with the market demand.

Our Directors are of the view that there is a high likelihood that the factors considered above will continue to drive our business performance going forward, the expansion plan is considered to be reasonable and has been thoroughly considered to proactively capture the market growth opportunities arising from the driving factors above which would benefit our Group and its shareholders.

Our Directors believe that the development of the Shijiazhuang R&D and Production Centre and the Songjiang Production Centre could bring the following benefits to our Group:

(a) consolidation of the differently located production plants to increase efficiency;

(b) the new production facilities will be built with higher quality standard, and equipped with more advanced manufacturing equipment, and thus we could enjoy cost savings through maximising production efficiency;

(c) the increase in our production capacity will help us to meet the increasing demand for our products and to increase our market penetration;

(d) the increase in our scale of operations could also further bring us benefits from economies of scale; and

(e) the establishment of the powder and solid application centre, the liquid process application centre, and the bioprocess application centre in the Shijiazhuang R&D and Production Centre will enhance our research and development capabilities for our different segments in Liquid and Bioprocess System and Powder and Solid System, and allow us to showcase our product lines under different testing environments to our customers.

To strengthen our research and development and product design and development capabilities

We believe that the success of our service and product offerings depend on our ability to anticipate and respond to trends in technological development and our ability to produce and provide reliable, compatible and quality services and products. We will continue to strengthen our research and development and product design and development capabilities by building dedicated facilities and hiring additional full-time research and development personnel. We believe that by establishing the application centres and research and development facilities in the new Shijiazhuang R&D and Production Centre, our product design and development capabilities will be improved since we will have dedicated space to accommodate facilities to conduct our research and development and showcase our results.

We plan to apply additional resources in the following areas in order to enhance our research and development and product design and development capabilities:

(a) conduct research in-house on the latest technologies with a focus on:

(i) improving the production efficiency and enhancement of performance of existing products such as operational and energy efficiency to increase competitiveness of our products (e.g. production of standardised major components of our Liquid and Bioprocess System and Powder and Solid System, which we believe we will benefit from cost efficiency and eliminating performance variance in the production processes);

(ii) development of new product offerings and new product applications (e.g. modularisation of components used in our pharmaceutical water system and our clean room enclosures, and the development of further applications for our existing product lines for use by a wider range of customers such as Chinese traditional medicine manufacturers);

(iii) improving our services and development of new service offerings (e.g. the development of further applications for management execution systems and consultancy services in cold chain and operational excellence);

(b) employ additional qualified engineers and experts from the PRC or abroad with specific technological knowledge which fit into our product strategies for our research and development and product design and development;

(c) enter into strategic cooperation arrangements, such as partnerships or joint ventures with European and US based pharmaceutical equipment manufacturers;

(d) gain access to the use of new technology through entering into licensing arrangements with technology companies or business partners; and

(e) acquire product technologies so as to enhance our service and product offerings through merger and acquisition of other technological companies if the above options are not feasible and/or when the opportunities arise.

To expand by opportunistic and strategic acquisition of business and/or companies

Based on our leading position in the PRC market, we believe that we are well-positioned to take advantage of the market consolidation in the PRC pharmaceutical industry.

We intend to seek suitable targets who are other players in the pharmaceutical equipment, process system and service market possessing critical product technologies and which may be based in North America, Europe or the PRC to further expand our service and product offerings to our customers in the PRC and emerging countries by applying such technologies with our technical expertise and know-how. We intend that our office in Italy will assist to search and explore joint venture, technology licensing and acquisition opportunities in Europe and conduct liaison with those potential partners and target companies. We believe that we will be able to identify and acquire suitable targets. We believe that our market knowledge and the information gained through our network connections developed throughout our years of experience would be useful for us to identify suitable acquisition targets and conduct effective negotiations during the acquisition process.

In identifying suitable acquisition targets, we take into account factors including their geographical locations, product portfolio and potential applications, technology and know-how, revenues, customer base and, our financial capability whether they complement to our Group. As at the Latest Practicable Date, we have not identified any acquisition targets.

OUR BUSINESS MODELS

Through discussion and consultation with potential customers at conventions and exhibitions, we are able to identify business opportunities where we offer our customers a wide range of services and products and act as a solutions provider for our customers. We operate our business under three business models, namely (a) integrated engineering solutions, (b) consulting services and (c) distribution and agency. Under which, we provide major services and products under six business segments, namely, (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. Our ability to provide comprehensive services and products which are critical for facilitating the production process in different stages of a pharmaceutical product lifecycle and environment for pharmaceutical production across these business segments enables us to solidify our working relationships with our customers. Set out below are the description of our business models and the major service and product offerings under each of the business models.

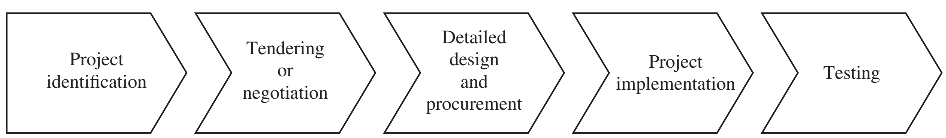
(A) Integrated engineering solutions

We provide integrated engineering solutions under our business segments of Liquid and Bioprocess System, Clean Room and Automation Control System and Powder and Solid System. Our value-added integrated engineering solutions are tailor-made for our customers' own production process. We offer our customers with system construction, hardware and software engineering and techniques, including advice on choice of equipment, production process flow, applications of production techniques and validation documentation, which help them to identify technical issues and provide them with solutions including the equipment, parts and application techniques to enhance the efficiency and effectiveness of production process, and resolve some of the challenges that they may face during production. As a result, our customers are able to shorten the design and construction timeline of the new facilities and attain the required standards of their pharmaceutical products and to improve the production and energy utilisation efficiency and effectiveness of their production processes and produce high-quality pharmaceutical products in a cost-effective way.

Our customers usually specify their requirement and specifications of their desired results/products, based on our communication and clarification with the customers, we would assess the feasibility and the technical requirements of the system concerned and would propose a solution to our customers as to the selection of equipment, pipings and other components. Our integrated engineering solutions focus on the critical phases of a pharmaceutical manufacturing process, including liquid preparation, bioprocess, powder and solid handling, and building up and monitoring of a clean and sterile environment for pharmaceutical production. With the elevated standards and regulatory requirements of pharmaceutical products, a robust and efficient system for handling the key processes of increased pharmaceutical production becomes vital for many pharmaceutical companies.

Some of our integrated engineering solutions which require construction works to be carried out by us on site (e.g. those require distribution loop pipings to be installed in our pharmaceutical water system) would be classified as "construction contracts", while others would only require simple installation on site only, and such contracts would be classified as "sale of goods" under our accounting policy. The duration of a project involving construction works to be carried out by us usually ranges from 6 months to 1 year. This also depends on the complexity and scale of the project and the time schedule required by our customer, subject to any changes in requirement on the delivery timetable or alteration to the specifications of the project. The duration of a project not involving construction works but simple installation usually ranges from 6 months to 9 months, as the time taken for installation service and testing onsite is shorter in duration.

The following illustrates the principal workflow in our provision of system integration services:



For our integrated engineering solutions projects, we charge our price on a case-by-case basis after negotiation with our customers, and the price is normally determined on a cost-plus basis with reference to our business strategies, market demand, past relationship with the customers and complexity of the work. The price of contracts relating to our integrated engineering solutions are generally fixed at the time of entering into the contract. For our business segments in Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System and Powder and Solid System under this business model, most of our revenue are recognised by way of revenue recognition methods of "sale of goods" and "construction contracts", while insignificant amount of agency fees, which contributed less than 4% of revenue under respective business segments under this business model, are derived from our provision of pharmaceutical equipment under our agency and distribution business which forms part of our integrated engineering solutions. For details of our revenue recognition policy, please refer to the Accountant's Report as set out in Appendix I to this prospectus.

The payment terms for our integrated engineering solutions depend on the terms of the relevant contract, usually by installments with reference to the progress of the relevant project. We generally require 30% to 40% prepayment upon signing of the relevant contracts, and a further sum to be paid up to approximately 40% to 60% of the total contract sum by the customers after satisfaction of the factory acceptance test or upon despatch or installation, and the customers would need to pay the remaining balance or up to 90% after satisfaction of site acceptance test. As a guarantee of our obligations under our warranty in favour of our customers, approximately 5% to 10% of the total contract sum will be retained by our customers as retention money, or we will arrange with the bank to issue a letter of guarantee in favour of our customers covering 5% to 10% of the total contract sum in exchange for a pledged deposit at the bank in the amount of up to 100% of the guarantee value, depending on our credit line available at the bank, and such amount will be released to us upon expiry of the warranty period. The warranty period lasts for one to two years.

Further details of our integrated engineering solutions under our business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System are set out in the section "Business – Our services and products" below.

During the Track Record Period, our provision of integrated engineering solutions is principally carried out in the PRC to our customers based in the PRC. We have also provided integrated engineering solutions to overseas customers located in emerging countries such as Indonesia and Turkey.

Step 1 – Project identification

Projects are generally identified via marketing activities conducted by our sales team. We organise seminars and attend various international exhibitions and conventions where we have direct contact with potential customers. In addition, we promote our services and products by email to existing and potential customers or by distributing brochures. Regular visits to our showroom and our production plants for reference projects are also organised for practitioners in the pharmaceutical industry to promote the awareness of our services and products.

We may be informed of potential projects through direct approach by customers, by receiving invitation letters for tender or tender notices on the websites of our existing and potential customers.

We also achieve synergy through cooperation between our business segments. The sales managers of different business segments meet on a monthly basis to exchange their industry information and potential customers, and may refer their potential customers who require services and products of the other business segments to each other.

For each project opportunity, our sales team will evaluate the technical specifications of the products and systems, requirements and expected budget set out by the customers upon receipt of the customers' requirements. Our sales team with the technical support from our engineering team will prepare a proposal of integrated engineering solution comprising the process systems and/or pharmaceutical equipment to be used and develop the application, installation and operational procedures at preliminary level. At preliminary assessment, the profitability of the project will be conducted. If the project opportunity fits our scope of services and satisfies our requisite profit margin requirement, the project opportunity will be submitted to sales director who will evaluate whether to participate in the opportunity.

Step 2 – Tendering or direct negotiation

When our Group decides to pursue a particular business opportunity, our engineering team and sales manager will commence the preparation of the proposal or relevant tender documents in accordance with the requirements of the potential customers, and a typical bidding proposal shall contain the proposed system integration design, execution plan and the fee quote. The bidding proposal will then be submitted to the customers for their evaluation. Subsequent to the submission of quotation or tender, we will answer queries on the submitted documents or attend tender interview. Should the customer select us to provide the system integration solutions, we will proceed to review and negotiate the contract terms.

Upon confirmation from our customers, we would enter into binding legal contracts with our customers, which set out the specifications and price structure of the integrated engineering solutions, warranty provisions and obligations and rights of the parties.

Step 3 – Detailed design and procurement

Detailed design

A project team comprising a project manager and process engineers will be formulated. A project team will generally be led by a project manager, who is responsible for the overall management of the project and who has the requisite expertise in the technology and relevant experience to manage the project. Members of our project team will perform detailed site visits to the locations at which the proposed solutions will be installed. Based on the results of the project site survey, physical environment of the premises, specific requirements of the customers and the proposed solutions submitted to the customers, a detailed project implementation with system integration design and product requirements schedule will be formulated by our engineering team. A revised proposed solutions will be submitted to the customers for design qualification and amendment, if necessary, to the satisfaction of the customers.

Procurement

The project team will prepare a detailed budget for each project which will be confirmed by the project manager and then approved by the project director. In preparing the budget plan, we usually take into account: (i) the scope and complexity of the integrated engineering solutions; (ii) the duration of the project; (iii) the quotation obtained from our suppliers, taking into account future inflation and escalation in prices; (iv) the resources of our Group, such as manpower, to be allocated to the project; and (v) the estimated project sum. The project team will ensure that all equipment, components and materials required for the project will be available and arrive as per project schedule, sourced from reliable suppliers and will be procured within the approved budget. Typically, we will request for supplier quotation for key equipment and components (and those which we have not entered into a supply agreement) during the preparation of our quotation, if we are awarded the contract, we will follow-up with the selected supplier(s). We usually take into factors such as pricing, customer's budget and preference and our past experience with the supplier. Our procurement department will negotiate on pricing and contract terms with the relevant suppliers.

If our proposed solutions require products manufactured by us, our procurement department would coordinate with our production department to confirm the expected completion time of the relevant equipment; details of our production process are set out in the section headed "Business – Production – Production process of our Group" of this prospectus.

For the integrated engineering solutions offered under the business segment of Liquid and Bioprocess System, if our proposed solutions require products manufactured by our joint venture company STERIS-AUSTAR WFOE or other suppliers, our procurement department would coordinate with the relevant supplier to confirm the availability or the expected delivery date of the relevant equipment.

Step 4 – Project implementation

After completion of detailed design and procurement stage, our production staff of the relevant business segment(s) carry out the system construction and engineering works, assembling and compiling the products and necessary parts and components using their skills and techniques at our production plants. After completion of necessary work at our production plant, (a) in relation to our projects which require construction works to be carried out, on site construction and installation services would involve more extensive procedures ranging from 3 to 6 months where our project team will further construct the necessary process system (e.g. building the distribution loop pipings on site) and assemble the equipment and components and install them on site; and (b) in relation to any projects not involving construction works, our project team will perform the necessary works on site which will normally take approximately one week in duration. If our customers are located overseas, where required by our customers, our technical engineer(s) would visit the site overseas and give guidance on the installation works to be undertaken by our customers.

We have adopted cost control measures, in order to further strengthen our management of the budget of our integrated engineering solutions, which usually involves our project manager prepares and submits to the general manager an analysis report for every project on a monthly basis. Such report contains a comparison between our estimated budget and the actual costs incurred. Any deviation from the estimate budget will be highlighted in the report so as to draw the attention of the general manager of the relevant business segment to such deviation. If the cost overrun in our projects as a result of change in the customers' instructions, we may adjust our fees pursuant to contracts entered into with our customers, we will negotiate with the customers in accordance with the original contract and may enter into supplemental contracts with the customers in relation to the costs. In addition, our finance department is responsible for monitoring accounts payables, monthly payables and receivables. We will receive staged payments from customers in accordance with the terms of sales contract.

Our Group had not experienced material cost overrun during the Track Record Period. During project implementation, there may also be instances of variation orders where specification and scope of works are amended from that originally contracted, a variation order may increase, omit or vary the original scope of work and alter the original sum.

Step 5 – Testing

Unit and integration testing

Our quality assurance staff undertakes unit and integration testing to verify functionality, performance and reliability of key control points, welding positions and the interface in a system. In order to achieve a consistent standard in our performance, we have adopted a stringent control and assurance system for monitoring the functionality and performance of key control points in the project implementation process.

When our project manager is of the view that the relevant works are ready for inspection, our project manager will arrange the quality assurance staff to carry out inspection on the key works such as key control points and welding positions to ensure that the works performed by us comply with the requirements as set out in the relevant contract. Where any work fails to pass our inspection, the quality assurance staff and project manager will determine rectification actions. Upon completion of a project, our project manager will inspect the works and check that all specified inspections and tests have been carried out and that the relevant data meets the specified requirements under the contract.

Factory acceptance testing

We conduct factory acceptance testing for all the equipment manufactured by us, which may in turn be used in our integrated engineering solutions. Prior to delivery, our production team and quality assurance staff will work with our customers to perform acceptance test at our plants to ensure the equipment operates according to contractual specifications and functional requirements. Adjustments will be made, if necessary, to the satisfaction of our customers. Upon inspection by the customer, a report will be signed by the customer to indicate initial acceptance of the testing.

Site acceptance testing

Upon passing of the unit and integration testing and the factory acceptance testing (for equipment which are manufactured by us), the system frame, including pipelines and joints, together with the equipment, will be sent to the customers' site for integration and installation. Our project manager will attend the testing together with the customers and/or the customers' quality assurance team. Depending on the complexity and scale of the project and the requirement of individual customers, the time required for site acceptance testing ranges from one to two weeks. Site acceptance testing includes inspection, adjustment and system testing. Upon satisfaction of the customer, a report will be signed by the customer to indicate acceptance of the completed work. During installation, we will provide training to the staff of our customers so that they can become familiarised with it. The cost of training has already been included in the quotation of the project.

Final payment and after-sales support

For most of our integrated engineering solutions provided, we will normally provide a warranty period of one year. Upon the expiry of the warranty period, the retention money which has been retained by the customer or an equivalent amount being placed with a bank (depending on the requirement by our customers) shall be released to our Group. In relation to those equipment which are purchased from third parties, the warranty provision shall follow the warranty policy of the relevant manufacturers or service providers. Details of the warranty policies of equipment sourced form outsiders where we act as distributor are set out in the section headed "Business – Our business models – (C) Distributorship and agency" of this prospectus.

We provide after-sales services to our customers free of charge within our warranty period if our products malfunction due to product/process system defect. If our warranty period has expired or the malfunctions are caused by improper use or maintenance by the customers, we charge service fees incurred and/or cost of parts and components if our customers are agreeable with such terms quotation, and such fees are recognised as revenue in the respective business segment relating to integrated engineering solutions.

Our customer service team will answer various enquiries from customers such as quotation or availability of a particular component or spare parts, and technical issues. Relevant issues will be handled by our execution team and quality control personnel as appropriate. If there is requirement for after-sales services, support/repair services will be arranged in accordance with the urgency of the problem except in individual cases where the customers requested specifically that the after-sales services must be delivered to them within a specific number of days. Our project team will also initiate to contact the customers to understand whether they have any problem in the operation of the system.

(B) Consulting Services

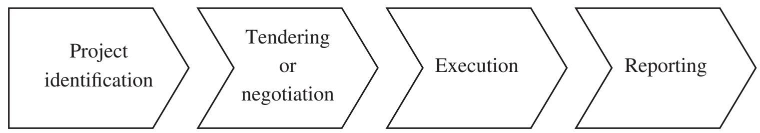
We provide consulting services under our business segment of GMP Compliance Service. Focusing on GMP compliance, our services comprise validation consultancy services, validation testing services, QMS consultancy services, GEP and consultancy services and training services.

We possess GMP consultation experience in pharmaceutical industry for more than five years, and are able to provide professional, comprehensive validation and GMP consultation service which comply with the GMP requirements of FDA, EMA, CFDA and relevant international organisations such as WHO. Further details of our services which we provide under GMP Compliance Service are set out in the section headed "Business – Our services and products" below.

For our consulting services, we also price our services on a cost-plus basis and take into account two main factors, namely the expected number of working hours involved and the complexity of the services required, which in turn determines whether more senior engineers, whose time costs are higher, are required. We also take into account the market demand and past relationships with the customers. Revenue from this business model is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the provision of the services. For details of our revenue recognition policy, please refer to the Accountant's Report as set out in Appendix I to this prospectus.

For our consulting services offered, we generally require a prepayment amount of approximately 30%. Subsequent payments will be made in accordance with the progress of the services and subject to negotiation between the parties. In most cases, approximately 5% to 10% of the total contract price would be held at a bank or the same amount being will be held by the customers, which would be paid to our Group upon receiving certification of GMP compliance by our customers or the expiration of the one-year warranty period, whichever is the earlier.

The following illustrates the principal workflow adopted in our provision of consulting services:



Step 1 – Project identification

Projects are generally identified by our sales team through marketing activities such as attendance at and hosting of various international exhibitions and conventions, and hosting of various seminars and trainings.

In addition, we also promote our services and products by emails to existing and potential customers or by distributing brochures. We also achieve synergy through cooperation between our business segments. The sales managers of different business segments meet on a monthly basis to exchange their industry information and potential customers, and may refer their potential customers who requires services and products of the other business segments. We may also be informed of projects subject to tender by receiving invitation letters or through direct approach from customers.

Step 2 – Negotiation or tendering

When there is a open tender or a private invitation to submit a tender, our sales and consultancy team will evaluate whether the project opportunity fits our scope of services, and such decision will be brought to department head who will evaluate whether to participate in the tender.

When our Group decides to go for a particular tender or pursue a business opportunity, our sales team and our consultancy team will commence the preparation of the relevant tender documents or fee proposal in accordance with the requirements of the potential customers, a typical proposal will contain the proposed scope of services, execution plan and the fee quote. The proposal will then be submitted to the customers for their evaluation. Subsequent to the submission of quotation or tender, we may be invited to a presentation and we will answer queries on the submitted documents. Should the customer select us, we will proceed to review and negotiate the contract terms.

Upon confirmation of engagement from our customers, the sales team of our consulting segment would enter into legal binding contracts with the customers, which set out the scope of work, specifications, price structure of the services and obligations and rights of parties.

Step 3 – Execution

Once the engagement of the project is confirmed, team heads of each project team will be selected according to the type and complexity of services required in the relevant project. At the initial stage of each project, the team head of each project team will communicate to each of the teammates their responsible tasks, and a detailed service protocol which sets out the detailed design, objectives, procedures will be prepared by the team which is reviewed by the team head. During the process, the responsible team members of the project teams will conduct researches and collect information from the client. For certain projects, site visit may be arranged if necessary. Based on the information collected, the responsible team members of the project teams will prepare a draft report which contains results of site inspection, if any, data analysis, testing results, major findings and recommendations to the customers. To ensure the quality and accuracy of work, the draft report will then be reviewed by quality control engineer.

Step 4 – Reporting

The first draft of the report will be sent to the customers for comment, and it may be revised by incorporating the comments from the customers and/or other professional parties engaged by the customers. Upon obtaining confirmation from the customers that they have no further comments, the final report will be signed by the project manager and issued to the customers accordingly.

The duration of the services normally ranges from 6 months to 2 years, depending on (i) nature of the services required; (ii) the complexity and scale of the project; (iii) the schedule set up by our customers; and (iv) any updated requirement on the timetable or alteration to the details of the project.

Given the duration of the consultancy project, our Group has a detailed budget for each consultancy project, under the supervision of the project manager. The consultancy team members are required to record their time used to ensure a proper record of time and costs are available for monitoring the budget. The project manager will monitor the progress of the project and the costs incurred, including time costs and costs of other materials, if any.

For every project, the draft report prepared by our project team will be reviewed by several engineers, which involves review of the process and method in conducing the compliance testing and the documentation of the report, including the contents and language used. Sometimes consultants may also review and give comments as necessary. A customer satisfaction questionnaire will be distributed to the customers and the end users of our services to understand the effectiveness of our services including GMP compliance services and training services provided and to strive for improvement in our services.

(C) Distributorship and agency

We are distributor and sales agent of life science consumables, instruments and pharmaceutical equipment of various brands, both overseas and in the PRC. Distributorship and agency sales are important and strategic elements in our business because we are of the view that it allows us to have first hand market information and keep us updated with the latest know-how and technology by understanding the latest technology used and specification of the major equipment in the market through negotiation process with the suppliers and the customers. We adopt a stringent criteria for choosing suppliers based on the industry ranking of the suppliers and the portfolio of the suppliers' existing customers in order to maintain a high quality and effective solutions to our customers. Currently, we act as distributor and agent for certain products ranging from pharmaceutical equipment to life science consumables.

We sell life science consumables and pharmaceutical equipment to pharmaceutical companies and research institutes. Such life science consumables and pharmaceutical equipment are not manufactured by our Group and are sourced from vendors outside our Group in both the PRC and overseas (including our joint venture companies, STERIS-AUSTAR WFOE and PALL-AUSTAR WFOE).

After-sales services will be provided either by us or the manufacturers according to the terms and conditions as set out in the sales contract.

For our distributorship and agency sales, we determine the price of the products based on, among others, the prevailing price of similar products available in the relevant markets, the cost of procurement of the products for distributorship sales, the amount of our commission for agency sales (which is calculated with reference to the selling price of the products), our marketing strategies for particular products, market demand and past relationship with the customers. We are subject to any price restrictions imposed by some of our suppliers. Under this business model, we derive revenue from sale of goods for distributorship sales; and for agency sales, we derive revenue from agency fee in return for our agency services provided. For Distribution and Agency of Pharmaceutical Equipment segment under this business model, the agency fee, which contributed about 0.6%, 24.2%, 27.9% and 20.7% of revenue in 2011, 2012, 2013 and the six months ended 30 June 2014, respectively under this segment, are derived from our agency service for suppliers. For Life Science Consumables segment under this business model, the agency fee for agency service contributed only less than 1% of revenue during the Track Record Period under this segment. For details of our revenue recognition policy, please refer to the Accountant's Report as set out in Appendix I to this prospectus.

For distributorship sales, the payment schedule varies according to different product types and the payment is by installments.

For agency sales, the customers will settle payment for the products or equipment with our suppliers directly. Our Group generally receives commission, which is calculated with reference to the contract sum payable to our suppliers, as and when money is actually received by our suppliers from the customers and upon our issuance of invoice.

Distributorship

Our Group is a distributor of certain life science consumables and pharmaceutical instrument in a number of established brands, and our ambit of distributorship ranges from exclusive distributorship (which relates to a specific territory), first class distributorship (which allows us to procure goods at a greater discount and to appoint sub-contractors) and authorised distributorship (which entitles us to non-exclusive distributorship right, but not to appoint any sub-distributors).

We enter into distributorship agreements with our suppliers, and usually a forecast amount of purchase would be set out in the agreements, but there is neither minimum amount of purchase required nor any penalty arising from the failure to meet the expected amount of purchase. For most of the goods, we would generally purchase according to demand, and on average a two to four-month inventory level would be kept for these commonly used stocks, depending on the lead time, delivery time and the general demand of the product concerned.

Details of the major terms of our distributorship agreements are set out in the section headed "Business – Suppliers and procurement" of this prospectus.

Below are the typical steps for distributorship sales:

Step 1 – Identify market and potential customers

Customers are generally identified via marketing activities attended by our sales team. We organise and attend various international exhibitions, conventions and seminars where we have direct contact with potential customers, in addition, we also promote our services and products by emails to existing and potential customers or by distributing brochures. We may also be informed of projects through direct approach by customers.

In addition, we also achieve synergy through cooperation between our business segments. The sales managers of different business segments meet on a monthly basis to exchange their industry information and potential customers, and may refer their potential customers who require services and products of the other business segments.

Step 2 – Procurement

Our sales team will look into the market and select the appropriate products based on market demand, product quality and reputation of the supplier. When potential customer makes enquiry as to the availability of products, including the specification, volume and expected delivery time, our sales team will check if such products are within our scope of distribution we will revert our customers, if there are sufficient stock in our warehouses, the sales team will arrange to sign a formal sales contract with them. The sales contract typically sets out the basic terms of a contract including price, quantity, specifications and expected delivery time and mode.

If there is sufficient stock, our procurement department will arrange to deliver the goods to the customers, and depending on the shipment terms, we will also handle all the relevant custom clearance matters. If the relevant goods ordered are out of stock or there is insufficient quantity to meet the customers' demand, our supply chain management department will proceed to purchase from the suppliers and entered into formal purchase contract.

Step 3 – Delivery and after-sales services

When the relevant goods are ready for shipment, our procurement department will arrange to deliver such goods to the customers and handle the relevant custom clearance matters. Arrangement of after-sales services is dependent on individual suppliers. We may provide after-sales services for certain goods, for others, we will direct them to the relevant suppliers for such support.

Agency

We also act as sales agent of certain pharmaceutical equipment in a number of established brands. We have been granted both exclusive and non-exclusive agency right in respect of different products pursuant to the agency agreements entered into between us and with our suppliers of pharmaceutical equipment. We adopt a stringent criteria for choosing suppliers in order to maintain our brand reputation. Details of the major terms of our agency agreements are set out in the section headed "Business – Suppliers and procurement" of this prospectus.

Below are the typical steps for our agency sales:

Step 1 – Identify market and potential customers

Customers are generally identified via marketing activities conducted by our sales team. We organise and attend various international exhibitions, conventions and seminars where we have direct contact with potential customers, in addition, we also promote our services and products by emails to existing and potential customers or by distributing brochures. We may also be informed of projects through direct approach by customers.

In addition, we also achieve synergy through cooperation between our business segments. The sales managers of different business segments meet on a monthly basis to exchange their industry information and potential customers, and may refer their potential customers who require services and products of the other business segments.

Step 2 – Formal quotation and purchase orders

Our sales team will look into the market and select appropriate products for sales based on market demand.

When potential customer makes enquiry as to the availability of products, including the specification and expected delivery time, our sales team will visit the customers for technical and commercial discussion. Our sales team will then communicate with the supplier about the customers' specifications and expected time of delivery.

Our suppliers will then proceed to prepare a proposal and quotation to the customers based on the specifications of the customers. Upon confirmation by the customers as to the terms of proposal, we will facilitate the entering into of the formal sales contract between the customer and the supplier.

Step 3 – Delivery and after-sales services

Goods will be delivered directly from the suppliers to the customers according to the shipment terms as agreed between them, after-sales services will be provided directly by the suppliers or us to the customers. If after-sales services are required from us, we will enter into after-sales service agreements with the suppliers, who will pay us for a fee for providing after-sales support to the end customers.

The products which our Group distribute and which we sold through agency arrangements will be described in details in the section headed "Business – Our Services and Products" below.

OUR SERVICES AND PRODUCTS

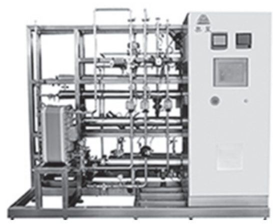
(1) Liquid and Bioprocess System

Liquid and Bioprocess System include all liquid related systems such as clean utilities and bioprocess systems involved in a pharmaceutical production process. Our integrated engineering solutions provided under this business segment can offer various solutions in process systems which are custom built for our customers to enable our customers to prepare liquid for production of different pharmaceutical products. The major types of process systems include pharmaceutical water systems, liquid preparation systems and bioprocess systems. Our integrated engineering solutions in relation to a typical process system in this segment include design, construction by assembling equipment, components and parts, installation, commissioning, validation, operation, performance testing and maintenance to ensure reliability and consistency. We also provide maintenance work after installation of the system.

Pharmaceutical water system

Pharmaceutical water system treats water into different grades (e.g. purified water or water for injection) for different pharmaceutical uses. A pharmaceutical water system aims to prevent microbial, chemical and physical contamination of water during production, storage and distribution.

Our typical pharmaceutical water system solutions consists of the following equipment and components:



Purified water generators manufactured by us, which are used for production of purified water

Purified water tanks manufactured by us, which are used for storage and to accommodate demand peaks

Purified water distribution skids manufactured by us which are used to facilitate the control and monitoring compliance using modular design and plug-and-play concept

Distribution loop pipings manufactured by us which are used to connect the main water equipment, tanks, skid, pumps, heat exchangers and point of usage (POU) in one closed circuit system with piping and valves

Liquid preparation and bioprocess system

We provide integrated engineering solutions in liquid preparation system which prepares solutions for production of various kinds of liquid dosage including sterile small volume and large volume injectable pharmaceutical products and oral liquid pharmaceutical products, by means of different process phases including different mixing of water and raw materials, filtering, weighing and transfer systems, cleaning and sterilisation. A liquid preparation system composed of preparation mixing vessel, storage tank, distribution loop pipings and CIP/SIP unit. Various equipment are either manufactured by us or sourced from other suppliers, and examples are set out below:

Preparation mixing vessels manufactured by us which are used for mixing raw materials with water, which may involve multiple tanks for preparing liquid solution for injectable pharmaceutical products and oral liquid pharmaceutical products.

CIP/SIP units manufactured by us which are used for cleaning and sterilisation of the vessels, piping and the whole system.

Distribution loop pipings manufactured by us which are used to connect the mixing vessels, storage tanks, filters, CIP/SIP and pumps into one closed circuit system with piping and valves.

Bioprocess system facilitates the production of biopharmaceutical such as monoclonal antibody, vaccine, recombinant protein product and blood products from biological materials including mammalian cells, bacteria, enzymes. We offer integrated engineering solutions in bioprocess systems for biopharmaceutical companies by integrating medium preparation systems, buffer preparation systems and CIP/SIP units, which are all manufactured by us, and equipment from other suppliers in Europe or China, with our distribution loop piping. Set out below are some examples of main equipment used in the process:

Medium preparation system manufactured by us, which consists of tanks, pumps, heat exchangers, filters, valves, piping and instruments, is used to facilitate the growth of biological materials such as mammalian, yeast, insect, or bacterial cells.

Buffer preparation system manufactured by us prepares the buffers made of multiple liquids and mixes them in the buffer preparation tanks for use in diafiltration processes.

Our revenue generated from Liquid and Bioprocess System segment accounted for RMB177.9 million, RMB228.7 million, RMB381.0 million and RMB147.2 million, respectively, representing about 54.8%, 54.4%, 54.0% and 45.8% of our total revenue for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively.

(2) Clean Room and Automation Control and Monitoring System

Clean room is a controlled clean environment which is critical for the manufacture of pharmaceutical products. A clean room equipped with an effective automation control and monitoring system are core facilities in the pharmaceutical production process. Since clean rooms are governed by protocols and guidelines issued by authorities such as the US FDA, EMA and CFDA, our automation control and monitoring systems are able to monitor the level of particles or temperature to ensure the clean room is operating within the required classifications in accordance with the relevant standards.

Our integrated engineering solutions provided under this business segment can enable our clients to ensure the production environment is controlled and compliant with various GMP regulations for production of different pharmaceutical products. The major types of our systems in this segment include clean room enclosure systems, automation control systems and monitoring systems. Our integrated engineering solutions in relation to a typical process system in this segment include design, construction by assembling, components and parts, installation, commissioning, validation, operation, performance testing and maintenance to ensure reliability and consistency.

Clean room enclosure system

We offer solutions to set up a clean room enclosure system by constructing an environment which has a controlled level of contamination as specified by the number of particles per cubic meter at a specified particle size, to ensure a low level of environmental pollutants such as dust, airborne microbes, aerosol particles and chemical vapors, such environment is critical in pharmaceutical production and scientific research. Our clean room design and components comply with the relevant standards of current GMP in the PRC, EU GMP in Europe and FDA in the USA, Components of a typical clean room enclosure system comprise clean room wall panels and ceiling panels, door, window and a lighting system. All of the components are designed and manufactured by us to avoid dust accumulation and other particles to make a clean room enclosure effective.


Wall Panel


Ceiling Panel


Door


Window

Automation control system

We offer solutions in automation control systems to our customers by sourcing the relevant systems from solution partners such as Siemens and Rockwell and other suppliers, and we provide integration services to set up the system including customer designing for our customers' application or build according to their layout, including installation, programming and ensure the functioning of such system. There are three main types of automation control systems:

(a) machinery automation which can be applied for automation of pharmaceutical equipment;

(b) process automation which can be applied for automation of production processes of bulk drugs, chemical drugs, biopharmaceutical products and traditional Chinese medicine; and

(c) factory automation which can be applied in (i) utilities control systems covering air conditioning, water and steam, compressed air, light current and electrical aspects; and (ii) factory information systems covering warehouse, energy management and MES.

Monitoring system

We offer solutions in monitoring systems which enable pharmaceutical manufacturers to monitor various elements such as pressure, temperature, humidity, particulate, airborne viable particles within the clean room which is useful for customers who produce bulk drugs, chemical drugs, biological products and traditional Chinese medicines which require carefully controlled environment. We source monitoring systems from suppliers such as Hach and we provide integration services to set up the systems involving customer design for our customers' application or build according to their layout installation and programming.

Our revenue generated from Clean Room and Automation Control and Monitoring System segment accounted for RMB67.9 million, RMB82.6 million, RMB152.5 million and RMB73.8 million, respectively, representing about 20.9%, 19.6%, 21.6% and 23.0% of our total revenue for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively.

(3) Powder and Solid System

We offer integrated engineering solutions in Powder and Solid System using dust-free and containment technology for processing, storage, blending and transportation of pharmaceutical products in either solid or powder form, including excipients, active pharmaceutical ingredients, granules, capsules and tablets. Our Powder and Solid Systems comply with the China New GMP requirements. The major types of Powder and Solid Systems offered by us include weighing and dispensing systems, sterile containment handling systems and isolation and containment systems. Our integrated engineering solutions in relation to a typical process system in this segment include design, construction by assembling equipment, components and parts, installation, commissioning, validation, operation, performance testing and maintenance to ensure reliability and consistency. We also provide maintenance work after installation of the system.

Weighing and dispensing system

A weighing and dispensing system is used to prepare raw materials in powder form of pharmaceutical products. It transfers, mixes, weighs and dispenses a variety of materials automatically depending on different production formulation. The system has been widely used in pharmaceutical industry.

The major components of a weighing and dispensing system offered in our integrated engineering solutions include a discharging machine, mill, screening machine and mixing machine, which are either manufactured by us or sourced from other suppliers. An example of a weighing and dispensing system is set out below:

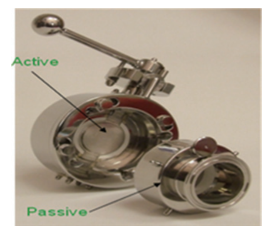
Discharging machines manufactured by us are used in discharge of
active pharmaceutical ingredient from aluminum drum or bag to the bin.

Sterile containment handling system

A sterile containment handling system is used for handling of sterile active pharmaceutical ingredients (APIs) and sterile formulations. A typical contained sterile process of sterile API production includes drying, sterile contained transfer, milling, mixing and filling. We can customise the system process according to the different product production process demands of our customers.

The major components of a sterile containment handling system include vacuum conveyor, split butterfly valve, mill, mixer and discharging machine, which are either manufactured by us or sourced from other suppliers. Some of them are set out below:

Vacuum conveyors sourced from suppliers are a dust-free airtight equipment which transmits granular and powder by means of vacuum suction.



Split butterfly valves sourced from suppliers can transfer products in an air-tight condition to avoid cross contamination and can protect the operator and the operational conditions.

Isolation and containment system

An isolation and containment system is critical to minimise operator exposure and process cross contamination. Containment goals are based on the requirements to provide the operator optimum protection, maintain good GMP conditions, eliminate cross contamination, and reduce cleaning space.

According to the level of isolation and containment, it can be divided into isolators and restricted access barrier systems (RABS). We offer integrated engineering solutions in isolation and containment systems with the following key products which are either manufactured by us or sourced from other suppliers.

A sterility test isolator designed and manufactured by us based on our customer's specific requirements allows operators to perform sterility testing in an sterile environment.

A sterile dispensing/sampling isolator manufactured by us is used to conduct sterile dispensing/sampling within it.

A restricted access barrier system (RABS) manufactured by us provides an enclosed environment to reduce risk of contamination.

Our revenue generated from Powder and Solid System segment accounted for RMB11.5 million, RMB24.1 million, RMB44.4 million and RMB27.6 million, respectively, representing about 3.5%, 5.7%, 6.3% and 8.6% of our total revenue for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively.

(4) GMP Compliance Service

We offer our customers consultancy services in relation to GMP compliance in order to facilitate our customers to comply with GMP requirements. Our GMP compliance consultancy services provide comprehensive and tailored solutions to all kinds of pharmaceutical companies. With extensive experience, our service team provides compliance support in GMP requirements covering European (EMA), US (FDA), WHO and China (CFDA) regulations. The major types of GMP compliance services include validation consultancy services, validation testing services, QMS consultancy services, GEP consultancy services and training services, details of which are set out below:

Validation consultancy services

We provide pharmaceutical companies who would like to pass the GMP regulations of CFDA, EMA, FDA and WHO with comprehensive validation consulting services including devising validation master plan (VMP), GMP design review, risk assessment, HVAC system and facilities validation, clean gas system validation, pharmaceutical equipment validation, computerised system validation, laboratory analytical instruments validation, cleaning validation and process validation. All of which enable our customers to maintain their production equipment and facilities in compliance with the GMP requirements.

Validation testing services

We offer testing services under CFDA, EMA and FDA requirements for pharmaceutical companies using comprehensive validation test instruments. Our services include HVAC system test, clean pipeline system test and pharmaceutical equipment test.

QMS consultancy services

We assist customers to establish GMP compliant quality management systems, conduct gap analysis and give suggestions for improvement and propose recommendations on the feasibility of implementation of the GMP regulations of CFDA, EMA, FDA and WHO as well as relevant regulations and standard operation procedure (SOP).

GEP consultancy services

We provide engineering project management services which cover the whole process from user requirements, design preliminary review, procurement, bidding, construction, commissioning, qualification, acceptance, and training to delivery for customers based on ISPE guideline, GEP, and standards adopted in local and overseas pharmaceutical industry.

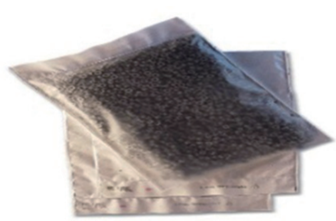
Training services

We provide diversified training programs including site training, remote training and Austar website e-learning training system. Our "Austar e-learning training platform" is a customised learning platform for pharmaceutical enterprises based on web and can be used for internal staff trainings or customers trainings.

Our revenue generated from sales of GMP Compliance Service segment accounted for RMB14.7 million, RMB31.5 million, RMB47.7 million and RMB24.9 million, respectively, representing about 4.5%, 7.5%, 6.8% and 7.8% of our total revenue for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively.

(5) Life Science Consumables

We offer a variety of life science consumables which help our customers to achieve a clean environment for their production and to facilitate them in passing the FDA, EMA, WHO, CFDA GMP inspections. Our major life science consumables are divided into seven categories, namely, sterile packaging, cleaning products, disinfection and sterilisation products, sterility assurance products, personal protection products, cleaning tools and single-use bioprocess systems such as single-use mixing systems and single-use bioreactors. The products in this segments are manufactured either by PALL-AUSTAR WFOE, STERIS or other suppliers and are distributed by us. Examples of our products in this segment are set out below.



Ultra-clean sterile Tyvek bag, which is produced by PALL-AUSTAR WFOE, is used for sterile packaging of, medical devices etc.

Cleaning products which are sourced from STERIS include alkaline cleaners, acidic cleaners, neutral cleaners, and detergent additives are used for cleaning of different kinds of dirt.

Disinfection and sterilisation products which are sourced from STERIS are used in killing microorganisms and spores, and can be used in different clean room or pharmaceutical products contact surfaces.

A single-use mixing system manufactured by PALL

Our revenue generated from Life Science Consumables segment accounted for RMB27.4 million, RMB34.6 million, RMB52.8 million and RMB34.4 million, respectively, representing about 8.4%, 8.2%, 7.5% and 10.7% of our total revenue for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively.

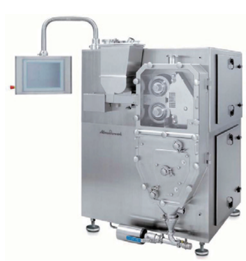
(6) Distribution and Agency of Pharmaceutical Equipment

We act as sales agent or distributor for a variety of pharmaceutical equipment and special spare parts of well-known brands from companies located overseas including Italy, Germany and USA, and also from our joint venture partner STERIS. The products are classified under four categories, namely, (i) washing, disinfection and sterilisation machines, which are used for sterilisation in the pharmaceutical, medical and other industries; (ii) inspection machines, which are used to check the quality of the finished goods according to GMP regulations, e.g. testing for leakage; (iii) oral solid dosage production workshop, which is used for oral pharmaceutical product production; and (iv) sterile filling machines, which are used for filling of powder vials, bottles, syringes, tubes and solid phase extraction columns. Our suppliers include STERIS, Alexanderwerk and M&O Perry. To facilitate the business under this segment and provide better support to our suppliers, we also provide technical services of pharmaceutical equipment to our customers, such as installation and commissioning, maintenance and fault elimination, overhauling and cleaning services. Examples of some of the pharmaceutical equipment sourced from our suppliers are set out below:

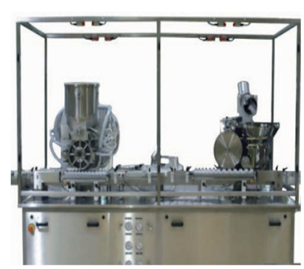
VHP bio-decontamination device

Steam Steriliser

Pharmaceutical grade washer



Dry granulator



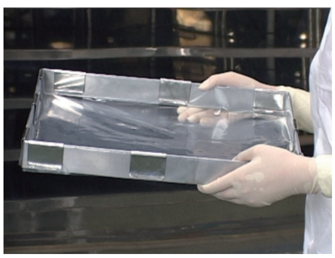
Powder filling machine

We also act as sales agent or distributor for a variety of pharmaceutical equipment of well-known brands of China for overseas market. Such cooperation arrangements can leverage on our sales network, and increase our market coverage.

Our revenue generated from Distribution and Agency of Pharmaceutical Equipment accounted for RMB25.8 million, RMB19.3 million, RMB26.8 million and RMB13.0 million, respectively, representing about 7.9%, 4.6%, 3.8% and 4.1% of our total revenue for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively.

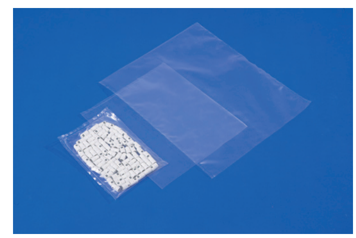
PRODUCTS MANUFACTURED BY OUR JOINT VENTURES

PALL-AUSTAR WFOE manufactures a number of life science consumables, which we act as distributor and/or agent of PALL-AUSTAR WFOE under our Life Science Consumables segment. The products are widely used in the pharmaceutical process, in response to the increasing demand for innovative disposable solutions from pharmaceutical manufacturers. The "single use" products include powder transfer vessels and sterile bags. The following are examples of life science consumables manufactured by PALL-AUSTAR WFOE and distributed by us:



Ultraclean freeze-dry film

Ultraclean Tyvek bag



Ultraclean polythene bag

STERIS-AUSTAR WFOE manufactures multiple effect water stills and pure steam generators. They are key equipment of our pharmaceutical water systems, which falls in our Liquid and Bioprocess System segment. Examples of such products are set out below:

Multiple effect water stills

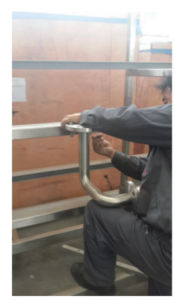
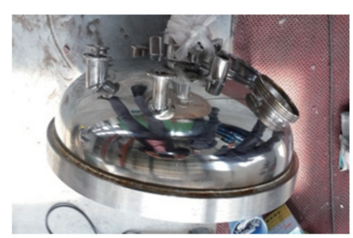
Pure steam generator

PRODUCTION

Production process of our Group

The main products which we manufacture are pressure vessels, skid and purified water generators which are used in pharmaceutical water systems and liquid engineering systems both offered under the business segment of Liquid and Bioprocess System, and discharging machines which are used in the various systems such as weighing and dispensing systems, offered under the business segment of Powder and Solid System. These products can either be supplied as an equipment as part of our integrated engineering solutions or sold on an individual basis. The following sets out the main steps of their production process.

Purchase of raw materials → Component processing → Welding → Polishing → Assembling and integration → Testing and despatch

Process	Description	
Purchase of raw materials	After confirming the detailed design according to the customer's requirements, our procurement department will check the inventory level and procure necessary raw materials.	
Component processing	Component processing involves processing of the materials by cutting, milling and drilling in accordance with the detailed design.	
Welding	Different parts such as the pipings and the connection points frame will be welded together and endoscopic inspection will be carried out to examine welding points.	 
Polishing	After completion of the major processing and integration steps, the product will go through subsequent processing which involves surface treatment such as polishing and rust proofing.	
Assembling and integration	Installation of electrical components, instruments, pipelines and wiring of the equipment.	

Process	Description
Testing and despatch	The final step of testing involves circuit test and water pressure test, and after completion of despatch inspection, the system will be released for packaging and shipping.

We also manufacture components of a clean room enclosure system which is offered under our business segment of Clean Room and Automation Control and Monitoring System, which mainly include panels, doors and windows. Production process of which is set out below:

Purchase of raw materials → Steel plate forming/glass clean out and assembling → Core materials/ glue filling → Push down and drilling/ air inflation → Testing and despatch

Process	Description
Purchase of raw materials	After confirming the detailed design according to the customer's requirements, our procurement department will check the inventory level and procure necessary raw materials.
Steel plate forming/glass cleanout and assembling	For panels and doors, the first step of the production involves making of the steel strip into keel by the frame forming machine, and the keel and angle connector are assembled into the frame; for windows, glass will first be dried by the cleanout machine and the glass and inside casing are assembled together.

Process	Description	
Core materials/glue filling	For panels and doors, the colour steel plate and the frame are then assembled together and the core materials will be integrated into the frame; for windows, glue are then filled into the outside of the glass and outline border.	
Push down and drilling/air inflation	For panels and doors, the colour steel plate and filled frame are assembled together and pushed down with briquetting, and pores will be drilled in the door plate; afterwards, the door plate and frame will be assembled together and the accessories of doors such as handles will be installed; for windows, they will be cleaned again and inflate with argon.	
Testing and despatch	Testing and inspection will be carried out before the products are released for packaging and storage.	

Production process of our joint ventures

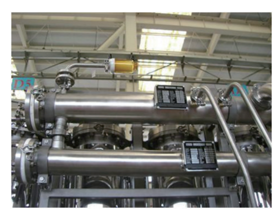
The major products produced by PALL-AUSTAR WFOE are sterile bags, which we distribute in our Life Science Consumables segment and, the production process of which is set out as below:

Extrusion → Slitting → Bag-making → Packaging and sterilisation → Storage

Process	Description	
Extrusion	In a clean room, resins are heated in the extruders to manufacture film.	
Slitting	In a clean room, the film will be cut into different sizes.	
Bag-making	Depending on customers' requirements, bags of different sizes will be manufactured by bag making machines in clean room.	
Packaging and sterilisation	The bags will be packaged and undergo sterilisation.	
Storage	The sterile bags will be stored in a dry and ventilated room.	

The major products produced by STERIS-AUSTAR WFOE include pure steam generator and multiple effect water stills, which we supply in our Liquid and Bioprocess System segment, and the production process is set out as below:

Purchase of raw materials → Component processing → Assembling of pressure vessel and frame → Piping → Control cabinet preparation → Final assembling → Testing and despatch

Process	**Description**	
Purchase of raw materials	After confirming the detailed design according to the customers' requirements, our procurement department will check inventory level and procure necessary raw materials.	
Component processing	The frame will be built for housing equipment and components at a later stage.	
Assembling of pressure vessel and frame	Pressure vessel and the frame of the generator will be assembled together.	
Piping	Components will be connected with pipelines in accordance with the design plan. Endoscopic inspection will be carried out to check the pipelines and the connection.	
Control cabinet preparation	The control cabinet will be assembled together with electrical component, instruments and wiring of the whole generator.	

Process	Description	
Final assembling	The components and equipment such as pressure vessel, control cabinet and pipings will be assembled together.	
Testing and despatch	The final steps of testing involves circuit test and water pressure test, and after completion of the despatch inspection, the system will be released for packaging and shipping.	

Production plants

We together with our joint ventures have four production plants located in Shanghai, Shijiazhuang, and Beijing, which have a total gross floor area of approximately 18,110 sq. m, comprising a total of 8,209 sq. m in Shanghai, 8,741 sq. m. in Shijiazhuang and 1,160 sq. m. in Beijing. Our production plants are strategically located in major cities in the PRC, with close proximity to our customers.

Our integrated engineering solutions business is based in Shanghai and Shijiazhuang. As at the Latest Practicable Date, there were in total 8 production workshops in our 4 production plants, comprising 4 in Shanghai (including 1 workshop used by STERIS-AUSTAR WFOE), 3 in Shijiazhuang and 1 in Beijing which is used by PALL-AUSTAR WFOE.

In our production plants located in Shijiazhuang, we manufacture skid and discharging machines which we supply as part of our integrated engineering solutions in the Liquid and Bioprocess System and Powder and Solid System segments respectively. In our production plants in Shanghai, we manufacture panels, doors and other components for our clean room enclosure systems under our Clean Room and Automation Control and Monitoring System segment, and we also manufacture purified water generators, pressure vessels and heat exchangers under our Liquid and Bioprocess System segment. The production plant of

PALL-AUSTAR WFOE is located in Beijing with a gross floor area of approximately 1,160 sq.m, whilst STERIS-AUSTAR WFOE shares part of our production plants in Shanghai. Further details of STERIS-AUSTAR WFOE and PALL-AUSTAR WFOE are set out in more details in the section headed "Business – Our joint ventures".

As at the Latest Practicable Date, our Group together with our joint ventures have four production plants in the PRC, two in Shanghai, and one each in Shijiazhuang and Beijing with an aggregate gross floor area of 18,110 sq. m. including:

(a) 4 production workshops located in our production plants in Shanghai for production of equipment and components to be used in our integrated engineering solutions, including clean room panels, doors and windows as part of our clean room enclosure systems offered by our Clean Room and Automation Control and Monitoring System segment, pressure vessel, purified water generator and heat exchanger which are supplied as part of our integrated engineering solutions in pharmaceutical water systems and liquid preparation and bioprocess systems under our Liquid and Bioprocess System segment; and 1 production workshop located in our production plants in Shanghai is being leased by us to STERIS-AUSTAR WFOE for its production of multiple effect water stills and pure steam generator;

(b) 3 production workshops located in our production plants in Shijiazhuang for manufacture of skid which are all used in our pharmaceutical water systems and liquid preparation systems under Liquid and Bioprocess System segment, and discharging machines which are used in our weighing and dispensing systems, offered under our Powder and Solid System segment. We also manufacture control cabinet used in our integrated engineering solutions offered under Clean Room and Automation Control and Monitoring System segment; and

(c) 1 production workshop located in Beijing for the production of sterile bags by PALL-AUSTAR WFOE.

Production capacity

Due to the diversity of our products and the customer-specific nature of certain of our products, and given that there is no common production bottleneck and our production lines can be modified to accommodate the production of a wide variety of products, our Directors consider it difficult to estimate our production capacity for all different products produced by us, in particular, our integrated engineering solutions, during the Track Record Period.

The table below sets forth further information on our production capacity, production volume and utilisation rates of our production workshops for our major products during the Track Record Period:

		For the year ended 31 December									For the six months ended 30 June 2014		
		2011			2012			2013					
Our business segments/products	Unit	Annual production capacity	Annual production volume	Utilisation rate	Annual production capacity	Annual production volume	Utilisation rate	Annual production capacity	Annual production volume	Utilisation rate	Annualised production capacity	Annualised production volume	Utilisation rate[3]
		(approximate number of units)	*(approximate number of units)*	*(%)*	*(approximate number of units)*	*(approximate number of units)*	*(%)*	*(approximate number of units)*	*(approximate number of units)*	*(%)*	*(approximate number of units)*	*(approximate number of units)*	*(%)*
Clean Room and Automation Control and Monitoring System													
Panels[1][a]	piece	15,660	12,333	79	19,575	16,333	83	31,320	26,144	83	31,320	30,036	96
Doors[1][b]	piece	3,200	2,900	91	5,600	4,400	79	5,600	3,762	67	5,600	3,718	66
Windows[1][c]	piece	N/A	N/A	N/A	5,568	3,904	70	5,568	4,481	80	5,568	1,066	19
Liquid and Bioprocess System													
Purified water generator[1][d][i]	set	39	29	74	41	30	73	41	33	81	41	36	88
Heat exchanger[1][d][ii]	set	N/A	N/A	N/A	199	162	81	199	184	92	199	258	130
Pressure vessel[1][d][ii]	set	N/A	N/A	N/A	N/A	N/A	N/A	72	68	94	72	50	69
Skid[1][d][iii]	set	70	81	116	84	91	109	139	174	125	139	144	104
Powder and Solid System													
Discharging machine[1][d][iv]	set	N/A	N/A	N/A	N/A	N/A	N/A	23	22	98	23	24	104
Our joint ventures/products													
PALL-AUSTAR WFOE													
Sterile bags[1][e]	unit	9,200,000	200,000	2	9,200,000	1,000,000	11	9,200,000	4,000,000	43	9,200,000	4,668,486	51
STERIS-AUSTAR WFOE													
Multiple effect water stills[1][f]	set	38	30	79	42	52	125	42	37	90	42	42	100

Notes:

(1) The calculation of the annual production capacity was based on the following assumptions:

(a) For the production of clean room panels, we have assumed that there were 21.75 working days each month during the Track Record Period, and each compressing machine is capable of producing 15 pieces of panels each day. During the Track Record Period, there were 4, 5, 8 and 8 compressing machines for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively. Therefore, the expected annual production capacity for clean room panels is calculated based on the following formula: number of pieces of wood panels which can be produced by each compressing machine per day x number of compressing machines x 21.75 working days per month x 12 months.

(b) For the production of clean room doors, we have assumed that there were 21.75 working days each month during the Track Record Period, and it takes 2.61 working hours to produce an unit of clean room door. During the Track Record Period, there were 4, 7, 7 and 7 workmen during the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively. Therefore the expected annual production capacity for clean room doors is calculated based on the following formula: (average number of workmen employed during the year x number of working hours per day x number of working days per month x 12 months) / number of working hours required for production of an unit of clean room door.

(c) For the production of clean room windows, we have assumed that there were 21.75 working days each month during the Track Record Period, and it takes 1.5 working hours to produce an unit of clean room window. During the Track Record Period, there were 4 workmen during the year ended 31 December 2012 and 2013 and the six months ended 30 June 2014 respectively. Therefore the expected annual production capacity for clean room windows is calculated based on the following formula: (average number of workmen employed during the year x number of working hours per day x number of working days per month x 12 months) / number of working hours required for production of an unit of clean room window.

(d) For the production of purified water generator, pressure vessel, heat exchanger, skid and discharging machine, their production capacity is calculated based on the working hours as the machines are produced manually. We have assumed that there were 8 working hours per day, and 21.75 working days per month. Therefore, the expected annual production capacity for purified water generator is calculated based on the following formula: (average number of workmen employed during the year x number of working hours per day x number of working days per month x 12 months) / number of working hours required for production of the product. Therefore, we deduce the following production capacity:

(i) for the production of purified water generator, it takes 675 working hours to produce a water generator. During the Track Record Period, there were 12, 13, 13 and 13 workmen during the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively. Therefore, the expected annual production capacity for purified water generator is calculated based on the following formula: (average number of workmen employed during the year x number of working hours per day x number of working days per month x 12 months) / number of working hours required for production of a water generator;

(ii) the production capacity for the production of pressure vessel and heat exchanger can be calculated based on the same formula as water generator, and its takes 261 and 157 working hours for the production of a pressure vessel and heat exchanger respectively, and there were 9 and 15 workmen for producing pressure vessel and heat exchanger respectively for the year ended 31 December 2013 and the six months ended 30 June 2014;

(iii) for the production of skid, it takes 300 working hours to produce a skid for each of the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively, and there were 10, 12, 20 and 20 workmen in the production workshop for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively;

(iv) for the production of discharging machine, it takes an average of 1,100 working hours to produce a discharging machine. There were 12 workmen in the production workshop for the year ended 31 December 2013 and the six months ended 30 June 2014;

(e) For the production of sterile bags by PALL-AUSTAR WFOE, it involves three machines, namely, extrusion line, slitting machine and a bag making machine. An extrusion line can produce 100 kg per hour and works 24 hours a day, the slitting machines can cut 1,000 sq.m. into the required size per hour and work 23 hours a day, and a bag making machine can produce 3,000 bags per hour, and it can work 23 hours a day. The production volume of an extrusion line and slitting machine shall be calculated taking into account the success rate (i.e. 95 to 98%) and the size of the bags required by the customers. The production volume of the extrusion line can be calculated taking into account of the success rate of 95%. The default rate is mainly due to the sub-quality production during the course of shutting down and turning on the machine. During the Track Record Period, there were one unit of extrusion line, slitting machine and bag making machine for each of the machine during the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively. The expected annual production capacity for the sterile bag produced by PALL-AUSTAR WFOE is calculated based on the lower of the production volume of extrusion line and the slitting machines which is calculated with following formula: (average number of slitting machine/extrusion line during the year x number of working hours per day x number of working days per month x 12 months) / slitting machines x success rate x size coefficient. For the purpose of calculating the expected annual production capacity, 28 days per month was used as the number of working days per month.

(f) For the production of multiple effect water stills by the STERIS-AUSTAR WFOE, it takes 602 working hours. During the Track Record Period, there were 11, 12, 12 and 12 workmen during the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively. Therefore, the expected annual production capacity for the multiple effect water stills produced by STERIS-AUSTAR WFOE is calculated based on the following formula: (average number of workmen employed during the year x number of working hours per day x number of working days per month x 12 months) / number of working hours required for the production of the water generator. The production capacity of pure steam generator is converted into equivalent number of set of multiple effect water stills.

(g) The average number of 8 working hours per day and 21.75 days per month were used for the purpose of calculation of production capacity since the production of a machine requires the same group of workmen to continue with the production process, therefore shift is not possible and only 8 hours per day can be used to calculate the production capacity.

(h) For those marked with N/A, production of the products in the respective year has not commenced.

(2) The utilisation rate of the production workshop of skid reached 109% for the year ended 31 December 2012, 125% for the year ended 31 December 2013 and an annualized utilization rate of 104% for the six months ended 30 June 2014 due to the increase in order intake and the number of working hours of workmen used for the production. For the six months ended 30 June 2014, the utilisation rate of production workshop of heat exchanger, skid, discharging machine and multiple effect water stills exceeded or reached 100% as there was an increase in order intake and thus leading to an increase in the number of working hours of workmen used for the production. During the six months ended 30 June 2014, certain workers work in both the production lines of heat exchanger and pressure vessel, therefore certain workers originally assigned to the production of pressure vessel will have spare capacities for the production of heat exchanger.

(3) The utilisation rate for the six months ended 30 June 2014 was calculated by dividing the annualised production capacity by the annualised production volume. The annualised production capacity was calculated the same way as the expected annual production capacity. The annualised production volume was calculated by multiplying the actual production volume for the six months ended 30 June 2014 by 12 and dividing it by 6.

Our technicians and workers carried out the production process with assistance of certain equipment such as welding machines and compressing machines. All of the production equipment are owned by our Group, and most of them were used for less than 6 years and our Group has implemented policies for maintenance of the production equipment. The utilisation rate for PALL-AUSTAR WFOE was relatively low because the production of PALL-AUSTAR WFOE is still at an initial stage, therefore production facilities which bear a larger production capacity has been acquired for future expansion; and for the over-utilisation relating to skids is due to the overtime work by the relevant workers.

As the utilisation rate of our production facilities has been steadily increasing towards full capacity during the Track Record Record, we plan to expand our production facilities by constructing 2 new production plants in Shijiazhuang and Songjiang, which are expected to commence production in 2016 and 2017, respectively. For details of our expansion plans, please refer to the section headed "Business – Business Strategies – To establish R&D centre and consolidate production workshops" of this prospectus.

OUR JOINT VENTURES

We have entered into joint venture arrangements with STERIS and PALL (a former wholly-owned subsidiary of ATMI whose life science business was acquired by PALL). Both STERIS and PALL are established players in the life science industry. STERIS is a global leader in infection prevention, contamination control, surgical and critical care technologies, and through a series of strategic acquisitions and continual innovation of new products, it holds a broad portfolio of products in the industry. PALL is a filtration, separation and purification leader providing solutions to meet the critical fluid management needs of customers across the broad spectrum of life science and industry. Both companies are listed on the NYSE and have over 20 years of experience and have been recognised as leaders in the life science industry.

Our Group entered into such arrangements with the goal to further strengthen our reputation in the market by being the business partner, exclusive distributor and exclusive sales agent in the PRC of two renowned groups in the life science industry. We cooperated with the two joint venture partners by setting up a joint venture company with each of them, namely, STERIS-AUSTAR JV and PALL-AUSTAR JV. Each of such joint ventures in turn set up a WFOE in the PRC, namely, STERIS-AUSTAR WFOE and PALL-AUSTAR WFOE. Further details of the joint venture agreements are set out in the section headed "History, Reorganisation and Group structure" of this prospectus.

STERIS-AUSTAR WFOE develops and produces pure steam generators and multiple effect water stills. PALL-AUSTAR WFOE develops and produces pharmaceutical packaging materials such as single-use powder transfer vessels, sterile bags and Tyvek bags. Details of the products and the production process are set out in the sections headed "Business – Our services and products" and "Business – Production – Production process of our Group" of this prospectus.

Through our joint venture arrangements with STERIS and PALL, which are established companies in the life science industry, we were able to leverage on the different pharmaceutical manufacturing equipment developed and/or manufactured by STERIS and STERIS-AUSTAR WFOE and the life science consumables developed and/or manufactured by PALL and PALL-AUSTAR WFOE respectively, by integrating such products into our integrated engineering solutions and offering a variety of quality products in our product portfolio to our customers on a complementary basis with our joint venture partners. In addition, we were able to leverage on the synergy arising from the cooperation in the production process of various equipment and life science consumable. We believe our joint ventures will help us to tap into new markets, broaden our customer base and increase our existing market in the PRC.

STERIS-AUSTAR JV

We entered into a joint venture with STERIS in relation to STERIS-AUSTAR JV in 2006. We act as the exclusive distributor and exclusive sales agent for STERIS-AUSTAR WFOE in the PRC in respect of pure steam generators and multiple effect water stills manufactured by it, which are in turn integrated into our integrated engineering solutions in our business segment of Liquid and Bioprocess System. STERIS-AUSTAR WFOE exclusively supplies these two pharmaceutical equipment to us, or through the exclusive agency arrangement, supplies to our customers in the PRC.

We also act as a supplier for STERIS-AUSTAR WFOE where we supply pressure vessel manufactured by us for use as one of the key components of the equipment manufactured by STERIS-AUSTAR WFOE.

PALL-AUSTAR JV

We entered into a joint venture with ATMI in relation to PALL-AUSTAR JV in 2007. Our joint venture partner in PALL-AUSTAR JV was subsequently acquired by PALL when PALL acquired the life science business of ATMI in 2014.

We act as the exclusive distributor for PALL-AUSTAR WFOE in the PRC and exclusive sales agent for PALL-AUSTAR WFOE in specified territory in Asia Pacific region, in each case, other than certain companies identified by PALL, in respect of the life science consumables manufactured by it, such as powder transfer vessels and sterile bags. These are the products that we offer to our customers in the business segment of Life Science Consumables. PALL-AUSTAR WFOE exclusively supplies these life science consumables to us, or through the exclusive agency arrangement, supplies to our customers, in the PRC.

We also act as a supplier for PALL-AUSTAR WFOE where we supply pharmaceutical indicators, clean room enclosures and life science consumables such as gloves, polyester wipers for use during their manufacturing process.

In the event that our joint venture arrangements are terminated with any of STERIS or PALL, we can and will source alternative suppliers to ensure that we are able to provide a steady supply of quality products and services to our customers.

STERIS

We purchase certain life science consumables such as cleaning products and pharmaceutical equipment such as pharmaceutical grade washer from STERIS and distribute these products in the PRC. These products are part of the pharmaceutical equipment which we offer to our customers in the business segments of Life Science Consumables and Distribution and Agency of Pharmaceutical Equipment. The total purchase amount relating to these products amounted to RMB5.7 million, RMB7.2 million, RMB9.0 million and RMB7.1 million respectively for the three years ended 31 December 2013 and the six months ended 30 June 2014, which represented 3.1%, 3.3%, 2.2% and 4.8% of our total purchases respectively for the three years ended 31 December 2013 and the six months ended 30 June 2014.

PALL

We purchase certain life science consumables such as Tyvek bags and LDPE bags from PALL and distribute these products in the PRC. These products are part of the life science consumable products which we offer to our customers in the business segment of Life Science Consumables. The total purchase amount relating to these products amounted to RMB2.0 million, RMB1.1 million, RMB2.9 million and RMB1.1 million respectively for the three years ended 31 December 2013 and the six months ended 30 June 2014, which represented 1.1%, 0.5%, 0.7% and 0.7% of our total purchases respectively for the three years ended 31 December 2013 and the six months ended 30 June 2014.

SUPPLIERS AND PROCUREMENT

We procure various raw materials, main pharmaceutical equipment, components and other ancillary parts for our services and products offered. We source our raw materials from multiple suppliers.

Depending on our production capacity and product offerings, we also source certain equipment such as mixers, blenders or parts from other suppliers. For the main equipment, we only place order with the suppliers when we have confirmed the purchase order with our customers. For other parts and components which we have a high demand in our operations, such as spotless pipelines, power models, electric wires or cables, elbow pipe, clamping bands, triplets, switches, screws, nuts, etc., we generally maintain one to two months of inventories based on forecast demand which data is analysed from historical consumption.

Our project teams will create the bills of materials and purchasing requirements in ERP system, which will then be approved by head of the project execution team through ERP system. After approval, the procurement department will check the inventory level and release the purchasing order directly to suppliers and confirm the purchase as soon as possible. Our quality control department will be responsible for the quality of incoming materials. The equipment or component so purchased may be delivered to the warehouse or the customers' site, where applicable.

We have developed stable relationships with many of our key suppliers and generally retain at least one to three suppliers for each principal raw material. We did not experience material shortages or delay in the supply of raw materials. If in need, we are able to source from alternative suppliers with comparable quality and prices since we usually have backup suppliers for each project to ensure we have steady supply of raw materials and parts. Prices of our major raw materials were relatively stable during the Track Record Period. We have always discussed with our major suppliers about the prices discount comparing the past year at the beginning of the year. We select raw materials suppliers based on a number of factors, including product quality, marketing brand and popularity, prices, service level, mode of payment, financial condition, logistics distance and delivery lead time of their products. For the sensitivity analysis and breakeven analysis in relation to the changes in cost, please refer to the section headed "Financial Information" of this prospectus. During the Track Record Period, we have returned raw materials due to quality defects but we were able to replace and replenish the raw materials easily and timely.

During the Track Record Period, we entered into master procurement agreements with a few of our suppliers. Most of the master procurement agreements started in 2013, and their duration ranges from a few months to one year. All of them are legally binding. There is no minimum purchase commitment on our Group. The parties usually agree that the prices set out in the master procurement agreement may be adjusted upon consent of the parties. Termination requires mutual consent of both parties, and no renewal clause exists.

For those which we have not entered into master procurement agreements, we entered into individual purchase contract with the suppliers for each purchase order and the price, quantity and payment terms were negotiated from time to time. We are sometimes required to make a certain amount, e.g. approximately 10% to 30% prepayment for some of our orders, with the balance payable upon receipt of products and quality inspection, and in other cases, we are required to make full payment upon receipt of products and quality inspection. We are able to manage the fluctuations of raw materials prices by setting a price range of the cost of materials with the major suppliers at the beginning of the year. In our preparation of quotations, we will carry out internal costing and budgeting estimates of labor and raw materials which are based on quotation given by our suppliers, taking into account potential fluctuations of raw materials, as well as our own estimation of costs to be incurred. Except for cases where there are unexpected price fluctuations, or existence of a significant time gap between the signing date of the contract with customers and the confirmation of the procurement order, giving rise to the possibility that the actual prices obtained from our suppliers will be different due to the lapse of time, the increased costs may not be transferable to our customers. Furthermore, meetings are held between among the management and relevant key personnel, to ensure that project costs are effectively managed and to minimise the instances and quantum of cost overruns. Our Group had not experienced material cost overrun during the Track Record Period.

Integrated engineering solutions

For pharmaceutical equipment or component comprised in our integrated engineering solutions under our Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, and Powder and Solid System segments, we may either source from solutions partners such as Rockwell and Siemens, or we supply our self-manufactured products, or procure products produced by STERIS-AUSTAR WFOE or from manufacturers based in US and various countries in Europe and the PRC such as Hach, PIAB and ChargePoint. For ancillary parts such as pumps, valves, stainless steel pipes, flowmeters, automatic control PLCs, filters, EDI powers, pressure gauges, etc., we mainly source them from suppliers in the PRC. For our self-manufactured products such as purified water generator and discharging machine, we source its principal raw materials, including stainless steel from various suppliers in the PRC. The selection of products and raw materials depend on our judgment of which equipment or parts best accommodate our customers' specifications.

Distribution and agency

For the products offered in our Life Science Consumables and Distribution and Agency of Pharmaceutical Equipment segments under distributorship and agency arrangement, we partner with multiple suppliers such as PALL-AUSTAR WFOE, PALL, STERIS, Alexanderwerk and M&O Perry and enter into legally-binding distributorship and/or agency agreements with some of the major suppliers, which set out the rights and obligations of parties.

The Group act as distributor or agent depending on the negotiation with suppliers and specification by individual customers, and it varies on a case by case basis. Under the business segment of Life Science Consumables, for sales products sourced from PALL-AUSTAR WFOE, we act as distributor for domestic sales and agent for overseas sales. For other products under the business segment of Life Science Consumables, we act as distributor for such sales. Under the business segment of Distribution and Agency of Pharmaceutical Equipment, we act as agent for sales of large pharmaceutical machines and act as distributor for sales of spare parts and components. Further, we also generally act as distributor for the products manufactured by STERIS-AUSTAR WFOE, as part of our provision of integrated engineering solutions under our Liquid and Bioprocess System, and we also act as agency for such products upon customers' preference to enter into an agency arrangement. Details of the distributorship agreements and agency agreements are set out below:

Distributorship Agreements

Principal terms of the distribution agreements	PALL-AUSTAR WFOE	STERIS-AUSTAR WFOE	Other suppliers
Duration of the agreement	Currently running on a term of one year, which shall be automatically renewed for successive terms of one year each (subject to termination by not less than three-months' notice prior to the expiry of any renewed term).	Remain effective until termination in accordance with the terms of the contract.	Ranges from 1 year to an indeterminate period.
Exclusivity	Exclusive distributor in the PRC (other than certain companies identified by PALL).	Exclusive distributor within the PRC.	Our Group is generally authorised to distribute the products within the PRC, and the ambit of the distributorship may vary between different suppliers.

Principal terms of the distribution agreements	PALL-AUSTAR WFOE	STERIS-AUSTAR WFOE	Other suppliers
Rights and obligations of the parties involved	The supplier undertakes to ensure the quality of the products. Our Group shall use our best efforts to promote the products.	The supplier undertakes to ensure the quality of the products and are responsible for the after sale support, and the supplier shall also provide the necessary training to our Group in relation to the knowledge about the products.	The suppliers generally undertake to ensure the quality of the products and are responsible for after-sales support for the end customers, whilst our Group shall distribute the products within the authorised territory.
Sale and pricing policies	Product prices are mutually agreed between the parties.	Product prices are fixed in accordance with the price schedule in effect at the time of order acceptance, the schedule was mutually agreed between the parties.	The product prices are generally determined with reference to the market price, or as agreed between the suppliers and us.
Sales and expansion targets	Nil	The sales and expansion targets as mutually agreed between the parties from time to time.	Nil
Minimum purchase amount	Nil under current term.	Nil	Some of the distribution agreements set out a sales forecast, but generally no penalty is imposed for failure to attain such goal.
Payment and credit terms	Payment is governed by FOB and the credit period for payment is 60 days from the date of invoice.	The total outstanding invoices shall not exceed an amount as agreed by the parties; and for payment for specifically designed orders, the payment will be made by installments.	Usually to be settled after invoice date or upon delivery.
Price adjustment provision	Nil	Nil	Nil
Conditions for terminating and renewing the agreements	Upon expiry of the current term, the agreement shall be automatically renewed for successive terms of one year each (subject to termination by not less than three months' notice prior to the expiry of any such renewed term; and termination may be effected by advance written notice of 30 days if either party is in default.	Termination requires an advance notice of 60 days, and if there are events such as a change in ultimate control of the parties to the agreement or either of them become insolvent, the agreement will be terminated automatically.	Termination usually requires an advance notice of approximately 1-6 months, and some of the agreements have automatic renewal of 1 year upon expiry of the existing agreement.

Agency agreement

Principal terms of the agency agreements	PALL-AUSTAR WFOE	STERIS-AUSTAR WFOE	Other suppliers
Duration of the agreement	The current term is two years, upon the expiry of which shall be automatically renewed for successive terms of one year each (subject to termination by not less than three months' notice prior to the expiry of any such renewed term).	Remain effective until termination in accordance with the terms of the contract.	Ranges from 1 year to an indefinite period.
Exclusivity	Exclusive sales agent in the specified territory in the Asia Pacific region (other than certain companies identified by PALL).	Exclusive sales agent in the PRC.	Our Group is generally authorised to act as sales agent for the relevant products within the PRC, and the ambit of the agency may vary between different suppliers.
Rights and obligations of the parties involved	The supplier shall provide the necessary technical and marketing materials for promotion and negotiation activities.	The supplier shall furnish our Group with sales activity reports for the products sold pursuant to the agreement.	The suppliers shall pay commission to our Group as a sales agent, and our work includes referring customers, giving assistance in the negotiation of sales contract.
Sale and pricing policies	Prices are set up by the supplier and our Group cannot change without prior consent of the suppliers.	Product prices shall be set in accordance with the supplier's quotation, which has incorporated the commission applicable to each order to the distributor.	The product prices are generally determined taking into account the amount of commission to our Group as sales agent, customers' budget and competition within the market.
Price adjustment provision	Nil	Nil	Nil
Sales and expansion targets	Nil	Nil	Nil
Minimum purchase amount	There is no minimum purchase amount.	There is no minimum purchase amount.	Some of the agency agreements set out sales forecasts, but no penalty is imposed for failure to attain such goal.

Principal terms of the agency agreements	**PALL-AUSTAR WFOE**	**STERIS-AUSTAR WFOE**	**Other suppliers**
Payment and credit terms	Payment and credit documents are dealt with between the customer and the suppliers directly, and our Group shall assist in the administration. Commissions shall be paid for each month for the revenue that has already been paid by the customers during the month.	Payment and credit documents are dealt with between the customer and the suppliers directly, and our Group shall assist in the administration. Commissions shall be paid within 30 days after the end of the month in which the supplier received full payment from the customers.	Payment and credit documents are dealt with between the customer and the suppliers directly, and our Group shall assist in the administration.
Conditions for terminating and renewing the agreements	Upon the expiry of the initial term, the agreement shall be automatically renewed for successive terms of one year each (subject to termination by not less than three months' notice prior to the expiry of any such renewed term); and termination may be effected by advance written notice of 30 days if either party is in default.	Termination requires an advance notice of 60 days, and if there are events such as change in ultimate control of the parties to the agreement or either of them becomes insolvent, the agreement will be terminated automatically.	Termination usually requires an advance notice of approximately 6 months, and some of the agreements have automatic renewal of 1 year upon expiry of the existing agreement.

Top Suppliers

In respect of the supply of our raw materials, as at 30 June 2014, we had over 600 suppliers respectively. The following table sets out a summary of all the entities which featured as one of our top five suppliers during the Track Record Period and except for STERIS-AUSTAR WFOE and PALL-AUSTAR WFOE, which are our jointly controlled entity, and STERIS, which is our joint venture partner, all of them are Independent Third Parties:

For the six months ended 30 June 2014:

Rank	Suppliers	Principal business/ description	Business segment in which the types of services and/or products purchased are belonged to	Types of raw materials supplied	Credit terms/ payment method	Years of relationship with our Group
1	STERIS-AUSTAR WFOE	Engaged in the manufacture of pure steam generator and multiple effect water stills	Liquid and Bioprocess System	Pure steam generator, multiple effect water stills	0 to 90 days	6 years (since 2008)
2	STERIS	Engaged in the manufacture of a portfolio of products for infection prevention, contamination control and critical care technologies	• Liquid and Bioprocess System • Distributorship and Agency of Pharmaceutical Equipment • Life Science Consumables	• Pharmaceutical grade washer • Steam steriliser • Cleaners	For the distribution and agency of pharmaceutical equipment, 30 days from the invoice date; and for the integrated engineering solutions under the Liquid and Bioprocess Systems, 60 days from the date of the bill of lading	over 10 years
3	PALL-AUSTAR WFOE	Engaged in production and sales of pharmaceutical packaging materials and containers	Life Science Consumables	Powder transfer vessels, sterile bags and tyvek bags	30 days from the date of invoice, unless otherwise specified by the supplier in writing	6 years (since 2008)
4	Supplier C	Engaged in sale of components of valves	Liquid and Bioprocess System	Pipes/piping parts, mixer	45 to 60 days upon delivery	6 years (since 2008)
5	Supplier A	Engaged in manufacture of stainless steel products which are used in food, pharmaceutical and electronics industry	Liquid and Bioprocess System	Pipes/piping parts, valves	45 to 60 days upon delivery	10 years (since 2004)

For the year ended 31 December 2013:

Rank	Suppliers	Principal business/ description	Business segment in which the types of services and/or products purchased are belonged to	Types of raw materials supplied	Credit terms/ payment method	Years of relationship with our Group
1.	STERIS-AUSTAR WFOE	Engaged in the manufacture of pure steam generator and multiple effect water stills	Liquid and Bioprocess System	Pure steam generator, multiple effect water stills	0 to 90 days	6 years (since 2008)
2	Supplier A	Engaged in manufacture of stainless steel products which are used in food, pharmaceutical and electronics industry	Liquid and Bioprocess System	Pipes/piping parts, valves	45 to 60 days upon delivery	10 years (since 2004)
3	Supplier B	Manufacture of systems and products in relation to liquid control including sterilisation and medical appliances	• Liquid and Bioprocess System • Clean Room and Automation Control and Monitoring System	Testing instrument, valves	60 days upon delivery	8 years (since 2006)
4	Supplier C	Engaged in sale of components of valves	Liquid and Bioprocess System	Pipes/piping parts, mixer	45 to 60 days upon delivery	6 years (since 2008)
5	Supplier D	Engaged in manufacture/trading monitoring equipment in electrical and food manufacture industry	Distributorship and Agency of Pharmaceutical Equipment	Testing instrument	45 days from the invoice date	6 years (since 2008)

For the year ended 31 December 2012:

Rank	Suppliers	Principal business/ description	Business segment in which the types of services and/or products purchased are belonged to	Types of raw materials supplied	Credit terms/ payment method	Years of relationship with our Group
1	STERIS-AUSTAR WFOE	Engaged in the manufacture of pure steam generator and multiple effect water stills	Liquid and Bioprocess System	Pure steam generator, multiple effect water stills	0 to 90 days	6 years (since 2008)
2.	Supplier A	Engaged in manufacture of stainless steel products which are used in food, pharmaceutical and electronics industry	Liquid and Bioprocess System	Pipes/piping parts, valves	45 to 60 days upon delivery	10 years (since 2004)
3	Supplier D	Engaged in manufacture/trading monitoring equipment in electrical and food manufacture industry	Distributorship and Agency of Pharmaceutical Equipment	Testing instrument	45 days from the invoice date	6 years (since 2008)
4.	STERIS	Engaged in the manufacture of a portfolio of products for infection prevention, contamination control and critical care technologies	• Liquid and Bioprocess System • Distributorship and Agency of Pharmaceutical Equipment • Life Science Consumables	• Pharmaceutical grade washer • Steam steriliser • Cleaners	For the distribution and agency of pharmaceutical equipment, 30 days from the invoice date; and for the integrated engineering solutions under the Liquid and Bioprocess Systems, 60 days from the date of the bill of lading	over 10 years
5.	Supplier C	Engaged in sale of components of valves	Liquid and Bioprocess System	Pipes/piping parts, mixer	45 to 60 days upon delivery	6 years (since 2008)

For the year ended 31 December 2011:

Rank	Suppliers	Principal business/ description	Business segment in which the types of services and/or products purchased are belonged to	Types of raw materials supplied	Credit terms/ payment method	Years of relationship with our Group
1.	STERIS-AUSTAR WFOE	Engaged in the manufacture of pure steam generator and multiple effect water stills	Liquid and Bioprocess System	Pure steam generator multiple effect water stills	0 to 90 days	6 years (since 2008)
2.	Supplier D	Engaged in manufacture/trading monitoring equipment in electrical and food manufacture industry	Distributorship and Agency of Pharmaceutical Equipment	Testing instrument	45 days from the invoice date	6 years (since 2008)
3.	STERIS	Engaged in the manufacture of a portfolio of products for infection prevention, contamination control and critical care technologies	• Liquid and Bioprocess System • Distributorship and Agency of Pharmaceutical Equipment • Life Science Consumables	• Pharmaceutical grade washer • Steam sterilizer • Cleaners	For the distribution and agency of pharmaceutical equipment, 30 days from the invoice date; and for the integrated engineering solutions under the Liquid and Bioprocess Systems, 60 days from the date of the bill of lading	over 10 years
4.	Supplier A	Engaged in Manufacture of stainless steel products which are used in food, pharmaceutical and electronics industry	Liquid and Bioprocess System	Pipes/piping parts, valves	45 to 60 days upon delivery	10 years (since 2004)
5.	Supplier E	Engaged in the production of transfer value	Powder and Solid System	AB valve	30% prepayment and 70% final payment to be paid within 30 days of the invoice date	4 years (since 2010)

During the three years ended 31 December 2013 and the six months ended 30 June 2014, purchases from our five largest suppliers accounted for approximately 22.9%, 24.2%, 26.6% and 23.1% of our total purchases, respectively. For the three years ended 31 December 2013 and the six months ended 30 June 2014, purchases from our largest supplier accounted for approximately 9.9%, 8.9%, 9.6% and 5.3% of our total purchases, respectively. STERIS-AUSTAR WFOE was our largest supplier during the Track Record Period. We have developed stable relationships with our suppliers, and procured from a large number of suppliers in order to avoid over reliance a particular supplier. For each type of main products and for ancillary parts, we have on average 2 to 3 suppliers. We have a number of alternative suppliers who would provide us with the necessary parts in a system.

Our major supplier who is also our major customer

Transactions with STERIS-AUSTAR WFOE

During the Track Record Period, STERIS-AUSTAR WFOE was both our major customer and major supplier. Our sales and purchases with STERIS-AUSTAR WFOE during the Track Record Period were as follows:

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Goods purchased	18,024	19,670	38,882	7,714
Percentage to total purchase	*9.9%*	*8.9%*	*9.6%*	*5.3%*
Sales of goods	7,486	8,259	7,100	3,916
Installation service fee	679	994	1,987	443
Commission from distribution of goods	941	3,147	5,209	1,031
Agency fee for agency service	1,278	1,723	705	627
Others	–	49	–	–
Total sales of goods and services provided	10,384	14,172	15,001	6,017
Percentage to total sales	*3.2%*	*3.4%*	*2.1%*	*1.9%*

Provision of products of STERIS-AUSTAR WFOE by us to customers forms part of integrated engineering solutions for Liquid and Bioprocess System segment

During the Track Record Period, we purchased pure steam generators and multiple effect water stills from STERIS-AUSTAR WFOE which were used by us, by way of selling to our customers, as part of our provision of our integrated engineering solutions. During the Track Record Period, such purchase amounts were approximately RMB18.0 million, RMB19.7 million, RMB38.9 million and RMB7.7 million respectively as shown in the above table. The selling prices of these products charged by us to customers were generally equal to our purchase prices but we could charge commission of up to 22% of purchase amount from STERIS-AUSTAR WFOE during the Track Record Period. Such commission rate was negotiated by us with STERIS-AUSTAR WFOE on case-by-case basis and depends on, among others, specifications of the products and customers' needs. During the Track Record Period, such commission received by us from STERIS-AUSTAR WFOE amounted to approximately RMB0.9 million, RMB3.1 million, RMB5.2 million and RMB1.0 million respectively as stated in the above table.

In addition to distribution by us, we also arranged, as part of our provision of integrated engineering solutions, STERIS-AUSTAR WFOE to sell their pure steam generators and multiple effect water stills to our customers in which we charged STERIS-AUSTAR WFOE agency fee of up to 16% during the Track Record Period. The rate of agency fee was negotiated on case-by-case basis and depends on, among others, specifications of the products and customers' needs. During the Track Record Period, such agency fee amounted to approximately RMB1.3 million, RMB1.7 million, RMB0.7 million and RMB0.6 million respectively as stated in the above table.

For the steam generators and multiple effect water stills sold to our customers via distribution and agency mentioned above, we provided installation service to the customers and charged STERIS-AUSTAR WFOE for the installation service. The installation service fee charged during the Track Record Period were approximately RMB0.7 million, RMB1.0 million, RMB2.0 million and RMB0.4 million respectively as shown in the above table.

For the three years ended 31 December 2013 and the six months ended 30 June 2014, our revenue derived from integrated engineering solutions which consisted of equipment manufactured by STERIS-AUSTAR WFOE amounted to approximately RMB22.4 million, RMB50.5 million, RMB77.9 million and RMB26.1 million respectively, which represented approximately 6.9%, 12.0%, 11.0% and 8.1% of our total revenue during the Track Record Period respectively.

Sales of goods to STERIS-AUSTAR WFOE

During the Track Record Period, we sold pressure vessels and components manufactured by us to STERIS-AUSTAR WFOE for its manufacturing of pure steam generators and multiple effect water stills. Such sales amounted to approximately RMB7.5 million, RMB8.3 million, RMB7.1 million and RMB3.9 million for the three years ended 31 December 2011, 2012 and

2013 and the six months ended 30 June 2014 respectively as stated in the above table. The gross profit margin of the sales of goods to STERIS-AUSTAR WFOE was approximately 4.4%, 31.6%, 26.1% and 19.0% for the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. The increase in gross profit margin from 2011 to 2012 was mainly due to the increase in our production efficiency and benefit from economy of scale resulted from the increase in purchase order from STERIS-AUSTAR WFOE. The decrease in gross profit margin from 2012 to first half of 2014 was mainly attributable to the decrease in selling price of pressure vessels we sold to STERIS-AUSTAR WFOE whom we regarded as our strategic partner through the joint venture.

Transactions with PALL-AUSTAR WFOE

PALL-Austar WFOE is our major supplier during the six months ended 30 June 2014. During the Track Record Period, PALL-AUSTAR WFOE was both our customer and supplier. Our sales and purchases with PALL-AUSTAR WFOE during the Track Record Period were as follows:

				For the six months ended 30 June
		For the year ended 31 December		
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Goods purchased	367	3,361	9,222	6,715
Percentage to total purchase	*0.2%*	*1.5%*	*2.3%*	*4.6%*
Sales of goods	23	149	1,523	700
Agency fee for agency service	–	–	113	31
Total sales of goods and service provided	23	149	1,636	731
Percentage to total revenue	*0.007%*	*0.04%*	*0.23%*	*0.23%*

Distribution and agency for Life Science Consumables segment

We purchase life science consumables, such as sterile bags, from PALL-AUSTAR WFOE for distribution to our customers under our Life Science Consumables segment. During the three years ended 31 December 2013 and the six months ended 30 June 2014, such purchase amount were approximately RMB0.4 million, RMB3.4 million, RMB9.2 million and RMB6.7 million as shown in the above table. Our gross profit margin of sale of products purchased from

PALL-AUSTAR WFOE were approximately 2.9%, 8.4%, 11.0% and 17.5% for the three years ended 31 December 2013 and the six months ended 30 June 2014. Since we started to purchase from PALL-AUSTAR WFOE in 2011, the gross profit margin from distribution of its products was low during the start-up stage. Owing to the increase in selling price of products purchased from PALL-AUSTAR WFOE, our gross profit margin from distribution of its products increased from 2012 to first half of 2014.

In addition, from 2013, we acted as agent for PALL-AUSTAR WFOE's life science consumables, such as sterile bags, and charged PALL-AUSTAR WFOE agency fee of 10%. Such agency fee amounted to approximately RMB0.1 million and RMB31,000 for the year ended 31 December 2013 and the six months ended 30 June 2014 as shown in the above table.

Sales of consumables and clean room enclosures to PALL-AUSTAR WFOE

During the Track Record Period, we provided consumables, such as detergents, and clean room enclosures to PALL-AUSTAR WFOE for the use of its manufacturing process. During the Track Record Period, such revenue amounted to approximately RMB23,000, RMB0.1 million, RMB1.5 million and RMB0.7 million respectively as shown in the above table. The gross profit margin of such sales were approximately 40.3%, 44.5%, 34.0% and 11.1% for the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. The lower gross profit margin in 2013 and first half of 2014 was mainly due to the increase in sales of clean room enclosures with relatively lower gross profit margin.

For the three years ended 31 December 2013 and the six months ended 30 June 2014, our revenue derived from sales of life science consumables manufactured by PALL-AUSTAR WFOE amounted to approximately RMB0.3 million, RMB3.0 million, RMB9.9 million and RMB8.2 million respectively, which represented approximately 0.1%, 0.7%, 1.4% and 2.6% of our total revenue during the Track Record Period respectively.

Except for STERIS-AUSTAR WFOE and PALL-AUSTAR WFOE who are both our suppliers and customers, no other supplier is also our major customers, or vice versa.

During the Track Record Period, we did not encounter any material production disruption due to shortages of raw materials. Given our broad supply network, we consider that we are able to maintain a steady supply without substantial increase in costs of raw materials in the event we experience any unexpected disruptions in supply or any cessation of business with any of our major suppliers.

As at the Latest Practicable Date, none of our Directors, their respective close associates or any Shareholders (who to the knowledge of our Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

SUBCONTRACTORS

We subcontract a small portion of our integrated engineering solutions such as certain electrical installation processes in the business segments of Clean Room and Automation Control and Monitoring System and the Liquid and Bioprocess System to subcontractors who are Independent Third Parties. For example, the electrical installation work in relation to the Clean Room and Automation Control and Monitoring System is also outsourced to certain subcontractors as we outsource certain non-core services with lower profit margins to subcontractors to improve efficiency in regards of more projects undertaken. We usually engage subcontractors who have the requisite expertise and experience. In general, we choose subcontractors based on their (i) track record in respect of their reliability; (ii) past working experience; and (iii) financial condition. We will also consider their qualification, their capability to complete the work within the time frame of our customers and their quality of work. The subcontracting fees are determined based on the estimation of market rate for comparable projects, taking into account their scope, size, complexity and contract value. Our Group has good relationships with our subcontractors and has over the years established strong rapport with them, and as at the Latest Practicable Date, all our subcontractors were Independent Third Parties.

The contracts we have entered into with our subcontractors are on a non-exclusive basis. Our subcontractors have the responsibility to ensure that all works performed must satisfy any requirements imposed. Our subcontractors are responsible for ensuring quality and safety in performing works and are liable for loss caused by their branch of the contract or negligence. The duration of these subcontracts is typically in accordance with our customers' requirement. There is no renewal clause for the contracts as we enter into subcontracting arrangement when necessary. For those subcontractors who are required to source materials as part of their subcontracting services, the subcontractors are subject to the testing procedures of the end customers. During the Track Record Period, the amount of subcontracting fee was approximately RMB0.2 million, RMB0.1 million, RMB4.3 million and RMB6.5 million for the three years ended 31 December 2013 and the six months ended 30 June 2014.

INVENTORY MANAGEMENT

Our inventories primarily include raw materials, work-in-progress and finished goods which are commonly used in the system integration solutions, production processes, and distribution of life science consumables. We procure inventories of raw materials according to the specification in the contract. For ancillary parts with a lower value and commonly used in our production and integration processes, we usually maintain a certain level of inventory based on our projection of future demand. Such projection of demand is primarily based on our sales forecast. We use an information system to track inventory levels as well as ensure adequate levels of raw materials and finished products. We establish an inventory management target each year by reviewing the historical performance and considering the data projections and market demographics. We also perform semi-annual stock counts and monitor the life of our products by conducting periodic review to assess our inventory control measures and costs. We implement monitoring procedures to ensure that follow-up action is taken on any inventory discrepancies discovered during each inventory check.

Our inventories mainly come from our production and purchased stock under our business segments of Liquid and Bioprocess System and Powder and Solid System, in which we manufacture certain products such as pressure vessel, water generator and discharging machines. We also have inventories for the components for the clean room enclosure system offered under our business segments of Clean Room and Automation Control and Monitoring System, where we have stock of panels, doors and windows which are used in our clean room enclosure systems; and we have certain stock of life science consumables for distribution.

Inventory Provision

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. We also adopt an inventory provision method to assess our inventories in order to make a reasonable estimate on the level of provisions to cover probable losses in our inventories. We made provision on inventory impairment when they become obsolete or damaged.

The inventory provision process involves the collaboration of multiple internal departments which include the sales, finance, procurement, warehouse, quality control, production and project execution. The general manager of each Group company, the Group financial controller and other relevant department heads review and evaluate the information on inventories, which is submitted by warehouse keepers and financial personnel, and their information on inventory aging and expected usability form the basis of our inventory provision scheme. The general manager of each Group company and the Group finance controller review and approve the proposed inventory provision before it is implemented. Where the proposed amount of provision is higher than a specific amount, additional approval from chief executive officer is required.

Management of Inventory Turnover

The average inventory turnover days were 99, 66, 46 days and 61 days for the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. Our inventory turnover days generally decreased primarily due to our continuous efforts to improve our order-based policy during the Track Record Period resulting in shorter time required between when orders were received and when goods were delivered.

SALES AND MARKETING

The Group primarily sells and markets its products in the PRC and exports its products outside of the PRC to overseas, especially the emerging countries. Our services and products are mainly sold directly to our customers. We currently have sales offices and representative offices throughout the PRC and have also set up overseas offices in Italy and Indonesia.

We have established a broad customer base through our sales network. As at 31 December 2011, 2012, 2013 and 30 June 2014, there were in total 6, 6, 6 and 6 sales and representative offices operated by us across the PRC. In addition, we also have a subsidiary in Italy.

As at the Latest Practicable Date, our sales offices and representative offices and their respective market coverage were as follows:

Office	City	Market coverage
	China	
Sales office	Beijing	Beijing, Tianjin
Sales office	Shijiazhuang	Hebei province and Henan province
Sales office	Shanghai	Shanghai, Jiangsu province and Zhejiang province
Representative office	Chengdu	Sichuan province, Guizhou province, Yunnan province and Chongqing
Representative office	Harbin	Liaoning province, Jilin province and Heilongjiang province
Representative office	Guangzhou	Guangdong province and Guangxi province
	Italy	
Subsidiary	Milan	Middle East, Eastern Europe and North Africa
	Indonesia	
Representative office	Jakarta	Indonesia and other South East Asia

We intend to target new markets in rapidly developing regions in the PRC and penetrate deeper into existing markets, with pharmaceutical manufacturers and research institutes located in the provinces such as Sichuan, Guizhou, Yunnan, Hubei, Shandong, Hunan, Jiangxi and Shaanxi and Chongqing City being the focus of our development plan. We believe that our continual presence in the same regions with our customers would allow us to establish and deepen relationships with our customers. In order to provide better marketing support in these regions, we intend to open additional representative offices in the following cities with market coverage and year of opening as follows:

Office	City	Market coverage	Year
Representative Office	Wuhan	Hubei province	2015
Representative Office	Ji'nan	Shandong province	2016
Representative Office	Changsha	Hunan province and Jiangxi province	2016
Representative Office	Xi'an	Shaanxi province	2017

We estimate that the total costs and expenses for establishment and operation of additional representative offices will be approximately RMB0.36 million, RMB6.4 million and RMB8.2 million for each of the years ending 31 December 2014, 31 December 2015 and 31 December 2016 respectively. These estimated expenditures will involve:

(i) an estimated rental and operating expenses for the first 24 months of approximately RMB300,000 to RMB350,000 per new representative office, depending on the size and location of such office;

(ii) an estimated initial set-up costs and expenses (including administrative, information technology set-up, office refurbishment and other miscellaneous expenses) of approximately RMB100,000 per new representative office; and

(iii) an estimated additional working capital required (including staff salaries, bills and outgoings, logistics expenditure, marketing and other daily expenses) for the day-to-day store operations for the first 24 months of approximately RMB3.0 million to approximately RMB3.5 million per new representative office, depending on the number of newly recruited staff (which in turn varies according to the size of the market coverage).

We plan to finance the above costs and expenses by the proceeds from both the Global Offering and internally generated funds.

Our representative offices will provide marketing support and any business opportunities will be referred to our sales office located in either Shanghai, Shijiazhuang or Beijing. As such, figures for investment pay-back period and break-even period for each representative office will not be applicable. As at the Latest Practicable Date, we had not yet implemented the above expansion plan and no expenditure had been incurred for such plan.

Our Group utilises its own marketing teams to market and sell its services and products in PRC and overseas. The highly trained marketing teams of our Group which are located in the PRC focus on continuously interacting with customers including pharmaceutical manufacturers, research institutes (both in the PRC and overseas) to understand their requirements and raise their awareness in our service and product offerings, as well as to educate them about, and train them in the use of, our products. Such interaction is fostered through regular visits by our marketing teams, on-site demonstration of its products, the participation of the Group in industry conferences, seminars, and other activities. Through direct marketing, regular attendance of international exhibitions and conventions, and organisation of seminars with our suppliers, we identify business opportunities by active discussion and consultation with our potential customers where we offer to act as a solutions provider to our customers in a wide range of services and products which are critical to their pharmaceutical production process.

Promotion and advertisements

We advertise through various channels including websites, industry conferences and magazines. We also promote our products to target customers by way of emails and the distribution of product samples and brochures which helps us promote our products to customers and increase their awareness of our products. We set up showrooms to display new designs and products.

International exhibitions, conventions and seminars

We conduct marketing and promotional activities and build customer relationships through active participation in domestic and international exhibitions and conventions. During the Track Record Period, we have been regular participants of a number of international conferences including the International Society for Pharmaceutical Engineering Annual Conference, China International Pharmaceutical Machinery Exposition and CPhI Worldwide Pharma Expo which were held both in the PRC and overseas, where we showcased our products with a view to solicit business opportunities and keep abreast with market needs.

We also hold technology exchange seminars, customer training sessions and forums, where we invite domestic and overseas experts to brief our customers on the latest technologies in the pharmaceutical industry. This allows customers to fully understand the global development trend of pharmaceutical industry in terms of latest technology and regulations and how our products meet these new requests. We believe that these seminars promote industry advancement and enhance value for customer, in turn driving the growth of sales and increasing the amount of orders.

Our marketing expenses comprise advertising fees and exhibition expenses. For the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, our marketing expenses amounted to approximately RMB2.3 million, RMB2.4 million, RMB2.8 million and RMB2.7 million, respectively.

OUR PROJECTS

Number of Contracts

Set out below is a breakdown of number of contracts in which revenue is recognised during the respective year in relation to our different business segments during the Track Record Period (the contracts may have been completed or in progress and revenue of certain customers may be recognised in more than one financial year depending on the implementation schedule of different contracts and the circumstances):

	Number of contracts			Six months ended 30 June
Segment	**2011**	**2012**	**2013**	**2014**
1. Liquid Bioprocess System	136	144	206	151
2. Clean Room and Automation Control and Monitoring System	238	281	453	323
3. Powder and Solid System	39	78	141	107
4. GMP Compliance Service	46	61	107	101
5. Life Science Consumables	1,926	2,447	3,113	1,731
6. Distribution and Agency of Pharmaceutical Equipment	571	410	413	175
Total(1)	2,956	3,421	4,433	2,588

Note:

(1) the total number of double-counted contracts amounted to 139, 333, 523 and 345 for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 respectively. Of which, for the business segment of Liquid and Bioprocess System, there were 42, 82, 112 and 69 double-counted contracts for the 3 years ended 31 December 2013; for the business segment of Clean Room and Automation Control and Monitoring System, there were 61, 141, 233 and 162 double-counted contracts for the 3 years ended 31 December 2013 and the six months ended 30 June 2014; for the business segment of Powder and Solid System, there were 11, 33, 81 and 59 double counted contracts for the business segment of GMP Compliance Service, there were 19, 48, 68 and 44 double counted contracts for the 3 years ended 31 December 2013 and the six months ended 30 June 2014; and for the business segment of Distribution and Agency of Pharmaceutical Equipments, there were 6, 29, 29 and 11 double counted contracts for the 3 years ended 31 December 2013 and the six months ended 30 June 2014. For the business segment of Life Science Consumables, since the revenue from distribution of consumables is mainly derived from sales of goods, no contract under this segment was recognised in more than one financial years. Double-counted contracts represents contracts in which revenue were recognised in more than one financial year during the Track Record Period.

Our closing value of backlog in relation to our business segments of integrated engineering solutions and consulting services, which represents the portion of the total estimated revenue that has not been recognised with respect to projects which have not been 100% completed as at 30 June 2014 and 31 August 2014, was approximately RMB388 million and RMB433 million respectively.

Set out below is a breakdown of our closing value of backlog and the corresponding number of contracts by segments as at 30 June 2014 and 31 August 2014:

Segments	Liquid Bioprocess System	Clean Room and Automation Control and Monitoring System	Powder and Solid System	GMP Compliance Service	Life Science Consumables	Distribution and Agency of Pharmaceutical Equipment	Total
Closing value of backlog at 30 June 2014 (RMB'000)	193,095	104,746	26,129	48,274	–	16,154	388,398
Number of contracts corresponding to the backlog value as at 30 June 2014	156	218	83	63	–	111	631
Closing value of backlog at 31 August 2014 (RMB'000)	228,164	106,818	20,604	51,464	–	25,730	432,780
Number of contracts corresponding to the backlog value as at 31 August 2014	146	224	68	66	–	143	647

OUR CUSTOMERS

Our customers are mainly in the pharmaceutical industries and we had transacted with approximately 707, 788, 954 and 761 domestic and overseas customers during the relevant year for the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. We have developed long business relationships with our customers, some of which we have been collaborating for over 5 years. On average, we have over 3 years of business relationships with most of our top 5 customers for the year ended 31 December 2013 and the six months ended 30 June 2014. Some customers receive our services and products from more than one business segments.

Set out below is the breakdown of the number of customers by nature (for those customers which revenue is recognised during the respective year):

Nature of customers	For the year ended 31 December 2011	2012	2013	For the six months ended 30 June 2014
Pharmaceutical companies	337	406	522	408
Biopharmaceutical companies	115	138	158	123
Research institutes	19	19	20	15
Others	236	225	254	215
Total[(1)]	707	788	954	761

Note:

(1) the total number of double-counted customers amounted to 317, 363, 299 and 176 for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 respectively. Of which, for pharmaceutical companies customers, there were 171, 198, 161 and 90 double-counted customers for the 3 years ended 31 December 2013 and the six months ended 30 June 2014; for biopharmaceutical companies customers, there were 53, 60, 46 and 29 double-counted customers for the 3 years ended 31 December 2013 and the six months ended 30 June 2014; for research institutes customers, there were 3, 4, 4 and 2 double counted customers; and for other customers, there were 90, 101, 88 and 55 double-counted customers for the 3 years ended 31 December 2013 and the six months ended 30 June 2014. The customers are identified as double counted if the revenue recognised in respect of them in more than one financial year during the Track Record Period and was not derived from a new contract in each year.

Revenue derived from each of our business segments during the Track Record Period

	For the year ended 31 December			For the six months ended 30 June		Change (%) For the year ended 31 December		Change (%) For the six months ended 30 June
	2011	2012	2013	2013	2014	2012 vs. 2011	2013 vs. 2012	2014 vs. 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*			
Liquid and Bioprocess System	177,865	228,718	380,997	207,713	147,173	28.6	66.6	(29.1)
Clean Room and Automation Control and Monitoring System	67,903	82,595	152,545	73,172	73,765	21.6	84.7	0.8
Powder and Solid System	11,526	24,067	44,413	14,832	27,555	108.8	84.5	85.8
GMP Compliance Service	14,736	31,519	47,652	22,489	24,927	113.9	51.2	10.8
Life Science Consumables	27,393	34,560	52,756	28,022	34,389	26.2	52.7	22.7
Distribution and Agency of Pharmaceutical Equipment	25,755	19,294	26,790	7,842	13,014	(25.1)	38.9	66.0
Total	325,178	420,753	705,153	354,070	320,823	29.4	67.6	(9.4)

Revenue by reference to the geographical location during the Track Record Period

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (Unaudited)	*(%)*	*RMB'000*	*(%)*
PRC	301,724	92.8	387,839	92.2	662,110	93.9	331,670	93.7	292,500	91.2
Overseas[*(Note)*]	23,454	7.2	32,914	7.8	43,043	6.1	22,400	6.3	28,323	8.8
Total	325,178	100.0	420,753	100.0	705,153	100.0	354,070	100.0	320,823	100.0

Note: For the three years ended 31 December 2013 and the six months ended 30 June 2014, approximately 0.6%, 1.2%, 0.7% and 1.9% of the total revenue is attributed to those of Sanctioned Countries and Russia (where certain Sanctioned Persons are located).

Top Customers

The following table sets forth the revenue from our five largest customers during the Track Record Period. The credit terms and/or the payment method(s) are tailored made for each contract, and may vary depending on the customer, business segment, the type of services and/or products purchased. Except for (a) STERIS-AUSTAR WFOE, our jointly controlled entity; (b) STERIS, our joint venture partner; and (c) AIEL, a former subsidiary of AIHL and became an Independent Third Party in December 2013, all of them are Independent Third Parties:

For the six months ended 30 June 2014:

Rank	Customers	Principal business/ description	Credit terms/payment method	Years of relationship with our Group
1	Customer F	Engaged in the research, production and sale of vaccines, blood products and diagnostic products.	For Liquid and Bioprocess System and GMP Compliance Service, the contract price shall be paid in installments. In some cases, the first installment shall be paid upon signing of contract. Further installments shall be paid depending on the relevant progress (e.g. receipt of equipments, passing of factory and/or site acceptance test, and completion of installation). In some cases, 10% of the contract price is withheld as retention money for 1 year. The credit period is 10 days in some cases. For Life Science Consumables, the contract price shall be paid by single payment. The credit period is 7 days in some cases.	3 years (since 2011)
2	Customer I	Engaged in the research of immune gene products.	For liquid and Bioprocess System, first installment shall be paid upon signing of the contracts. Further installments shall be paid depending on the relevant progress (e.g. receipt of major equipments, and passing of the site acceptance tests), 10% of the contract price is withheld as retention money for 1.5 ~ 2 years.	2 years (since 2012)

Rank	Customers	Principal business/ description	Credit terms/payment method	Years of relationship with our Group
3	Customer A	Engaged in production of pharmaceutical products with large volume parenteral as its major products	For Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System, GMP Compliance Service and Distribution and Agency of Pharmaceutical Equipment, the contract price shall be paid in installments. The first installment shall be paid not less than 10 days of signing of contract in some cases. Further installments shall be paid depending on the relevant progress (e.g. the receipt of majority of equipments, passing of factory and/or site acceptance tests and the completion of installation of the equipments). The credit period is 7 days in some cases.	6 years (since 2008)
4	Customer J	Engaged in research and development, production and sales of a range of pharmaceutical products, including biological products and vaccines	For Liquid and Bioprocess System, the first installment of 10% should be paid within 7 days after signing of the contract. Second installment of 30% should be paid after confirmation of project design. Third installment of 40% should be paid before onsite installation work starts. Remaining installment shall be paid after the site acceptance/factory acceptance test) upon the provision of quality guarantee by bank. For Clean Room and Automation Control and Monitoring System, the first installment of 30% should be paid within 7 days after signing of the contract. Second installment of 50% shall be paid before delivery of goods. Remaining 20% should be paid within 5 days after the site acceptance test and a quality guarantee by the bank shall be provided to the customer.	2 years (since 2012)
5	Customer C	Engaged in production of pharmaceutical products, including antibiotics and oncology	For Clean Room and Automation Control and Monitoring System, and Powder and Solid System, the contract price shall be paid in installments. Installments shall be paid depending on the relevant progress (e.g. signing of contract, receipts of equipments, passing of the site and/or factory acceptance tests). Retention money is withheld for 1 year in some cases. The credit period is 7 days in some cases. For Distribution and Agency of Pharmaceutical Equipment, and Life Science Consumables, the contract price shall be paid by single payment. In some cases, 10% of the contract price is withheld as retention money for 1 year. The credit period is 60 days in some cases.	4 years (since 2010)

For the year ended 31 December 2013:

Rank	Customers	Principal business/ description	Credit terms/payment method	Years of relationship with our Group
1	Customer A	Engaged in production of pharmaceutical products with large volume parenteral as its major products	For Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System, GMP Compliance Service and Distribution and Agency of Pharmaceutical Equipment, the contract price shall be paid in installments. The first installment shall be paid not less than 10 days of signing of contract in some cases. Further installments shall be paid depending on the relevant progress (e.g. the receipt of majority of equipments, passing of factory and/or site acceptance tests and the completion of installation of the equipments). The credit period is 7 days in some cases.	6 years (since 2008)
2	Customer B	Engaged in the research and development of hormone products for skin	For Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, the contract price shall be paid in installments. The first installment shall be paid upon signing of contract in some cases. Further installments shall be paid depending on the relevant progress (e.g. passing of the site and/or factory acceptance tests). In some cases, 5% of the contract price is withheld as retention money for 1 year. The credit period is 7 days in some cases. For Life Science Consumables, contract price shall be paid by single payment. In some cases, the contract price shall be paid upon passing of the site acceptance tests.	2 years (since 2012)
3	Customer C	Engaged in production of pharmaceutical products, including antibiotics and oncology	For Clean Room and Automation Control and Monitoring System, and Powder and Solid System, the contract price shall be paid in installments. Installments shall be paid depending on the relevant progress (e.g. signing of contract, receipts of equipments, passing of the site and/or factory acceptance tests). Retention money is withheld for 1 year in some cases. The credit period is 7 days in some cases. For Distribution and Agency of Pharmaceutical Equipment, and Life Science Consumables, the contract price shall be paid by single payment. In some cases, 10% of the contract price is withheld as retention money for 1 year. The credit period is 60 days in some cases.	4 years (since 2010)

Rank	Customers	Principal business/ description	Credit terms/payment method	Years of relationship with our Group
4	Customer D	Engaged in the research, development and production of Chinese medicines, from plantation of the herbs to production of medicines in the areas of cardiovascular diseases, women and child diseases.	For Liquid and Bioprocess System, the contract price shall be paid by installments. Installments shall be paid depending on the relevant progress (e.g. signing of contract, receipts of equipments, passing of site and/or factory acceptance test). In some cases, 5% of the contract price is withheld as retention money for 1 year. The credit period is 5 days in some cases.	5 years (since 2009)
5	Customer E	Engaged in production of pharmaceutical products, including antibiotics and oncology.	For Liquid and Bioprocess System, the contract price shall be paid depending on the relevant progress (e.g. signing of contract, passing of site and/or factory acceptance test) 10% of contract price is withheld as retention money and the credit period is 7 days in some cases.	2 years (since 2012)

For the year ended 31 December 2012:

Rank	Customers	Principal business/ description	Credit terms/payment method	Years of relationship with our Group
1	Customer F	Engaged in the research, production and sale of vaccines, blood products and diagnostic products.	For Liquid and Bioprocess System and GMP Compliance Service, the contract price shall be paid in installments. In some cases, the first installment shall be paid upon signing of contract. Further installments shall be paid depending on the relevant progress (e.g. receipt of equipments, passing of factory and/or site acceptance test, and completion of installation). In some cases, 10% of the contract price is withheld as retention money for 1 year. The credit period is 10 days in some cases. For Life Science Consumables, the contract price shall be paid by single payment. The credit period is 7 days in some cases.	3 years (since 2011)
2	STERIS-AUSTAR WFOE	Engaged in the manufacture of pure steam generator and multiple effect water stills.	For the sale of pressure vessel was the credit term usually in installment and full payment upon acceptance by ultimate customers. For the service, commission for distribution and agency fee for agency service, the amount is payable to us upon issuance of invoice.	6 years (since 2008)

Rank	Customers	Principal business/ description	Credit terms/payment method	Years of relationship with our Group
3	AIEL	Engaged in trading business of components in the clean room enclosure system	Letters of credit are used in some cases which shall be payable by installment in accordance with milestones, e.g. signing of contract, testing shipment. The credit period is approximately 7 days.	6 years (since 2008)
4	Customer C	Engaged in the production of pharmaceutical products, including antibiotics and oncology	For Liquid and Bioprocess System, and Clean Room and Automation Control and Monitoring System, the contract price shall be paid in installments. The first installment shall be paid upon signing of contract in some cases. Further installments shall be paid depending on the relevant progress (e.g. receipt of major equipments, and passing of factory and/or site acceptance test). In some cases, 10% of the contract price is withheld as retention money for not more than 2 years. The credit period is 10 days in some cases. For Life Science Consumables and Distribution and Agency of Pharmaceutical Equipment, the contract price shall be paid by single payment. In some cases, the contract price shall be paid upon receipt of goods. The credit period is 1 month in some cases.	4 years (since 2010)
5	Customer G	Engaged in the research, production and sale of a wide range of pharmaceutical products including from active pharmaceutical ingredient and finished products	For Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Distribution and Agency of Pharmaceutical Equipment, and GMP Compliance Service, the contract price shall be paid by installments. The first installment shall be paid upon signing of contract in some cases. Further installments shall be paid depending on the relevant progress (e.g. receipt of major equipments, completion of installation, passing of factory and/or site acceptance tests). In some cases, 5% of the contract price shall be withheld as retention money for not more than 2 years. The credit period is 3 days in some cases. For Life Science Consumables, the contract price shall be paid by single payment. In some cases, the contract price shall be paid upon receipts of goods.	4 years (since 2010)

For the year ended 31 December 2011:

Rank	Customers	Principal business/ description	Credit terms/payment method	Years of relationship with our Group
1	Customer A	Engaged in production of pharmaceutical products with large volume parenteral as its major products	For Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System, and GMP Compliance Service, the contract price shall be paid in installments. The first installment shall be paid upon signing of contract in some cases. Further installments shall be paid depending on the relevant progress (e.g. receipt of major equipments, and passing of the factory and/or site acceptance tests). In some cases, 5% of the contract price is withheld as retention money for 1 year. The credit period is 7 days in some cases. For Distribution and Agency of Pharmaceutical Equipment, the contract price shall be paid by single payment. In some cases, the contract price is paid upon the receipt of goods. The credit period is 7 days in some cases.	6 years (since 2008)
2	Customer C	Engaged in production of pharmaceutical products, including antibiotics and medicines for oncology	For Liquid and Bioprocess System and Clean Room and Automation Control and Monitoring System, the contract price shall be paid in installments. The first installment shall be paid upon signing of contract in some cases. Further installments shall be paid depending on the relevant progress (e.g. receipt of major equipments, and passing of the site acceptance tests). In some cases, 10% of the contract price is withheld as retention money for 2 years. The credit period is 10 days in some cases. For Distribution and Agency of Pharmaceutical Equipment, the contract price shall be paid by single payment. In some cases, the contract price shall be paid upon signing of contract.	4 years (since 2010)
3	AIEL	Engaged in trading business of components in the clean room enclosure system	Letters of credit are used in some cases which shall be payable by installment in accordance with milestones, e.g. signing of contract, testing shipment. The credit period is approximately 7 days.	5 years (since 2008)

Rank	Customers	Principal business/ description	Credit terms/payment method	Years of relationship with our Group
4	STERIS-AUSTAR WFOE	Engaged in the manufacture of pure steam generator and multiple effect water stills	For the sale of pressure vessel was the credit term usually in installment and full payment upon acceptance by ultimate customers. For the service, commission for distribution and agency fee for agency service, the amount is payable to us upon issuance of invoice.	6 years (since 2008)
5	Customer H	Engaged in the production of a variety of pharmaceutical products including antibiotics, biopharmaceuticals and healthcare products	In most business segments, the contract price shall be paid in installments. The first installment shall be paid upon signing of contract in some cases. Further installments shall be paid depending on the relevant progress (e.g. receipt of major equipments, and passing of the site acceptance tests). In some cases, 10% of the contract price is withheld as retention money for 1 year. The credit period is 10 days in some cases. For business segments of Distribution and Agency of Pharmaceutical Equipment and Life Science Consumable, the contract price shall be paid by single payment. In some cases, the contract price shall be paid upon signing of contract.	4 years (since 2010)

For the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, revenue derived from our top five customers accounted for approximately 22.4%, 18.5%, 19.3% and 20.1%, respectively, of our total revenue, and revenue derived from our largest customer accounted for approximately 7.1%, 6.7%, 6.1% and 5.7%, respectively, of our total revenue.

Our Directors have confirmed that save as disclosed in the section headed “Business – Suppliers and Procurement – Our major supplier who is also our major customer” none of our top five customers were our suppliers or distributors during the Track Record Period.

AIEL was one of our major customers for the years ended 31 December 2011 and 2012. AIEL was a former subsidiary of AIHL, our predecessor holding company and was disposed of by AIHL to an Independent Third Party in December 2013. Our Group ceased to have any business relationship with AIEL since April 2013. Save as disclosed above, none of our Directors, their respective close associates or Shareholders holding more than 5% of the issued share capital of our Company has any interest in our five largest customers during the Track Record Period.

Other than Austar CE which was a subsidiary of AIEL and was transferred to the Group in 2012, during the Track Record Period, AIEL and its subsidiaries were engaged in the provision of consulting services for project management of hospital construction and facility design. These businesses (other than Austar CE) were managed by a separate management team and the financial records were separately kept from the Group. During the Track Record Period, AIEL also conducted trading of clean room enclosure system products to customers overseas (i.e. purchased clean room enclosure system products that are manufactured by Austar CE from Austar CE and on-sold the products to customers overseas). During the Track Record Period, all of the purchases made by AIEL were sourced from the Group. AIEL ceased this trading of clean room enclosure system products in 2012. Prior to the disposal of AIEL in December 2013, Mr. Mars Ho, Mr. KH Ho and Madam Gu, being the ultimate beneficial shareholders, and Enzo Barazetti, our non-executive Director (who ceased to be a director of AIHL in March 2012), had been directors of AIEL and/or its subsidiaries but were not involved in the day-to-day management of such companies and whereby have all ceased to be a director of such companies upon or around the disposal of AIEL in December 2013. Save as disclosed above, our Directors and senior management did not and do not have any roles in AIEL and its subsidiaries (other than Austar CE which was transferred to the Group in 2012).

Given (i) AIEL's trading business was not an integral part of our business; (ii) the other operating subsidiaries of AIEL operated entirely different businesses from the Group; (iii) AIEL and these subsidiaries were never intended to be and are not companies now comprising the Group; and (iv) AIEL was disposed of to an Independent Third Party in December 2013, AIEL is therefore not recorded as a subsidiary in the Group's consolidated financial information during the Track Record Period.

Given that the Controlling Shareholders would like to focus on business of the Group as they considered it to have better growth prospects, AIEL was disposed of to an Independent Third Party in December 2013 after they were approached by this third party.

KEY CUSTOMER CONTRACT TERMS

Pricing and payment terms

Pricing

For our integrated engineering solutions, we normally set a price on a cost-plus basis with reference to our business strategies, market demand, past relationships with the customers and complexity of the work. The price of contracts relating to integrated engineering solutions are generally fixed at the time of entering into the contract. During the Track Record Period, we have not experienced any cost overrun with our projects that has materially affected our Group. Our Directors believe that the risk of cost overrun for our projects is relatively low because the price of our raw materials and components for our projects are not highly volatile and the obtaining of fee quotes, signing of project contracts and placing orders with suppliers take place within a relatively short period of time. Nonetheless, if a customer would like to change the scope or specification of work which results in a material increase in cost and necessitates a substantial adjustment of our fee, we would enter into a supplemental contract with the customer in respect of the additional work or equipment to be provided.

For our consulting services, we price our services on a cost-plus basis and take into account two main factors, namely the expected number of working hours involved and the complexity of the services required, which in turn determines whether more senior engineers, whose time costs are higher, are required. We also take into account the market demand and past relationships with the customers.

For our distributorship and agency sales, we determine the price of the products based on, amongst others, the prevailing price of similar products available in the relevant markets, the cost of procurement of the products for distributorship sales, the amount of our commission for agency sales (which is calculated with reference to the selling price of the products), our marketing strategies for particular products, market demand, past relationships with the customers.We are subject to price restrictions imposed by some of our suppliers, for example, we are restricted from setting at a selling price lower than a certain level.

For major contracts manufactured by us, as we provide tailor-made solutions to our customers, and the equipment included therein may vary in their size, specifications and nature of raw materials and equipment involved and thus leading to a significant variation in price. In general, the prices of the contracts and products which revenue was recognised during the Track Record Period are set out below:

	Business segments	**Price range per contracts (including tax) (RMB)**
(1)	Liquid and Bioprocess System	approximately 25,000 to 25,000,000
(2)	Clean Room and Automation Control and Monitoring System	approximately 18,000 to 10,000,000
(3)	Powder and Solid System	approximately 22,000 to 5,900,000
(4)	GMP Compliance Service	approximately 2,500 to 16,000,000

		Price range per unit of product (including tax) (RMB) (except as otherwise stated)
(5)	Life Science Consumables	approximately 0.08 to 580,000
(6)	Distribution and Agency of Pharmaceutical Equipment	
	Distribution	
	• Parts and components	approximately 20 to 2,700,000
	• Pharmaceutical equipment	approximately 150,000 to 4,300,000
	Agency	approximately USD8,500 to USD3,300,000

Payment Terms

The payment terms for our integrated engineering system depend on the terms of the relevant contract, usually by installments with reference to the progress of the relevant project. We generally require 30% to 40% prepayment upon signing of the relevant contracts, and a further sum to be paid up to approximately 40% to 60% of the total contract sum by the customers after satisfaction of the factory acceptance test or upon despatch or installation, and the customers would need to pay the remaining balance or up to 90% after satisfaction of site acceptance test. As guarantee of our obligations under our warranty in favour of our customers approximately 5% to 10% of the total contract sum will be retained by our customers as retention money, or we will arrange with the bank to issue a letter of guarantee in favour of our customers covering 5% to 10% of the total contract sum in exchange for a pledged deposit at the bank in the amount of up to 100% of the guarantee value, depending on the Company's credit line available at the bank, and such amount will be released to us upon expiry of the warranty period. The warranty period lasts for one to two years.

For our consulting services offered, we generally require a prepayment amount of approximately 30%. Subsequent payments will be made in accordance with the progress of the services and subject to negotiation between the parties. As guarantee of our obligations under our warranty in favour of our customers, approximately 5% to 10% of the total contract sum will be retained by the customers as retention money or we will arrange with the bank to issue a letter of guarantee in favour of our customers, covering 5% to 10% of the total contract sum in exchange for a pledged deposit at the bank in the amount of up to 100% of the guarantee value, depending on the Company's credit line available at the bank, such amount would be released to our Group upon certification of GMP compliance or the expiration of the warranty period one to two years, whichever is the earlier.

For distributorship sales, the payment schedule varies according to different product types. For the sale of life science consumables, we usually require one-off payment from the customers at the time of despatch of the products, with a credit period of approximately 30 to 90 days. For the sale of pharmaceutical instruments, we usually require payment to be made in installment, usually in accordance with certain milestones such as upon signing of the relevant contracts, upon despatch of the instruments to the customer, and upon completion of testing and acceptance of the instruments by the customer, which in aggregate amounts to approximately 90% of the contract sum. The remaining amount of approximately 10% is released to our Group upon expiry of the warranty period. For the sale of pharmaceutical equipment, we generally require approximately 30% prepayment upon signing of the relevant contracts and the remaining balance to be paid upon despatch of the equipment.

For agency sales, the customers will settle payment for the products or equipment with our suppliers directly. Our Group generally receives commission, which is calculated with reference to the contract sum payable to our suppliers, as and when money is actually received by our suppliers from the customers and on a regular interval such as monthly settlement.

CREDIT MANAGEMENT

For integrated engineering solutions which involve staged payments, the credit period is highly variable depending on negotiation with individual customers, and we usually offer a credit period of up to 10 days, and for the sale of life science consumables, a specified credit period of approximately 30 to 90 days is usually granted. And for the agency fees received from suppliers for agency sales, we generally allow up to 30 days. We grant credit period after taking into account a number of factors, including amongst others, the credit history and historical sales performance of our customers. We may also extend a credit period based on individual circumstances and upon the approval of the general manager of the respective business segment. Whilst it is our usual practice to grant our customers in integrated engineering solutions and consulting service business a credit period of up to 10 days, our average trade receivables turnover days are 115 days, 118 days, 90 days and 118 days during the three years ended 31 December 2013 and the six months ended 30 June 2014.

It is our policy to review overdue balances and our receivable balances on an ongoing basis and appropriate assessment is made by our management team to determine whether or not provision for impairment of trade receivables should be made.

We did not experience any material payment defaults from our customers during the Track Record Period. As at 31 December 2011, 2012, 2013 and 30 June 2014 the total balance of the provision for doubtful trade receivables was approximately RMB2.2 million, RMB12.7 million, RMB16.8 million and RMB16.1 million, respectively.

Our management monitors the cash balances of our major operating subsidiaries in the PRC on a daily basis. To better manage our financial position and liquidity, we adopted policies for preparing and reviewing monthly accounts receivable reports which set out the amounts of accounts receivable by aging and accounts payable reports which set out the amounts of accounts payable by aging, and we also conduct annual review of our bank borrowings, limits of available facilities, outstanding and available amounts by nature. Monthly cash flow forecast reports are also prepared to estimate the available fund balances. We have implemented stringent treasury management policy, including clear segregation of duties with proper authority delegation, regular cash count, different approval procedures for different amount of cash transactions. For our available cash balance, our Group invested in low-risk investment capital protected investment deposit and investment with guaranteed interest income, our Group also places part of the cash in time-deposit accounts. The relevant accounting staff monitors the available cash balance and propose the appropriate investment and put forward such proposal to the finance manager of our Group for approval. We manage our purchases of raw materials, granting of credit period, control and mange the accounts receivable with reference to our cash balances and the monthly reports.

As at 31 December 2011, 2012, 2013 and 30 June 2014, we recorded net current assets of approximately RMB11.7 million, RMB20.4 million, RMB71.3 million and RMB144.0 million, respectively, and cash and cash equivalents of approximately RMB37.5 million, RMB102.6 million, RMB139.7 million and RMB52.3 million, respectively. We have ensured that we have sufficient unutilised banking facilities to cover any shortfall in our working capital. As at 31 December 2013 and 30 June 2014, the unutilised banking facilities of our Group amounted to approximately RMB15.0 million and nil, respectively. Our Directors believe that, through our unutilised banking facilities, internal resources and/or cash flow from operations, we will have sufficient financial resources to satisfy our liabilities as and when they fall due or as and when they are demanded.

QUALITY CONTROL

We believe that quality standards are crucial to our success. Therefore, we are committed to ensuring that our products meet the standards imposed by various external organisations. Our Group implements a strict quality control system, which has been certified under ISO 9001:2008 since 2011. Some of our subsidiaries are also accredited with ISO 14001:2004 + Cor. 1:2009 certification in recognition of our sustainable mode in environmental protection and management, and BS OHSAS18001:2007 certification in recognition of our occupational health and safety management systems since 2013. The life science consumables manufactured by PALL-AUSTAR WFOE, should comply with the standards set by CFDA, which regulates safety and quality of the products in the pharmaceutical industry. And for the pressure vessel manufactured by us, it should comply with the standards set by Shanghai Municipal Bureau of quality and technical supervision, which oversees the compliance with laws and regulations relevant to quality and technology.

To ensure the quality of our products, we have quality control personnel in each of our business segments devoted to the monitoring and the testing of our services and products offered. Our quality control personnel are responsible for:

(a) inspecting raw materials and components before such materials and components are accepted for use;

(b) conducting sample testing at different stages in the operation and the production process and process of provision of services to ensure that the quality of our products and services are satisfactory;

(c) checking the quality of finished products upon the completion of the production process;

(d) monitoring the production process and our services and products to ensure they are consistent with the relevant regulatory requirements, our Group's objectives and our customers' requirements;

(e) producing statistics and conducting analysis on the quality control result, and formulating corrective actions;

(f) conducting periodic review and evaluation on the quality of products provided by our suppliers and formulating management and control measures for suppliers as appropriate; and

(g) conducting regular internal audit to ensure the effectiveness of our quality control system.

As at 30 June 2014, our Group had a total of 22 quality control personnel, with an average of 9 years of experience in quality control and quality assurance, in carrying out the quality control work. Most of them possess tertiary education with a degree in mechanical engineering related area, and 3 of them possessed master degree. Their work experience ranges from 2 years to over 25 years, in the area of quality control and quality assurance.

Quality control checks are performed throughout the production process from the raw materials and components procurement stage to product delivery stage to ensure that our products meet the quality and safety standards applicable to our Group's products. Quality control checks are also performed on the services provided to our customers, to ensure that our services are up to standard.

Pursuant to our distributorship agreements, our suppliers generally undertake to ensure the quality of the products and they provide us with the certificate of assurance from the suppliers in relation to the quality of the products. Depending on the terms of the contract, either we or the suppliers are responsible for the after-sales support service for the end users. We are responsible for after-sales support for the end customers. For distributorship sales, we may provide after-sales services for certain goods, and for others, we will direct them to the relevant suppliers for such support. For agency sales, if after-sales services are required from us, we will enter into after-sales service agreements with the suppliers, who will pay us for a fee for providing after-sales support to the end customers. We also take care to select suppliers with good reputation and technical competence.

The quality of the services and products offered by us and our joint ventures has been recognised by the following certification(s) and accreditations which we have received through application:

Certification/ Accreditation	Issuing organisation	Area of accreditation	Date of issue	Validity Date
ISO 9001:2008	TUV Rheinland Cert GmbH	Manufacturing and sale of sterile films and bags for medical use	19 December 2013	1 February 2014 to 31 January 2017
ISO 9001: 2008	TUV Rheinland Cert GmbH	Manufacturing of purified water system equipments, multi-effect water stills, pure steam generator, cleaning and sterilising equipments, powder filling machine for pharmaceutical use	28 December 2012	10 January 2013 to 9 January 2016
ISO 9001:2008	TUV Rheinland Cert GmbH	Sales of pharmaceutical equipments, components and instruments, and provision of installation, commissioning, validation testing, maintenance and technical consultation services of pharmaceutical equipments, facilities, auto control systems, powder transportation systems, monitoring and analytical systems and equipments	30 May 2013	30 May 2013 to 18 April 2016

Certification/ Accreditation	Issuing organisation	Area of accreditation	Date of issue	Validity Date
ISO 9001:2008, ISO 14001:2004 + Cor. 1:2009 and BS OHSAS 18001:2007	TUV Rheinland Cert GmbH	Manufacturing of wall panel, ceiling panel, door and window for clean room	21 October 2013	21 October 2013 to 20 October 2016

Quality control in our production and operation processes

Our Company adopts the following major quality control procedures in our daily production processes:

(i) Inspection of raw materials and components

We conduct routine inspection and sample tests on raw materials and components procured from our suppliers before they are used in the production process to ensure that such materials and components comply with our specifications and also the quality standards required. In the event that we detect any substandard or defective raw materials or components, we will return them to the relevant suppliers and may claim compensation in accordance with the terms of the procurement agreements. If such suppliers are still unable to meet our standards, we will replace them with other qualified suppliers.

(ii) In-process quality testing

Our Group carries out in-process quality inspection and tests at various stages within the production process. In our integration process, our project manager will also arrange inspection with the quality assurance staff to ensure the key works such as key control points and welding positions are done properly. Our Directors believe that such in-process quality inspection enables us to identify any defects easily and to promptly rectify the problems.

(iii) Integrated engineering solutions and finished product testing

We inspect and carry out quality tests on integrated systems and finished products. Factory Acceptance Testing applies to all equipment manufactured by us, and site acceptance testing applies to all the systems in our integrated engineering solutions. For Factory Acceptance Testing, prior to delivery, our production team and quality assurance staff work with the customers to perform acceptance test at our plants to ensure the equipment operates according to contractual specifications and functional requirements. Adjustments will be made if necessary to the satisfaction of the customers. Upon inspection by the customer, a report will be signed by the customer to indicate initial acceptance of the testing. Site Acceptance Testing will take place at the customers' sites and involves inspection, adjustment and testing of the system functioning as a whole. Upon inspection by the customers, they will also sign a report signifying their acceptance. A customer satisfaction questionnaire will also be distributed to customers and end users of our services and products in order to enable us to understand the effectiveness of our services and product offerings.

(iv) Quality control in our provision of services

For our service projects, the draft report prepared by the project team will be reviewed in a few stages, which involves review of the process and method in conducing the compliance testing and the documentation of the report, including the contents and the language used. Sometimes consultant may also review and give comments as necessary. A customer satisfaction questionnaire will also be distributed to customers and end users of our services and products in order to enable us to understand the effectiveness of our services and product offerings.

Handling customer complaints

To ensure the quality of our services and products offered, our customers service team will handle complaints from customers, and also periodically collect feedback from our customers through telephone callback and email. The relevant issues will be handled by our execution team and quality control personnel as appropriate. A committee will be formed to identify the cause of the problem and to conduct technical analysis to determine whether any potential quality issue is involved in the design or execution of the project, or in the supply of raw materials and components. Based on the relevant findings, we will perform the appropriate rectification actions for our customers.

Details of the warranty services provided by us to the customers are either set out in the contracts or by reference to a manual of operations and maintenance brochure which sets out the instructions for the use of the equipment involved, and the customers need to bear their own costs if the damage and problem is caused by their non-compliance with the instruction. For products which we sold through distributorship and agency, the customers usually deal with the supplier directly and the products/equipment are also subject to testing standard of the suppliers. We believe that our stringent quality control procedures contribute to the overall low rate of our products for repairing, which was calculated with reference to our warranty expenses and no product return is allowed. During the Track Record Period, our warranty expenses amounted to approximately RMB3.3 million, RMB2.4 million, RMB9.3 million and RMB2.2 million for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 respectively, and the balance of provision for the warranty expenses amounted to approximately RMB4.0 million, RMB4.7 million, RMB8.6 million and RMB7.1 million as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively. During the Track Record Period, provision for warranty expenses is made at a rate of approximately 1.5% of the revenue of the underlying sales provide a warranty services.

During the Track Record Period and as at the Latest Practicable Date, we did not receive any material complaints from our customers and our services and products rendered had not been subject to any material claims, litigation or investigation due to product liability. During the Track Record Period and as of the Latest Practicable Date, there were no product returns or recalls or fatal accidents related to our products.

LICENSES AND PERMITS

We and our joint ventures are required to obtain certain licenses, approvals and permits from relevant government entities on municipal, provincial and national levels to operate our business. The chart below sets forth the key licenses and approvals required for our operations. Please see the section headed "Regulations" in this prospectus for further information on the regulatory regime we are subject to.

Type of permit/use	Holding entity	Issuing Authority	Valid period and renewal terms
Manufacture License of Special Equipment for the production of pressure vessel	Shanghai Austar	上海質量技術監督局 (Shanghai Municipal Bureau of Quality and Technical Supervision*)	Valid from 21 May 2012 to 5 June 2016, and is renewable every 5 years
Dangerous chemicals operation license for engagement in business involving inflammables, oxidant, corrosive materials	Austar Hansen	上海市安全生產監督管理局 (Shanghai Administration of Work Safety*)	Valid from 27 May 2014 to 26 May 2017, and is renewable every 3 years
Radiation Safety Permit	Shanghai Austar	上海市環境保護局 (Shanghai Environmental Protection Bureau*)	Valid from 10 May 2013 to 9 May 2018, and is renewable every 5 years
Construction Enterprise Qualification Certificate	Austar SJZ	河北省住房和城鄉建設廳 (Department of Housing and Urban-Rural Development of Hebei Province*)	Valid since 27 July 2012
Registration certificate of pharmaceutical packaging materials and container	PALL-AUSTAR WFOE	國家食品藥品監督管理局 (China Food and Drug Administration*)	Valid from 3 April 2013 to 2 April 2018, renewable every 5 years

* *For identification purpose.*

As at the Latest Practicable Date, we obtained all requisite business licenses and production certificates for all of our production facilities and all of such licenses and certificates are within their respective effective periods. We did not experience any material difficulties in renewing the business licenses and production certificates of our production facilities in the Track Record Period, and we currently do not expect to have any material difficulties in renewing such licenses and certificates when they expire.

RESEARCH AND DEVELOPMENT

General

We are highly committed to our research and development efforts. These efforts have contributed to our ability to continuously develop and launch new applications and played a key role in our rapid growth. Our research and development expenses accounted for approximately 3.6%, 3.8%, 3.4% and 3.2% of our total revenue for the three years ended 31 December 2013 and the six months ended 30 June 2014 which represents our staff costs and R&D project expenses. We intend to use approximately 9.5% of our net proceeds from the Global Offering to fund research and development activities.

Our research and development function is carried out by various staff from different teams. Through our own development and experience accumulation, our cooperation and communication with Sichuan University and Shenyang Pharmaceutical University, as well as attending exhibitions, conferences, seminars, site visits and training courses organised by our joint venture partners, suppliers and industry associations, including the International Society for Pharmaceutical Engineering (ISPE) and Parenteral Drug Association (PDA), respectively, we have been able to understand technologies and get in touch with the latest market trend and application of product design. By leveraging on our integrated engineering system competences, various technical issues of process applications are addressed with our solutions. As of 30 June 2014, our research and development team consisted of 24 members, all of whom have received tertiary education, and some of them possess master or doctorate degrees in engineering and science related area. They have an average of 5 years of experience in the relevant area, and some of them have over 10 years of experience in the R&D field.

Our approach and process

Utilising our knowledge experience acquisition model, we implement a four-step approach to continually improve and keep abreast of technological advancements and industry developments to provide innovative and up-to-date technological solutions to our customers. We have entered into a cooperation agreement with Shenyang Pharmaceutical University, pursuant to which we agreed to provide practical training to their students and they agreed to participate in our research and development projects and to provide relevant technical information and advice. We have also entered into a cooperation agreement with Sichuan University for the provision of practical training to their students and in return, Sichuan University would contribute the capital necessary for the facilities necessary for teaching and demonstration. Both agreements do not involve allocation of, intellectual property rights nor fees paid to third parties as our co-operation only involved academic exchange. Through our constant communication with the professors and students of the university, we have been able to learn the latest scientific developments and to grasp new ideas and concepts in the pharmaceutical field. We have also sponsored one of the students to participate in a research study competition and made use of the results of the research study to prove the effectiveness of our equipment. At the same time, we learn from our partnership with vendors and obtain practical experience in dealing with components, equipment and software. Applying such knowledge and experience, we provide integrated solutions to our customers.

Details of our knowledge experience acquisition model are set out below:

Our knowledge-experience acquisition model

Ways of acquiring knowledge/experience	Tools of knowledge/ experience	What we do	Source of knowledge/experience
Partnership with universities	Science	Inspired by	Academic journal/collaboration with universities
Partnership with vendors	Technology	Learn	Components/equipment/ software
Austar	Engineering techniques	Apply	On-site training provided by business partners
Austar	Applications	Execute/ implementation	Execution of our projects

We seek to conduct research and development effectively and efficiently to achieve optimal results in developing launching new applications. We plan to acquire a parcel of land in Shijiazhuang and develop it into our Shijiazhuang R&D and Production Centre. The Shijiazhuang R&D and Production Centre is intended to house our new production plants, the powder and solid process application centre and liquid process centre and the bioprocess application centre. For details, please refer to the paragraphs headed "Business – Business Strategies – To establish R&D Centre and consolidate production workshops" in this prospectus.

We have implemented a research and development policy to manage and monitor the use of funds in relation to our research and development activities. We develop and review our research and development policy according to the background and development direction of individual business segments; after confirming a preliminary research and development proposal, we may engage relevant expert in the industry and commence construction of infrastructure and preparation of financial analysis and budget. Our management would review the nature of research and development expenses incurred, and to decide when such expenses are expensed or capitalised. During the Track Record Period, all of our R&D expenses were expensed.

Our results

As a reflection of the effort of our research and development team, we have been able to develop and launch new applications to meet the needs of our customers. For example, as at the Latest Practicable Date, we have launched cart for cleaning rust in pharmaceutical water systems and a containment technology for powder transfer systems.

As at the Latest Practicable Date, our Group has applied for the following patent registrations relating to invention:

Patent	Application Number	Type	Name of Applicant	Place of Application	Date of Application
Cleaning method for rubber stopper of vials	201310380307.4	Invention	Austar Hansen	PRC	27 August 2013
A descaling method for stainless steel in the pharmaceutical sector	201310380300.2	Invention	Austar Hansen	PRC	27 August 2013
A method for cleaning of molds of pharmaceutical tablets	201310380028.8	Invention	Austar Hansen	PRC	27 August 2013
One type of gloves ring which can achieve on-line replacement	201310645539.8	Invention	Austar SJZ	PRC	4 December 2013
A negative pressure isolator for laboratory animal-breeding	201310648380.5	Invention	Austar SJZ	PRC	4 December 2013
Information display system and its display method	201410235149.8	Invention	Austar SJZ	PRC	30 May 2014
Disposable sterile cell culture bags ancillary to cell culture system	201410244558.4	Invention	Austar SJZ	PRC	4 June 2014
Fluid system clean air isolating device	201410310258.1	Invention	Shanghai Austar	PRC	1 July 2014
Air-isolating sewage device	201410310326.4	Invention	Shanghai Austar	PRC	1 July 2014

Patent	Application Number	Type	Name of Applicant	Place of Application	Date of Application
Virtual pharmaceutical water system and its method of operation, correction device and correction method	201410494873.2	Invention	Shanghai Austar	PRC	24 September 2014
Double-loop water injection system	201410494657.8	Invention	Shanghai Austar	PRC	24 September 2014

Currently we have a number of projects involving technology which can be applied in our services and products under R&D. All the aforesaid projects are still in the research stage. The table below sets forth certain information on these new technology which is to be applied in our services and offerings under our various business segments under development.

Business Segment	Technology	Applications
Liquid and Bioprocess System	(1) Automation control in mixing technologies	To develop mixing control parameter for better performance of bioreactor
	(2) Automation control of single-use biological reactor systems	To improve the automatic control accuracy of parameters of bioreactors of fast growing single-use technology
	(3) Reverse-osmosis membranes	To reduce costs and save energy by applying this technology in the filtration and concentration process of Chinese traditional medicine
Clean Room and Automation Control and Monitoring System	(1) Automated monitoring systems in the extraction process of Chinese medicines	Use of automated monitoring systems to control the relevant reference figures during the extraction process

Business Segment	Technology	Applications
Powder and Solid System	(1) Material preparation and weighing systems of solid dosage	To reduce the risk of contamination and improve occupational safety, process performance by applying dust-free and automatic control technologies
	(2) RABS automatic sterile powder discharging and packaging systems	To minimise risks of contamination of the pharmaceutical products by using RABS technology
	(3) OEB5 advanced containment systems	Advanced containment technology in the production of pharmaceutical products which are highly potent and highly poisonous
GMP Compliance Service	(1) Cold chain management process validation	To create process qualification & documentation systems for the cold chain process to be in compliance with newly regulated GSP rules in China

Our expenses on research and development were approximately RMB11.8 million, RMB16.1 million, RMB23.9 million and RMB10.2 million for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 respectively. All of the aforesaid amount were expensed.

COMPETITION

The pharmaceutical equipment, process system and service market is characterised by rapid product development and upgrade, technological advances, high entry barrier in terms of technology, investment and regulations, intense competition and a strong emphasis on proprietary products. We compete primarily based on quality, reliability, product functionality and design, brand recognition and customer support and services. We distinguish ourselves by having a solid know-how on various systems in the pharmaceutical process. As per Frost & Sullivan, the market is fragmented and there are only a handful of pharmaceutical manufacturing equipment producers which are capable of providing such a wide range of tailor made solutions and services, and we are one of them. We mainly compete with domestic and international pharmaceutical companies and related services providers in terms of our Group's first mover advantage, comprehensive service offerings and product portfolio, strong research and development capabilities, well recognised brand awareness, professional personnel assets and dedicated management. We believe that substantial capital commitments and strong cash flow are normally required in order to stay competitive in the pharmaceutical industry. In particular, the research and development and production process for pharmaceutical equipment require substantial capital commitments as substantial amount of capital injection was necessary to achieve production volume that provides a reasonable economic return, and new market entrants without a track record face obstacles in starting up the business and obtaining customer acceptance.

System integrators and suppliers of relevant equipment and life science consumables in China's pharmaceutical equipment, process system and service market can be categorised into foreign companies and Chinese domestic companies. Foreign companies are generally equipped with better technology than domestic brand companies, generally charge higher prices for their products, while domestic companies generally charge lower prices for their products. We compete on quality, reliability, product functionality and design, brand recognition and customer support and services. We primarily seek to penetrate the high-end market segment. Benefiting from our full product portfolio, we believe that we are well positioned to capitalise on the import substitution opportunities.

We believe that the significant growth and upgrade opportunities in pharmaceutical industry in China will generate significant demand for pharmaceutical equipment, process system and service. We believe we have first mover advantages over most of our competitors and are well positioned to capitalise on these opportunities.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had 50 registered patents and 29 patent applications in process and all of our registered patents are utility model patents which relate to technology used in our service and product offerings. PALL-AUSTAR WFOE also owned 6 registered patents in relation to the life science consumables. We have also registered a total of 9 "AUSTAR" and/or "奥星" marks in Hong Kong and the PRC for various classes of products and services, and that the right, title and interest in 16 trademarks registered in the PRC were in the process of being assigned to us and applications for record of assignment to the relevant government trademark office/registry were in progress. In addition, we are the registered owners of a total of 27 domain names, including our corporate website, www.austar.com.hk. Please see the section headed "Statutory and General Information – B. Further Information about the business of our Company – 8. Intellectual property rights" in Appendix IV to this prospectus for further details on the intellectual rights of our Group. Each of PALL-AUSTAR WFOE and STERIS-AUSTAR WFOE also owned 5 and 3 domain names respectively.

We have entered into confidentiality agreements with non-compete provisions with our senior management and certain key members of our research and development team and other employees who have access to trade secrets or confidential information relating to our business. Also, our standard form employment contracts contain confidentiality and other clauses pursuant to which we are the owner of all rights to all inventions, technology know-how and trade secrets derived during the course of our employees' work.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights or any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

AWARDS AND ACCREDITATIONS

As a result of the quality and strong reputation of our products and our creditworthiness, we have been given the following awards, authentication and recognition. The following table sets forth the major awards we recently obtained:

Major award/authentication/ recognition	Year	Awarding authority
Outstanding Brand (卓越品牌)	2013	Process Magazine 《流程工業》 published by Vogel Industry Media
Top Ten Most Competitive Well-known Brands (十佳最具競爭力知名品牌)	2012	HC Pharmaceutical Industry Network (pharmacy.hc360.com)
Certificate of Recognition as a Recognised System Integrator	2012-2013	Rockwell
Siemens Solution Partner Automation	2011-2012	Siemens
Siemens Gold Solution Partner	2013	Siemens

PROPERTIES

Our headquarter is located in Beijing. We and our joint ventures have production plants located in Shanghai, Shijiazhuang and Beijing. We also have representative offices in various cities including Chengdu, Guangzhou and Harbin and an overseas office in Italy and Indonesia.

Our Company has established a principal place of business in Hong Kong which is located in a leased premise.

Owned properties

As at the Latest Practicable Date, we owned one parcel of land in Shanghai with an aggregate site area of 33,332 sq. m. and one building erected thereon with an aggregate gross floor area of approximately 3,700 sq. m., for use as production plants, offices and other facilities.

Leased properties

As at the Latest Practicable Date, we, together with our joint ventures, entered into the following tenancy agreements:

No.	Brief description of property and permitted use	Area (sq. m.)	Lessee	Lessor	Current rental term	Current monthly rent
1.	Beijing representative office located at Flat 1801, 18/F, Tower B, Chaowaimen Office Building, West Side, No. 33 Shen Lu Road (北京市朝陽區神路街 33#西側朝外門寫字中心B座1801室部分)	393.20	Shanghai Austar	Gu Xun (顧迅)	1 May 2014 to 31 December 2016	RMB77,951.9
2.	Production plant located at No.15, Yanqi Street, Yanqi Economic Development Area, Huairou District, Beijing (北京市懷柔區雁栖經濟開發區雁栖路15號)	1,160.00	PALL-AUSTAR WFOE	Beijing Kun Steel Pipe Co., Ltd. (北京坤鋼製管有限公司)	1 March 2012 to 29 February 2017	RMB26,462.50
3.	Production plant located at Workshop 6, GREE Assorted Industrial Park, No. 389 Tai Hang Avenue, New and Hi-Tech Zone, Shijiazhuang (石家莊市高新區太行大街389號格力配套產業園院內6號車間)	8,740.52	Austar SJZ	Shijiazhuang Pengtai Property Investment Co., Ltd. (石家莊鵬泰置業投資有限公司)	1 March 2014 to 30 April 2016	RMB94,834.64
4.	Shijiazhuang representative office located at Rooms 501 to 505, 5/F, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場5層501至505室)	330.00	Shanghai Austar	Shijiazhuang Fuhua Real Estate Development Co., Ltd. (石家莊福華房地產開發有限公司)	16 June 2014 to 15 June 2017	RMB12,045
5.	Shijiazhuang representative office located at Rooms 402, 404 and 406, 4/F, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場四層402、404及406室)	207.00	Shanghai Austar	Shijiazhuang Fuhua Real Estate Development Co., Ltd. (石家莊福華房地產開發有限公司)	16 June 2014 to 15 June 2017	RMB7,555.56
6.	Shijiazhuang representative office located at Room 604, 6/F, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場六層604室)	49.11	Shanghai Austar	Shijiazhuang Fuhua Real Estate Development Co., Ltd. (石家莊福華房地產開發有限公司)	16 June 2014 to 15 June 2017	RMB1,792.51
7.	Shijiazhuang representative office located at Room 606,608,610, 6/F, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場六層606,608,610室)	191.00	Austar Hansen	Shijiazhuang Fuhua Real Estate Development Co., Ltd. (石家莊福華房地產開發有限公司)	16 June 2014 to 15 June 2017	RMB6,971.50

No.	Brief description of property and permitted use	Area (sq. m.)	Lessee	Lessor	Current rental term	Current monthly rent
8.	Shijiazhuang registered address located at Room 601, 602, 603, 605, 607, 609, 6/F, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場6層601, 602, 603, 605, 607, 609室)	399.94	Austar SJZ	Shijiazhuang Fuhua Real Estate Development Co., Ltd. (石家莊福華房地產開發有限公司)	16 June 2014 to 15 June 2017	RMB14,597.81
9.	Shijiazhuang registered address located at Rooms 506 to 510, 5/F, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場5層506至510室)	331.50	Austar SJZ	Shijiazhuang Fuhua Real Estate Development Co., Ltd. (石家莊福華房地產開發有限公司)	16 June 2014 to 15 June 2017	RMB12,099.75
10.	Shijiazhuang registered address located at Room 1701, 1703, 1705, 1707, 1708, 1709, 1710, 17/F, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場17層1701、1703、1705、1707、1708、1709、1710室)	570.00	Austar SJZ	Wang Hao (王浩)	16 June 2014 to 15 June 2017	RMB46,666.67
11.	Warehouse located at Storehouse No. 66, UG3, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場地下3層66號倉庫)	19.30	Austar SJZ	Shijiazhuang Fuhua Real Estate Development Co., Ltd. (石家莊福華房地產開發有限公司)	15 April 2014 to 14 April 2017	RMB587.04
12.	Warehouse located at Storehouse No.64, UG3, Chang'an Square, No. 289 Zhongshan East Road, Shijiazhuang (石家莊中山東路289號長安廣場地下三層64號倉庫)	20.90	Austar SJZ	Shijiazhuang Fuhua Real Estate Development Co., Ltd. (石家莊福華房地產開發有限公司)	1 June 2014 to 31 May 2017	RMB635.71
13.	Production plant located at Block 3, No. 118 Beiyang Road, Yongfeng Street, Songjiang District (松江區永豐街道北楊路118號3幢)	1,680.00	Austar CE	Shanghai Weiheng Plastic Product Co., Ltd. (上海衛亨塑料有限公司)	1 January 2013 to 31 December 2015	RMB30,833.33
14.	Production plant located at Block 4, No. 118 Beiyang Road, Yongfeng Street, Songjiang District (松江區永豐街道北楊路118號4幢)	2,860.00	Austar CE	Shanghai Weiheng Plastic Product Co., Ltd. (上海衛亨塑料有限公司)	1 July 2014 to 30 June 2016	RMB42,166.67
15.	Production plant and office located at No. 799 Yu Yang Road, Song Jiang District, Shanghai (上海市松江區玉陽路799號)	645.00	STERIS-AUSTAR WFOE	Shanghai Austar	1 March 2013 to 28 February 2016	RMB22,575

No.	Brief description of property and permitted use	Area (sq. m.)	Lessee	Lessor	Current rental term	Current monthly rent
16.	Shanghai representative office located at 13/F, No.1033 Changning Road, Shanghai (上海長寧路1033號13樓)	309.32	Shanghai Austar	Shanghai Delvfeng Property Co., Ltd. (上海德律風物業有限公司)	1 May 2014 to 31 December 2015	RMB51,747
17.	Shanghai representative office located at 13/F, No.1033 Changning Road, Shanghai (上海長寧路1033號13樓)	249.17	Austar Hansen	Shanghai Delvfeng Property Co., Ltd. (上海德律風物業有限公司)	1 May 2014 to 31 December 2015	RMB41,684
18.	Shanghai representative office located at 13/F, No.1033 Changning Road, Shanghai (上海長寧路1033號13樓)	77.33	Austar SJZ	Shanghai Delvfeng Property Co., Ltd. (上海德律風物業有限公司)	1 May 2014 to 31 December 2015	RMB12,937
19.	Shanghai registered address located at Room 101A-16, Building 1, No.55 Aona Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區奧納路55號1幢101A-16室)	46.65	Austar Hansen	Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd. (上海外高橋保稅區聯合發展有限公司)	9 January 2014 to 8 January 2015	RMB2,500
20.	Warehouse located at Building 15, No. 650 Guang Hua Road, Song Jiang District Shanghai (上海市松江區光華路650號15幢)	1,606.02	Austar Hansen	Shanghai Yan Culture Communication Co., Ltd. (上海言成文化傳播有限公司)	1 January 2013 to 31 December 2015	RMB33,333
21.	Warehouse located at Factory Site 11, No. 650 Guang Hua Road, Xiao Kun Shan County, Song Jiang District, Shanghai (上海市松江區小昆山鎮光華路650號11號廠房)	1,535.00	Shanghai Austar	Shi Huidong (石慧東)	1 January 2012 to 31 December 2014	RMB30,348.23
22.	Hong Kong Principal Office located at Workshop, 1/F., New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong	46.45	APPS	Austar Limited	1 May 2014 to 31 December 2016	HK$7,500.00
23.	Chengdu representative office located at Room 2-3, 24/F, Chuanxin Mansion, No.18 Ren Min Nam Lu Er Duan, Chengdu, Sichuan (四川省成都市人民南路二段18號川信大廈24層2-3號)	92.19	Shanghai Austar	Sichuan Trust Co., Ltd. (四川信託有限公司)	1 March 2014 to 29 February 2016	RMB8,297.1
24.	Chengdu representative office located at Room 2-2, 24/F, Chuanxin Mansion, No.18 Ren Min Nam Lu Er Duan, Chengdu, Sichuan (四川省成都市人民南路二段18號川信大廈24層2-2號)	80.16	Shanghai Austar	Sichuan Trust Co., Ltd. (四川信託有限公司)	22 July 2014 to 29 February 2016	RMB7,214.4

No.	Brief description of property and permitted use	Area (sq. m.)	Lessee	Lessor	Current rental term	Current monthly rent
25.	Guangzhou representative office located at Room 826, No. 167 Linhe West Road, Tianhe, Guangzhou, Guangdong (廣州天河區林和西路167號威尼國際826號)	58.69	Shanghai Austar	He Wenjun (何文君)	25 December 2013 to 24 December 2015	RMB6,000.00
26.	Harbin representative office located at Room 602, Block Tsinghua, Nan Gang Qu, Harbin, Heilongjiang, China (哈爾濱市南崗區西大直街554號學府名苑6層B號)	91.45	Shanghai Austar	Lu Ming (陸明)	6 January 2014 to 5 January 2015	RMB3,802.67

For the 26 leased properties in the PRC, our PRC legal advisers have opined that the landlords of these leased properties are the owners of, or authorised persons to lease or sublease the respective properties and that the landlords have legally due and complete right to lease the respective leased properties.

Production and warehouse

As at the Latest Practicable Date, we together with our joint ventures entered into 5 tenancy agreements in respect of our production plants in Shanghai, Shijiazhuang and Beijing, with a total lease area of approximately 14,441 sq. m. and leased two properties in Shijiazhuang and two properties in Shanghai as our warehouse with a total lease area of 3,181 sq. m..

Others

As at the Latest Practicable Date, we leased 17 other properties, with an aggregate lease area of 3,523 sq. m., for commercial and other purposes. We use these leased properties principally as our office. All of the tenancy agreements have been entered based on the then prevailing market rate, exclusive of water, electricity and gas charges and other outgoings. Save for the properties as described in the section headed “Continuing connected transactions” in this prospectus, all other properties are leased from Independent Third Parties. Details of the leases are set out in the section headed “Continuing connected transactions” of this prospectus.

PROPERTY VALUATION

As at 30 June 2014, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap 32L., Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INSURANCE

We have taken out insurance covering risks in respect of our properties, production facilities, inventory and employer's liability.

We also maintain insurance coverage for product liability to cover any potential claims due to accidental bodily injury to third parties and accidental loss of or damage to the property of third parties arising from the defects of our products.

For the three years ended 31 December 2013 and the six months ended 30 June 2014, the total amount of premium expenses incurred were approximately RMB72,000, RMB59,000, RMB329,000 and RMB165,000 respectively. Our Directors consider our insurance coverage to be adequate for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we have operations. During the Track Record Period and as at the Latest Practicable Date, we had not made and did not make or had not been subject to any material insurance claims and/or product liability claims.

ENVIRONMENTAL PROTECTION

Under the State Environmental Protection Law, the State Environmental Protection Bureau (中華人民共和國環保部) sets the environmental standards for China, while regional environmental protection bureaus may impose more stringent requirements for local environmental protection. The relevant PRC laws and regulations require any entity operating a facility that produces pollutants or other hazards to incorporate environmental protection measures into its operations and to establish an environmental protection responsibility system, which must adopt effective measures to control and properly dispose of waste gases, waste water, waste residue, dust or other waste materials.

New construction, expansion or reconstruction projects and other installations that directly or indirectly discharge pollutants to the environment are subject to relevant regulations governing environmental protection for such projects. Entities undertaking such projects must submit a pollutant discharge declaration statement detailing the amount, type, location and method of treatment to the competent authorities for examination. The facilities for the prevention and control of pollutants are required to be designated, constructed and put into use or operation simultaneously with the main part of a construction project. Our production plants discharge pollutants such as waste water and solid wastes. Our discharge of waste water is free of industrial or corrosive substance and is channeled to local wastewater treatment plants in accordance with applicable environmental standards and subject to periodic inspections by local environmental protection authorities. We have also engaged professional waste management firms to manage the disposal of solid and hazardous wastes, including waste metals, photosensitive materials and waste oil-water mixtures in order to fully comply with applicable environmental laws, rules and regulations. Due to the type of our pollutant discharges, we are not required to obtain pollutant discharge permits. During the Track Record Period, we incurred approximately RMB59,000, RMB58,000, RMB54,000 and RMB25,000 for complying with the applicable environmental laws, rules and regulations.

We believe that our production process does not generate hazards that have any significant adverse effects on the environment. For further details, please see the section headed "Regulations – PRC laws and regulations relating to environmental protection" in this prospectus. Since we do not produce a large amount of waste during the production process, our Directors do not anticipate that there will be a substantial amount of additional expenses that we may incur in the future for environment compliance matters.

OCCUPATIONAL HEALTH, WORK SAFETY AND SOCIAL MATTERS

We are subject to the PRC Production Safety Law, PRC Labour Law and other relevant laws, administrative regulations, national standards and industrial standards which stipulate the requirements to maintain safe production conditions and to protect the occupational health of employees. Pursuant to these requirements, any entity that is not sufficiently facilitated or equipped to ensure safe production shall not engage in production and business operation activities. Entities operating in the PRC must provide production safety education and training programmes, as well as a safe working environment to employees. The design, manufacture, installation, use, inspection and maintenance of production plants and equipment are required to conform to applicable national or industrial standards. We have implemented safety measures at our production plants to ensure compliance with applicable regulatory requirements and to minimise the risk of injury of employees, and we also have a team for monitoring and enforcing the safety related measures. We conduct periodic inspections of operating facilities to ensure that our production operations are in compliance with existing laws and regulations. We also require safety performance reports to be submitted on a regular basis and conduct regular training sessions and fire or disaster drill for employees at our production plants on accident prevention and management. Further, we require new employees to receive work safety training and personnel operating specialised equipment to possess necessary certifications required by the relevant laws and regulations. We have installed safety devices such as heat and smoke detectors, alarm, emergency lights, fire extinguisher and sprinkler. We have also established strict rules and guidelines for work safety and occupational health safety and obtained certification in occupational health and safety management such as ISO9001:2008, ISO14001:2004, Cor. 1:2009 and BS OHSAS18001:2007.

During the Track Record Period and as at the Latest Practicable Date, we did not experience any material or prolonged stoppages of production due to equipment failure and we did not experience any severe accidents during our production process. During the Track Record Period, we had three accidents during our operations, and compensation to the employees concerned have either been settled by insurance or during applications with the insurance companies. As at the Latest Practicable Date, our production plants had complied with all applicable laws, regulations and standards in the PRC.

For details of our employees and human resources policy, please refer to the section "Directors, senior management and staff" of this prospectus for further details.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

The U.S. and other jurisdictions, including the European Union, Australia and the United Nations, have comprehensive or broad economic sanctions targeting the Sanctioned Countries.

Sales in the Sanctioned Countries

We have past product sales in connection with certain of the Sanctioned Countries, namely, Iran and Lebanon, and Russia (where certain Sanctioned Persons are located) and we still carry out such business activities in connection with these Sanctioned Countries and Russia (where certain Sanctioned Persons are located). The amount of revenue generated from sales to these Sanctioned Countries and Russia (where certain Sanctioned Persons are located) for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 represented approximately 0.6%, 1.2%, 0.7% and 1.9% of our total revenue for the same periods, respectively. As advised by DLA Piper Hong Kong, our legal advisers as to International Sanctions laws, based on the following procedures conducted by them, our Group's historical sales in Sanctioned Countries, namely, Iran and Lebanon, and sales in Russia (where certain Sanctioned Persons are located) during the Track Record Period do not implicate the applicability of the relevant sanctions laws on our Group, or any, person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors:

(a) reviewed documents provided by us that evidence our sales transactions to customers in the Sanctioned Countries and customers in Russia (where certain Sanctioned Persons are located) during the Track Record Period;

(b) received written confirmation from us that neither our Group nor any of our affiliates has conducted during the Track Record Period any business dealings in or with any other countries or persons that are the subject of International Sanctions; and

(c) reviewed the list of customers to whom such sales of products have been made during the Track Record Period against the lists of Sanctioned Persons, and confirmed that none of our customers are on such lists.

In relation to our sales to customers in the Sanctioned Countries and to customers in Russia (where certain Sanctioned Persons are located) during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Entities list maintained by the OFAC or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Our such sales do not involve industries or sectors that are currently subject to specific U.S., European Union, Australia or United Nations sanctions and therefore are not deemed to be prohibited activities under International Sanctions laws and regulations.

Our Directors do not expect any significant increase or decrease in our Group's sales to Sanctioned Countries and Russia (where certain Sanctioned Persons are located) upon Listing.

As advised by our PRC Legal Adviser, the goods exported by our Group to customers to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) fall outside the scope of the goods prohibited for export by the PRC government authorities under the relevant PRC laws and regulations. Our PRC Legal Advisers advised that our Group has not violated any PRC laws or regulations in relation to the PRC export bans.

The Sole Sponsor, based on the above advice from our PRC Legal Adviser and DLA Piper Hong Kong, is of the view that the risk of sanctions violations as a result of our Group's sales to Sanctioned Countries and Russia (where certain Sanctioned Persons are located) during the Track Record Period and the expected sales to Sanctioned Countries and Russia (where certain Sanctioned Persons are located) upon Listing is remote.

Our undertakings and internal control procedures

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Country and Russia (where certain Sanctioned Persons are located) or any other government, individual or entity sanctioned by the European Union, the United Nations, the U.S. or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. In addition we have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the European Union, the United Nations, the U.S. or Australia. We will also disclose on the respective websites of the Stock Exchange and our Company if we believe that the transactions our Group entered into in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) and our business intention relating to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located). If we were in breach of such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as of the date of this prospectus.

- We will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) and/or with Sanctioned Persons. According to our internal control procedures, the risk management committee of our Board needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries, Russia (where certain Sanctioned Persons are located) and/or with Sanctioned Persons. In particular, the risk management committee of our Board will review the information (such as identity, nature of business, etc.) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee of our Board will check the counterparty against the various lists of restricted parties and countries maintained by the European Union, the United Nations, the U.S. or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in a Sanctioned Country, Russia (where certain Sanctioned Persons are located) or a sanctioned person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in international sanctions law matters.

- To further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Madam Zhou Ning, our executive Director responsible for our Group's internal control matters, Mr. Enzo Barazetti and Madam Ji Lingling, each being a non-executive Director and its responsibilities include, among others, monitoring our exposure to sanctions law risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions law risks.

- In order to ensure our compliance with these undertakings to the Stock Exchange, the risk management committee will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) or Sanctioned Persons.

- The risk management committee of our Board will periodically review our internal control policies and procedures with respect to sanctions law matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions law matters for recommendations and advice.

- If necessary, external international legal counsel will provide training programs relating to the sanctions laws to our Directors, our senior management, our legal department and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and sanctioned persons and entities to our legal department, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

To monitor our exposure to sanctions risk and to ensure compliance with the undertakings to the Stock Exchange, we have adopted the internal control measures, including measures recommended by the Internal Control Consultant, as described above.

With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Company in identifying and monitoring any material risk relating to sanctions laws. Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws.

LEGAL PROCEEDINGS

We are from time to time involved in certain legal proceedings arising in the ordinary course of our business, either as plaintiff, defendant or a third party in litigation or arbitration proceedings. Our PRC legal advisers have advised that our Group, save as disclosed in this prospectus, has complied with all relevant PRC laws and regulations in all material aspects. As at the Latest Practicable Date, we were not aware of any current, pending or threatened litigation, arbitration proceedings or administrative proceedings against us or any of our subsidiaries or any of our Directors which could have a material adverse effect on our financial condition, results of operation or reputation.

Non-compliance incidents

We and our joint ventures are subject to a number of legal and regulatory requirements and guidelines issued by the regulatory authorities in the PRC and Hong Kong.

We and our joint ventures were involved in certain regulatory non-compliance incidents in the past. We set out below the details of such non-compliance incidents and the primary remedial measures we adopted in response to these incidents:

Non-compliance incidents and reasons for non-compliance	Rectification actions and impact on our Group	Relevant laws and regulations and maximum penalty	Enhanced internal control measures
As regards environmental protection under applicable PRC laws			
STERIS-AUSTAR WFOE has not gone through the necessary formalities of environmental protection acceptance. Reason: STERIS-AUSTAR WFOE's production facilities is situated in a leased property constructed by, and leased from, Shanghai Austar. Such production facilities were located in the same production premises with one of Shanghai Austar's production facilities, and that STERIS-AUSTAR WFOE and Shanghai Austar shared the same drainage and recycle water system in the same building. STERIS-AUSTAR WFOE performs the same or very similar assembly work or production process as those of Shanghai Austar, which do not generate any harmful or material pollutants, and shares the same drainage and recycle water system with Shanghai Austar. As Shanghai Austar has already gone through all necessary formalities of environmental protection acceptance in respect of its constructed production premises (which include the area which is leased to STERIS-AUSTAR WFOE), STERIS-AUSTAR WFOE has not separately applied for the necessary approval in this respect.	During the Track Record Period, no environmental incident or relevant complaint has been discovered or received by the environmental protection authorities, and as at the Latest Practicable Date, no administrative action had been imposed by the relevant authorities with respect to the failure of STERIS-AUSTAR WFOE to have gone through the environmental protection acceptance formalities. In July 2013, STERIS-AUSTAR WFOE did try to compile an environmental protection report. However, as a result of the local government policy due to change in town-planning, the environmental protection authorities have not accepted the report. Based on interviews conducted with the relevant local government in April 2014, the local government indicated that it was aware that STERIS-AUSTAR WFOE had not completed the environmental protection acceptance formalities, but that no administrative action would be taken against STERIS-Austar WFOE unless an environmental incident had occurred or where they had received any complaint. Our PRC Legal Adviser is of the opinion that given that Shanghai Austar, which shares the same drainage and recycle water system with STERIS-AUSTAR WFOE, has already obtained the environmental protection compliance confirmation, the local authority is aware of the status of STERIS-AUSTAR WFOE and the reasoning as set out above, the failure of STERIS-Austar WFOE to obtain the environmental protection acceptance formalities is an immaterial non-compliance and the risks of STERIS-AUSTAR WFOE being punished or being ordered to suspend operations are very low. On 31 July 2014, the relevant local environmental protection bureau confirmed that the environmental protection acceptance application of STERIS-AUSTAR WFOE was accepted by the bureau. It is expected that all necessary formalities will be completed in November 2014.	Our PRC Legal Adviser has advised us about the legal consequences of the lack of environmental protection acceptance formalities for the leased production facilities of STERIS-AUSTAR WFOE, which include, (i) the environmental protection authorities may require STERIS-AUSTAR WFOE to go through the procedures within a certain period of time; (ii) in case STERIS-AUSTAR WFOE fails to do so within the said time limit, it may be fined or required to suspend its operations. Under the Management Regulations for Checking and Accepting Completed Installations of Environmental Protection of Construction Projects (建設專案竣工環境保護驗收管理辦法) of the PRC, the lack of environmental protection acceptance formalities for the leased production site of STERIS-AUSTAR WFOE may result in (i) the environment authorities requiring STERIS-AUSTAR WFOE to go through the acceptance procedures within a certain period of time; (ii) in case STERIS-AUSTAR WFOE fails to do so within the said time limit, the authorities may require it to suspend its operations, and may impose a fine of less than RMB50,000 simultaneously.	STERIS-AUSTAR WFOE is, on its own initiative, in the process of re-applying for the necessary formalities of environmental protection acceptance.

Non-compliance incidents and reasons for non-compliance	Rectification actions and impact on our Group	Relevant laws and regulations and maximum penalty	Enhanced internal control measures
As regards staff welfare			
We did not fully pay contributions in respect of the social insurance and the housing provident fund for some of our employees. As at 30 June 2014, the aggregate outstanding amount in respect of our contributions for the social insurance and the housing provident fund for our employees during the Track Record Period amounted to approximately RMB4.14 million. Reason(s): Most of our employees who have not made contributions to the social insurance scheme and housing provident fund scheme were farmer workers (not being urban employees) who were not willing to participate in the relevant schemes and made their contributions ("Relevant Employees").	Our PRC Legal Adviser has advised us that as a result of not making full contributions to the social insurance and the housing provident fund, (i) we might be ordered by the competent authority to fully pay the outstanding amount within certain time limit and (as regards the outstanding social insurance premiums) a daily fine equivalent to 0.05% of the overdue payment from the date on which the overdue payment should have been made; and (ii) if we fail to rectify such non-compliance within the specified time limit, we might be subject to additional fines or mandatory enforcement by the court. As further advised by our PRC Legal Adviser, the current PRC laws do not have any mandatory requirements for enterprises to make contributions to housing provident funds for farmer workers. We have commenced to make social insurance contributions and housing provident fund contributions for the Relevant Employees since May 2014. Up to the Latest Practicable Date, (i) we have not received any request for making up the estimated outstanding contribution nor we have been imposed any punishment as a result of such non-payment; (ii) the authorities in charge of the social insurance and the public housing fund have confirmed that currently we did not fail to pay the social insurance and the public housing provident fund. We have already made provisions in the amount of approximately RMB4.14 million in aggregate as of 30 June 2014. We believe such amount is sufficient to cover our liabilities in respect of the unpaid housing provident fund contributions and social insurance contributions. In addition, Mr. Mars Ho and SFH have undertaken to indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to observe relevant laws, regulations or rules concerning social insurance funds contribution and the housing provident funds contribution. Further, as the relevant local authorities have already confirmed that none of our Group companies in the PRC have any outstanding contributions in respect of the social insurance and the housing provident fund, our PRC Legal Adviser has advised that the risks that the relevant authorities would request us to make supplementary payment and impose administrative fines on us are relatively low.	Under the Social Insurance Law of the PRC (中華人民共和國社會保險法), as a result of not making full contribution to the social insurance, the competent authority shall order the employing entity to make the payment or make up the difference within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment. Under the Regulations on Management of Housing Provident Fund (住房公積金管理條例) of the PRC, as a result of not making full contribution to the housing provident fund, the housing provident fund management center shall order the employing entity to make the payment and deposit within a prescribed time limit; failing which, at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed or an application may be made to a People's Court for compulsory enforcement.	We plan to implement new policies including requiring new employees to provide confirmation that they are qualified and willing to make social insurance contributions and housing provident fund contributions before we employ them.

INTERNAL CONTROL MEASURES

In order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

(i) our Directors and senior management attended training sessions on applicable laws and regulations, including the Listing Rules, provided by our legal advisers prior to Listing. We will continue to arrange various trainings to be provided by the legal adviser engaged by us from time to time and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations;

(ii) we have appointed Mr. Chen Wai Chung, Edmund as our company secretary in June 2014 who will be responsible for company secretarial matters of our Group. Mr. Chen has over 16 years of experience in business management, auditing, accounting and internal control. Mr. Chen is a member of the Hong Kong Institute of Certified Public Accountants. Our Directors believe that our Company will be able to draw on his expertise and experience with respect to compliance with applicable legal and financial reporting requirements. Please see the section headed "Directors, senior management and staff" of this prospectus for more detailed biographical information of Mr. Chen;

(iii) we have appointed Madam Zhou Ning as our executive Director, who is primarily responsible for internal control matters of our Group. Please see the section headed "Directors, senior management and staff" of this prospectus for more detailed biographical information of Madam Zhou;

(iv) we have appointed Haitong International Capital Limited as our compliance adviser with effect from the date of Listing to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong;

(v) in order to manage our external and internal risks, to ensure the smooth running of our business we have engaged an independent internal control reviewer (the "IPO Internal Control Reviewer") to assist our Group to perform certain agreed-upon review procedures (AUP) from November 2013 to February 2014 on the internal control system in respect of PN21 compliance and financial statements respectively and provide recommendations for improving our internal control system. The IPO Internal Control Reviewer provides a wide range of professional services including corporate governance assessment and design, enterprise risk assessment, internal audit and compliance consultancy and advisory services and is experienced in providing consultancy services in internal controls and performing independent review on internal control and risk management systems. The IPO Internal Control Reviewer has conducted certain agreed-upon review procedures on our internal control system in certain aspects covering areas such as revenue recognition, procurement, fixed assets management, human resources, financial closing and information technology. The AUP performed noted a number of findings, and the internal control reviewer provided the corresponding suggestions for remedial actions. The IPO Internal Control Reviewer also performed follow-up procedures on the Company's system of internal control in June 2014, with regard to the remedial actions taken by the Company. The results of such two reviews are that the then remaining unresolved issues do not have any major impact on our Company's internal control system. Our Directors confirmed that our Company will have all remedial actions completed before the Listing;

(vi) in order to ensure that our Group's compliance with regulations in relation to anti-corruption and payments of customers, we have in place measures which prevent unauthorized sales and marketing activities, including bribery related activities to customers for purposes of influencing their acts or decisions. We have adopted a cash and payment management system in relation to, among other things, authorization and approval from relevant managers of different departments for movements in cash (including cash receipt and cash payments) and control over cash balance. Rigid review and approval mechanism and proper segregation of duties are also in place to ensure that the actual spending of expenses, including promotion expenses strictly follow the budget, and if the amount exceeds the budgeted figures, authorisation shall be obtained from the relevant managers. Expenses claimed by the employees need to be supported by invoices and shall be approved by the finance department and relevant expenses records shall also be reviewed by management from time to time.

Furthermore, we have incorporated the code of anti-bribery practice in the staff manual of our Group, which provides clear guidelines to each of our staff that bribery-related acts are strictly prohibited, including prohibiting acceptance of the offer by the suppliers of various form of cash (including gift cards, coupons, gifts, entertainment etc.) from suppliers or sub-contractors or other relevant parties as a result of his position in the Group.

Our Group has also formed an audit committee comprising three independent non-executive Directors as part of our measures to improve corporate governance. The primary duties of the audit committees are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors. We plan to continue strengthening our risk management policies, including anti-bribery compliances, by ensuring regular management review of relevant corporate governance measures and the implementation by each subsidiary and the corresponding departments.

VIEWS OF OUR DIRECTORS AND THE SOLE SPONSOR

Based on the above, our Directors are of the view that the non-compliance incidents were inadvertent oversight and did not involve any element of fraud or dishonesty and we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations and such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial and operational aspects. Our Directors (including our independent non-executive Directors) are satisfied and the Sole Sponsor concurs that the above non-compliance incidents would not affect the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability for listing of our Company under Rule 8.04 of the Listing Rules notwithstanding the above non-compliances on the following basis:

(i) the occurrence of the non-compliance incidents was solely due to past inadvertent oversight or unfamiliarity with the relevant rules and regulations and did not involve dishonesty or fraud on the part of our Directors;

(ii) with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance, and there are in place measures for preventing recurrence of non-compliance as disclosed above and such measures are considered as adequate and effective;

(iii) since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been accused of any breach of rules and regulations other than the non-compliance incidents as disclosed above; and

(iv) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

Based on the above, our Directors are of the view that our Company has taken reasonable steps to establish internal control system and procedures to enhance the control environment at both working and monitoring levels, and therefore, our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by our Group are adequate and effective in significantly reducing the risk of future non-compliance with legal and regulatory requirements in Hong Kong and the PRC.

Following the Listing, the following transactions are expected to continue between our Group and the relevant connected persons, which will constitute continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPTED FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Mr. Mars Ho is our chairman, chief executive officer, executive Director and one of our Controlling Shareholders and Madam Gu is the spouse of Mr. Mars Ho. Mr. Mars Ho, Madam Gu and company controlled by Mr. Mars Ho will become our connected persons upon the Listing.

As at the Latest Practicable Date, the transactions contemplated under the agreements described below were subsisting and such transactions are expected to continue following the Listing. As such, such transactions will constitute connected transactions for our Company after the Listing.

A. Leasing of property from Madam Gu

*Portion of Room 1801, Building B, Chaowai Men Office Building, No. 26 Chaowai Street, Chaoyang District, Beijing, PRC ("***Property A***")*

On 25 April 2014, Shanghai Austar and Madam Gu, a Controlling Shareholder, entered into a lease agreement ("**Property A Lease Agreement**") in respect of the leasing of Property A from Madam Gu to Shanghai Austar for a fixed term commencing from 1 May 2014 and expiring on 31 December 2016 (both days inclusive), at a rent of RMB6.5 per sq. m. per day (equivalent to a monthly rent of RMB77,951.90 on the basis of 30.5 days per month) inclusive of property management fees and payable quarterly. Property A occupies a gross floor area of approximately 393.20 sq. m. and our Group currently uses Property A for office use.

The Property A Lease Agreement does not provide a term for early termination of the lease by any party thereto prior to the expiration of the term, but under the Property A Lease Agreement, Shanghai Austar shall have the first right to purchase of Property A and a right of option to renew at three months before the expiry of the term under the Property A Lease Agreement on the same terms and conditions of the Property A Lease Agreement.

Our Directors confirm that the terms of the Property A Lease Agreement are on normal commercial terms and are determined by our Group and Madam Gu on arm's length basis with reference to prevailing market rate.

The annual rental amount payable by our Group under the Property A Lease Agreement for each of the years ending 31 December 2014, 31 December 2015 and 31 December 2016 is approximately RMB624,000, RMB935,000 and RMB935,000 respectively.

B. Leasing of property from Austar Limited

*Portion of Workshop 6 on 1/F., New Trade Plaza, No.6 On Ping Street, Shatin, New Territories, Hong Kong (“***Property B***”)*

On 30 April 2014, APPS and Austar Limited entered into a lease agreement (“**Property B Lease Agreement**”) in respect of the leasing of Property B from Austar Limited to APPS for a term commencing from 1 May 2014 and expiring on 31 December 2016 (both days inclusive), at a monthly rent of HK$15 per square foot per month (equivalent to a monthly rent of HK$7,500 on the basis of rental area of 500 square feet) exclusive of government rates and rents, management fees, utilities charges and other outgoings which shall be borne by APPS. Austar Limited is a company incorporated in Hong Kong with limited liability and is owned as to 89% by Mr. Mars Ho, our executive Director, as to 10% by Mr. KH Ho, our executive Director, and as to 1% by Madam Gu. By virtue of the relationship between Mr. Mars Ho and Austar Limited, Austar Limited is a connected person of our Company within the meaning of Chapter 14A of the Listing Rules. Property B occupies a gross floor area of approximately 500 square feet and our Group currently uses Property B for office use.

Under the Property B Lease Agreement, APPS is entitled to allow, permit the use of or sublet Property B or any part thereof to any subsidiary or associate company or joint venture or holding company of APPS or the subsidiary, associate company, joint venture of such holding company during the term without any prior consent from or notice to Austar Limited. The Property B Lease Agreement can be terminated by either party by giving not less than one month’s prior written notice to the other party.

Our Directors confirm that the terms of the Property B Lease Agreement are on normal commercial terms and are determined by our Group and Austar Limited on arm’s length basis with reference to prevailing market rate.

The annual rental amount payable by our Group under the Property B Lease Agreement for each of the years ending 31 December 2014, 31 December 2015 and 31 December 2016 is HK$60,000, HK$90,000 and HK$90,000 respectively.

Reasons for entering into the transactions contemplated under the lease agreements

The leasing of Property A is for our use as our Group’s office in Beijing and the leasing of Property B is for our Group’s office in Hong Kong. By entering into the above lease agreements, our Group will be able to continue to lease the offices after the Listing to conduct its business operations without the need to find and relocate to alternative office locations.

Historical figures

Set out below is a summary of the historical figures during the Track Record Period and the proposed annual cap amount of the consideration under the Property A Lease Agreement and the Property B Lease Agreement (collectively, the "**Lease Agreements**"):

	Historical amount				
	For the year ended 31 December			For the six months ended 30 June	Proposed annual cap amount for each of the three years ending 31 December 2016
Properties leased from our connected persons	2011	2012	2013	2014	*(Note 6)*
1. Property A: Portion of Room 1801, Building B, Chaowai Men Office Building, No. 26 Chaowai Street, Chaoyang District, Beijing, PRC	RMB155,000 *(Note 1)*	RMB155,000 *(Note 1)*	RMB935,000	RMB468,000	RMB936,000 *(Note 3)*
2. Property B: Portion of Workshop 6 on 1/F., New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong	Nil *(Note 2)*	Nil *(Note 2)*	Nil *(Note 2)*	RMB12,000	(1) RMB53,000 for the year ending 31 December 2014; (2) RMB79,000 for the year ending 31 December 2015; and (3) RMB79,000 for the year ending 31 December 2016 *(Note 4)*
Total:	RMB155,000	RMB155,000	RMB935,000	RMB480,000	(1) RMB989,000 for the year ending 31 December 2014; (2) RMB1,015,000 for the year ending 31 December 2015; and (3) RMB1,015,000 for the year ending 31 December 2016

Notes:

1. For the year ended 31 December 2011 and the year ended 31 December 2012, the leases entered into between Madam Gu and Shanghai Austar were in respect of a portion of Property A, occupying an aggregate gross floor area of approximately 81.21 sq. m. at a rent of RMB5.2 per sq. m. per day (equivalent to an aggregate monthly rent of RMB12,879.91 on the basis of 30.5 days per month) and payable monthly inclusive of property management fees.

2. No rental was paid by our Group to Austar Limited for use of Property B before the entering into of the Property B Lease Agreement.

3. For Property A, the proposed annual cap amount for each of the two years ending 31 December 2016 is based on the annual rental amount payable by our Group under the Property A Lease Agreement. For the year ending 31 December 2014, the proposed annual cap amount is based on the sum of (i) RMB623,615.2, the aggregate rental amount payable by our Group under the Property A Lease Agreement from 1 May 2014 (date of commencement of the Property A Lease Agreement) to 31 December 2014; and (ii) RMB311,807.6, the aggregate rental amount paid by our Group for the period from 1 January 2014 to 30 April 2014 under a lease agreement dated 28 May 2013 entered into between the same parties for the lease of Property A for a fixed term of 2 years ending on 31 December 2014 on the same terms per the Property A Lease Agreement (such lease agreement was terminated by the parties thereto and substituted with the entering into of the Property A Lease Agreement).

4. For Property B, the proposed annual cap amount for each of the three years ending 31 December 2016 is based on the annual rental amount payable by our Group under the Property B Lease Agreement (i.e. for 2014: HK$60,000, 2015: HK$90,000 and 2016: HK$90,000) and converted into RMB at the rate as set out in note 4 below and applying a buffer of approximately 10% to account for any fluctuation of the exchange rate that may exist between RMB and HK$.

5. Where applicable, the amounts quoted in HK$ above have been converted into RMB at a rate of HK$1.26 to RMB1. Such exchange rate has been used, where applicable, for the purposes of calculating the proposed annual cap amount.

6. The proposed annual cap amounts are calculated and rounded up to the nearest RMB1,000.

Listing Rules implications

In view of the fact that each of Madam Gu and Austar Limited is a connected person of our Company, the transactions under the Lease Agreements constitute continuing connected transactions of our Company ("**Lease Transactions**") under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the consideration payable under each of the Lease Agreements are considered on an aggregate basis for the purpose of classification of the continuing connected transactions.

For each of the three years ending 31 December 2016, the proposed annual cap amount for the aggregate consideration payable by our Group under all the Lease Agreements will be RMB989,000, RMB1,015,000 and RMB1,015,000 respectively. Such annual cap amount is estimated based on the rental payable by our Group to the lessors which are our connected persons as stipulated under the Lease Agreements.

Based on the above annual cap for each of the three years ending 31 December 2016, each of the applicable percentage ratios under the Listing Rules will be less than 5.0% and less than HK$3,000,000. Given that each of the Lease Agreements is on normal commercial terms, according to Rule 14A.76(1)(c) of the Listing Rules, the Lease Transactions will be exempt from the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) confirm that (i) the Lease Transactions have been and are entered into in the ordinary and usual course of business and on normal commercial terms that are fair and reasonable to our Group and in the interests of our Shareholders and our Group as a whole; and (ii) the proposed annual cap amount set out above are fair and reasonable and in the interests of our Shareholders taken as a whole.

CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the following persons individually and/or collectively are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company.

Name	Capacity/ nature of interests	Number of Shares held immediately after the Global Offering and the Capitalisation Issue	Approximately percentage of shareholding in our Company immediately after the Global Offering and the Capitalisation Issue
SFH *(Note 1)*	Beneficial owner	333,750,000	66.75%
Mr. Mars Ho *(Note 2)*	Interest in a controlled corporation and interest of spouse	337,500,000	67.50%
Madam Gu *(Note 3)*	Interest of spouse and interest in a controlled corporation	337,500,000	67.50%

Notes:

(1) The issued share capital of SFH is wholly-owned by Mr. Mars Ho.

(2) As: (1) Mr. Mars Ho controls more than one-third of the voting power of SFH, by virtue of the provisions in Part XV of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares in which SFH is interested or deemed to be interested; and (2) Mr. Mars Ho is the spouse of Madam Gu, Mr. Mars Ho is deemed to be interested in all the Shares in which Madam Gu is interested or deemed to be interested.

(3) As Madam Gu is the spouse of Mr. Mars Ho, by virtue of the provisions in Part XV of the SFO, she is deemed to be interested in all the Shares in which Mr. Mars Ho is interested or deemed to be interested.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing other than the transactions as disclosed in the section headed "Continuing connected transactions" in this prospectus. Having considered the following factors, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates after Listing.

Financial independence

Our Directors are of the view that we do not unduly rely on advances from our Controlling Shareholders and their related parties for the business operations. We have independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing without relying on any guarantee from our Controlling Shareholders. We make financial decisions according to our own business needs.

As at 31 December 2013, we owed AIHL, the predecessor holding company of Austar BVI, a sum of approximately HK$107.3 million (which was recorded in the financial information set out in the Accountant's Report as RMB84.4 million). On 30 April 2014, AIHL waived our obligation to repay to it an amount of approximately HK$58.6 million out of such outstanding amount and on 20 June 2014, we repaid a sum of RMB34.7 million to AIHL. The remaining outstanding amount of approximately HK$5.0 million has been repaid by our Group to AIHL in full by internally generated funds in July 2014.

As such, our Directors consider that our Group can operate independently from our Controlling Shareholders from the financial perspective.

Operational independence

Our Group has established our own set of organisational structure made up of individual departments, each with specific areas of responsibilities. We have independent access to our suppliers, distributors and customers. We have also established a set of internal control procedures to facilitate the effective operations of the business. Our production plants located in the PRC are either owned or leased by our Group and operate independently and do not rely on our Controlling Shareholders. The fact that certain of our office premises located in Beijing and in Hong Kong are leased from our connected persons as more particularly described in the section headed "Continuing connected transactions" in this prospectus does not affect our operational independence. As such, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

Management independence

Our Board

Our Board comprises nine Directors, which include four executive Directors, namely Mr. Mars Ho, Mr. KH Ho, Mr. Chen Yuewu and Madam Zhou Ning; two non-executive Directors, namely Mr. Enzo Barazetti and Madam Ji Lingling; and three independent non-executive Directors, namely Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Raco Ivan Jordanov (alias Racho Jordanov). Mr. Mars Ho is one of our Controlling Shareholders, executive Director, chief executive officer and chairman of our Board. Prior to joining our Group in April 2014, Madam Zhou Ning had been previously employed by a company controlled by Mr. Mars Ho. Madam Ji Lingling is a full-time employee of the Beijing representative office of Austar Limited, a company controlled by Mr. Mars Ho. Save as disclosed above, no other Controlling Shareholder or their representative hold any directorship in our Company.

To ensure that our Group can operate independently from our Controlling Shareholders, certain corporate governance measures have been adopted. All of our independent non-executive Directors are experienced and capable of monitoring the operations of our Group independently from our Controlling Shareholders. Therefore, our Directors are of the view that the interests of the Shareholders can be safeguarded. For details of our Directors, please refer to section headed "Directors, senior management and staff" in this prospectus. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event there are potential conflicts of interests for approving a proposed transaction due to the dual positions of our Director acting as director of our Company and another company, pursuant to the relevant provisions of the Articles, the interested Director(s) shall abstain from voting (nor be counted in the quorum) in the resolution(s) of our Board approving such transaction.

According to the employment agreements and appointment letters entered into between our Company and our executive Directors, each of our executive Directors has undertaken to our Group, among other things, that he/she will not, without any prior written approval from our Board, (i) accept any position of a company whose business may directly or indirectly compete with our Group's business or be engaged in any business which may directly or indirectly compete with our Group's business; or (ii) solicit any employee of our Group or induce them to leave our Group or solicit any customers of our Group, during the term of service with our Group and within the 12 months after expiry or termination of his/her employment.

Committees

Our Board has established (i) the audit committee; (ii) the remuneration committee; (iii) the nomination committee; (iv) the corporate governance committee; and (v) the risk management committee. Each of our audit committee, remuneration committee and nomination committee consists of a majority of independent non-executive Directors to monitor our operations.

The audit committee is responsible for reviewing and supervising our Group's financial reporting process and internal control system whereas the remuneration committee's role is to ensure that our Directors are properly remunerated without being influenced by our Controlling Shareholders. The nomination committee ensures that only persons with capability and relevant experience are appointed as Directors to avoid the appointment of individuals who may affect the independence of our Board. The corporate governance committee monitors our Group's compliance with legal and regulatory requirements. The risk management committee supervises and monitors our Company's risk and compliance management system of the Company to ensure its effective implementation by the management of our Company.

Senior Management

Our Group is also managed by the senior management who can work and carry on our business independently from our Controlling Shareholders. For details of our senior management, please refer to the section headed "Directors, senior management and staff" in this prospectus.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders after Listing.

UNDERTAKINGS

Each of our Company and our Controlling Shareholders have given certain undertakings in respect of the Shares to our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters and the Stock Exchange, details of which are set out in the section headed "Underwriting" in this prospectus. Each of our Controlling Shareholders has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 10.07(1) and 10.07(3) of the Listing Rules.

OUTSIDE INTERESTS

As at the Latest Practicable Date, AIL, a company controlled by Mr. Mars Ho, our executive Director, chairman of the Board and chief executive officer, owns approximately 43.87% interest in Austarpharma LLC, a company established in 2004 under the laws of the State of New Jersey, USA. Austarpharma LLC is principally engaged in research and development of drugs and related pharmaceutical product development. As confirmed by our Directors, the scope of business of Austarpharma LLC is not a business which competes or is likely to compete, directly or indirectly, with the business of our Group.

As confirmed by our Directors and our Controlling Shareholders, none of our Controlling Shareholders and our Directors have any interests in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group.

As further confirmed by our Controlling Shareholders, none of the companies referred to in Note 30 "Related parties transactions" to the financial statements set out in the Accountant's Report as set out in Appendix I to this prospectus which were controlled by our Controlling Shareholders as at the Latest Practicable Date were engaged in any business which competes or is likely to compete with the business of our Group.

NON-COMPETITION UNDERTAKING

Subject to the terms therein, Mr. Mars Ho, SFH, Mr. KH Ho and TWG as covenantors (collectively, the "Covenantors") entered into a deed of non-competition in favour of our Company dated 21 October 2014 ("Deed of Non-Competition"), pursuant to which each of the Covenantors has undertaken to our Company (for our Company and for the benefit of our subsidiaries) that it/he will not, and will procure that its/his close associates will not (i) either on its/his own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with our Group's business in Hong Kong, the PRC and any other country or jurisdiction to which our Group markets or sells our products and/or in which any member of our Group carries on business mentioned above from time to time ("Restricted Business") or (ii) either on its/his own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member of our Group any person, firm, company or organisation who to its or his knowledge is now or has been a customer, supplier or employee of any member in our Group.

Each of the Covenantors has also undertaken that (i) it/he will promptly provide our Company, in writing (by email, facsimile or otherwise) with any relevant information in respect of any new business opportunity which competes or may compete with the existing and future business of our Group to assess such new business opportunity and will assist our Company in obtaining such business opportunity in the terms being offered to the it/him or more favourable terms being acceptable to our Company, (ii) it/he will, and will procure its/his close associates with material interests to, abstain from voting at all meetings of Directors and holders of Shares on resolutions involving the exercise or non-exercise of the right of our Group to participate in the relevant Restricted Business, (iii) it/he will provide all information reasonably required or necessary to our Company for the enforcement of the Deed of Non-Competition and (iv) it/he will make an annual declaration in favour of our Company on whether it/he has fully complied with its/his/her obligations under the Deed of Non-Competition, for inclusion in the annual reports of our Company in the manner consistent with the principles of making voluntary disclosures in the section headed "Corporate governance report" of the annual reports prepared in accordance with the requirements of the Listing Rules from time to time.

The Deed of Non-Competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of the Covenantors under the Deed of Non-Competition will remain in effect until:

(a) (as regards each Covenantor) the date on which our Shares cease to be listed on the Stock Exchange; or

(b) (as regards Mr. Mars Ho and SFH) the day on which such Covenantor and his/its close associates, individually or taken as a whole, cease to be controlling shareholder (within the meaning defined in the Listing Rules from time to time) of the Company; or

(c) (as regards Mr. KH Ho and TWG) the day on which such Covenantor and his/its close associates, individually or taken as a whole, cease to hold 4% or more of the Shares,

whichever occurs first.

Each of the Covenantors also represented and warranted to our Company in the Deed of Non-Competition that neither of it/he nor any of its/his close associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group.

Under the Deed of Non-Competition, each and every obligation, covenant, and undertaking of Mr. Mars Ho and SFH therein are joint and several in respect of Mr. Mars Ho and SFH, and each and every obligation, covenant, and undertaking of Mr. KH Ho and TWG therein are joint and several in respect of Mr. KH Ho and TWG.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the potential conflict of interests arising from competing business and to safeguard the interests of the Shareholders:

(1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-Competition to ensure compliance with the non-compete undertaking by the Covenantors;

(2) the Covenantors have undertaken to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and compliance with the Deed of Non-Competition;

(3) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with the Deed of Non-Competition in an announcement, the interim or annual reports of our Company in accordance with the Listing Rules; and

(4) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall not participate in the relevant Board meetings when matters in which they/their close associates have a material interest are discussed.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of the Shareholders.

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity	Number of Shares held	Position	Percentage of shareholding
SFH	Beneficial owner	333,750,000	Long	66.75%
Mr. Mars Ho	Interest in controlled corporation	333,750,000 *(Note 1)*	Long	66.75%
	Interest of spouse	3,750,000 *(Note 2)*	Long	0.75%
Madam Gu	Interest in controlled corporation	3,750,000 *(Note 3)*	Long	0.75%
	Interest of spouse	333,750,000 *(Note 4)*	Long	66.75%
TWG	Beneficial owner	37,500,000	Long	7.50%
Mr. KH Ho	Interest in controlled corporation	37,500,000 *(Note 5)*	Long	7.50%
Madam Cheung Chau Ping	Interest of spouse	37,500,000 *(Note 6)*	Long	7.50%

Notes:

1. These Shares are registered in the name of SFH, a company wholly-owned by Mr. Mars Ho. By virtue of the provisions of Part XV of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares held by SFH.

2. These Shares are registered in the name of HCV, a company wholly-owned by Madam Gu. Mr. Mars Ho is the spouse of Madam Gu. By virtue of the provisions of Part XV of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares in which Madam Gu is interested or deemed to be interested.

3. These Shares are registered in the name of HCV, a company wholly-owned by Madam Gu. By virtue of the provisions of Part XV of the SFO, Madam Gu is deemed to be interested in all the Shares held by HCV.

4. These Shares are registered in the name of SFH, a company wholly-owned by Mr. Mars Ho. Madam Gu is the spouse of Mr. Mars Ho. By virtue of the provisions of Part XV of the SFO, Madam Gu is deemed to be interested in all the Shares in which Mr. Mars Ho is interested or deemed to be interested.

5. These Shares are registered in the name of TWG, a company wholly-owned by Mr. KH Ho. By virtue of the provisions of Part XV of the SFO, Mr. KH Ho is deemed to be interested in all the Shares held by TWG.

6. These Shares are registered in the name of TWG, a company wholly-owned by Mr. KH Ho. Madam Cheung Chau Ping is the spouse of Mr. KH Ho. By virtue of the provisions of Part XV of the SFO, Madam Cheung Chau Ping is deemed to be interested in all the Shares in which Mr. KH Ho is interested or deemed to be interested.

Pursuant to a deed of undertaking given by TWG and Mr. KH Ho to the Company dated 27 October 2014 ("**TWG Lock-up Undertaking**"), each of TWG and Mr. KH Ho had jointly and severally agreed and undertaken to the Company that save as permitted under the paragraph as set out below, each of TWG and Mr. KH Ho would not, without the prior written consent of the Company, at any time during the period commencing on the date of the TWG Lock-up Undertaking and ending on the date which is eight years from the Listing Date:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the Shares or any interest (whether direct or indirect) therein owned by TWG as at the Listing Date (collectively, the "**Lock-up Shares**"); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any direct or indirect interest in the Lock-up Shares or any of them; or

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) agree or contract to, or announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise (the actions referred to in paragraphs (a), (b), (c) and (d) above are referred to as "**Disposal**").

The TWG Lock-up Undertaking shall not prohibit any Disposal which does not exceed the relevant threshold in the period referred to below:

Period	Accumulative Lock-up Shares that can be Disposed of
(i) From the first anniversary of the Listing Date up to (and including) the day immediately before the second anniversary of the Listing Date	25.0% of the Lock-up Shares
(ii) From the second anniversary of the Listing Date up to (and including) the day immediately before the third anniversary of the Listing Date	37.5% of the Lock-up Shares
(iii) From the third anniversary of the Listing Date up to (and including) the day immediately before the fourth anniversary of the Listing Date	50.0% of the Lock-up Shares
(iv) From the fourth anniversary of the Listing Date up to (and including) the day immediately before the fifth anniversary of the Listing Date	62.5% of the Lock-up Shares
(v) From the fifth anniversary of the Listing Date up to (and including) the day immediately before the sixth anniversary of the Listing Date	75.0% of the Lock-up Shares
(vi) From the sixth anniversary of the Listing Date up to (and including) the day immediately before the seventh anniversary of the Listing Date	87.5% of the Lock-up Shares

DIRECTORS

Our Board comprises 9 Directors, including 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Position	Roles and Responsibilities	Date of appointment as Director	Date of joining our Group
Mr. Ho Kwok Keung, Mars (何國強)	52	Chairman, Executive Director and Chief Executive Officer	Responsible for overseeing the business, corporate strategy, long-term planning all-round development and the daily operations of the Group, chairman of nomination committee and member of corporate governance committee	9 January 2014	Founder of our Group
Mr. Ho Kin Hung (何建紅)	57	Executive Director	Participating in formulating the Company's operations, corporate and business strategies, managing and overseeing sales function of the Group	9 January 2014	20 August 2003
Mr. Chen Yuewu (陳躍武)	47	Executive Director	Participating in formulating the Company's operations, corporate and business strategies, managing and overseeing technology centre of the Group	20 June 2014	1 August 2005

Name	Age	Position	Roles and Responsibilities	Date of appointment as Director	Date of joining our Group
Madam Zhou Ning (周寧)	41	Executive Director	Participating in formulating the Company's corporate and business strategies, internal control, chairlady of each of corporate governance committee and risk management committee	20 June 2014	10 April 2014
Mr. Enzo Barazetti	63	Non-executive Director	Participating in formulating the Company's corporate and business strategies, member of risk management committee and remuneration committee	20 June 2014	27 June 2012
Madam Ji Lingling (季玲玲)	32	Non-executive Director	Participating in formulating the Company's corporate and business strategies, member of risk management committee and audit committee	20 June 2014	20 June 2014

Name	Age	Position	Roles and Responsibilities	Date of appointment as Director	Date of joining our Group
Mr. Cheung Lap Kei (張立基)	42	Independent non-executive Director	Bringing an independent judgment to bear on issues of strategy, investment, policy performance, accountability, resources, key appointments and standards of conduct, chairman of audit committee and member of each of remuneration committee and nomination committee	21 October 2014	21 October 2014
Madam Chiu Hoi Shan (趙凱珊)	37	Independent non-executive Director	Bringing an independent judgment to bear on issues of strategy, investment, policy performance, accountability, resources, key appointments and standard of conduct, chairlady of remuneration committee and member of each of audit committee, nomination committee and corporate governance committee	21 October 2014	21 October 2014

Name	Age	Position	Roles and Responsibilities	Date of appointment as Director	Date of joining our Group
Mr. Raco Ivan Jordanov (alias Racho Jordanov)	66	Independent non-executive Director	Bringing an independent judgment to bear on issues of strategy, investment, policy performance, accountability, resources, key appointments and standard of conduct	21 October 2014	21 October 2014

EXECUTIVE DIRECTORS

Mr. Ho Kwok Keung, Mars (何國強), aged 52

Executive Director, chairman of the Board and chief executive officer

Mr. Mars Ho was appointed as a Director on 9 January 2014 and became our executive Director with effect from 20 June 2014. He is also the chairman of our Board and chief executive officer. Mr. Ho is the founder of the Group and is responsible for overseeing the business, corporate strategy, long-term planning all-round development of our Group. He has over 29 years of experience in the pharmaceutical industry. Prior to founding our Group, Mr. Mars Ho worked as an assistant manager in the Pharmaceutical Equipment Department of Sun Hung Kai (China) Limited* from June 1985 to April 1988, where he was responsible for marketing of pharmaceutical equipment. Sun Hung Kai (China) Limited* was primarily engaged in a number of businesses, including property development, hotels, infrastructures, telecommunications and property management. From May 1988 to October 1990 he worked as a sales manager of Pharmaceutical and Chemical Industry for Leybold Limited (Hong Kong), where he was primarily responsible for the sales and marketing of products in the pharmaceutical, chemical and vacuum coating industries. Leybold Limited (Hong Kong) was primarily engaged in vacuum technology, vacuum process engineering, measuring and analytical technology. Mr. Mars Ho also worked as a sales manager for China Fen Hin Industrial Co., Ltd from November 1990 to April 1991 where he was responsible for managing and supervising the sales department and designing marketing plans. China Fen Hin Industrial Co., Ltd was engaged in the export and wholesale of Chinese medicine and health products. Since 1991, Mr. Mars Ho started his own business of an equipment agent company.

Through co-operating with various reputable companies and by founding various pharmaceutical related companies, Mr. Mars Ho has been exposed in different aspects of the pharmaceutical industry. Mr. Mars Ho has also been serving some of the multinational pharmaceutical companies clients and pharmaceutical research institutes and manufacturers in PRC. His technical knowledge has been acquired from his execution of projects and business with various partners over the past decades.

In recognition of Mr. Mars Ho's dedication and achievements in the pharmaceutical industry, he was selected and awarded the honor of pharmaceutical 中國醫藥"60年 60人" ("60 Elites of 60 years" in China Pharmaceutical) in November 2009, which is a recognition of his effort in influencing and contributing to the pharmaceutical industry in China. He served as the chairman of China Affiliate of International Society of Pharmaceutical Engineering (ISPE) from 2011 to 2012, which is an organisation established with the mission of connecting the world of pharmaceutical industry professionals, and he has been a member of the ISPE China Board of directors and executive council from 2013 to 2014. Mr. Mars Ho co-edited a number of pharmaceutical professional books such as Pharmaceutical Process Validation Manual, Microbial Control in Pharmaceutical Cleanroom, Pharmaceutical Liquid Process, and Pharmaceutical Water Systems. He is the current technical consultant and a member of the board of directors of China National Pharmaceutical Packaging Association.

Mr. Mars Ho obtained a bachelor of science degree in engineering from the University of Hong Kong in Hong Kong in November 1985.

Mr. Mars Ho had been a director of the companies below, which had been dissolved or struck off prior to the Latest Practicable Date. As confirmed by Mr. Mars Ho, each of such companies was dormant and solvent prior to the dissolution/being struck off.

Name of Company	**Jurisdiction**	**Date of dissolution/ strike off**	**Nature of business before dissolution**
Austar Hansen Limited (奧星恒迅有限公司)	Hong Kong	27 January 2006	Inactive
Austar Scientific Limited (奧星科儀有限公司)	Hong Kong	7 July 2006	Inactive
GF Austar Limited	Hong Kong	29 August 2008	Holding company
Angelantoni-Austar Limited (奧星安吉拉東尼有限公司)	Hong Kong	5 October 2012	Holding company
PDMed Ltd	BVI	1 November 2008	Holding company
Austar Medical Industrial Limited (奧星醫療實業有限公司)	BVI	1 November 2007	Holding company
AustarPharma Limited	BVI	1 November 2006	Holding company
Austar Pharma Research & Manufacturing Limited	BVI	1 November 2010	Holding company
Austar Pharmaceutical Equipment Limited (奧星製藥設備有限公司)	BVI	15 January 2014	Holding company

Name of Company	Jurisdiction	Date of dissolution/ strike off	Nature of business before dissolution
Austar Pharmaceutical Process System Limited (奧星製藥工藝系統有限公司)	BVI	1 May 2013	Holding company
Austar PMC (SH) Limited	BVI	1 May 2013	Holding company
Austar Medical Rubber (China) Limited (previous name Samsung Medical Rubber (China) Ltd.) (奧星醫療橡膠(中國)有限公司)	BVI	1 May 2013	Holding company
AustarPharma Holding Limited	Cayman Islands	31 December 2008	Holding company
AustarPharma Limited	Cayman Islands	1 November 2006	Holding company
AustarPharma Laboratories Limited	Cayman Islands	29 October 2010	Holding company
AustarPharma Research Limited	Cayman Islands	29 October 2010	Holding company
PD Med Limited (北京施普德生物醫學技術研究院有限公司)	PRC	17 June 2008	Inactive
Beijing Austar Hengxun Medical Technology Limited (北京奧星恒迅醫藥科技有限公司)	PRC	27 June 2006	Inactive
SenXing Medical Rubber (Beijing) Limited (森星醫療橡膠(北京)有限公司)	PRC	28 December 2012	Inactive
Angelantoni Refrigeration Technology (Shanghai) Ltd. (上海奧星安吉拉東尼機械裝備有限公司)	PRC	14 July 2011	Inactive
Shanghai Austar Hengjie Cleanser Limited (上海奧星衡潔清洗劑有限公司)	PRC	25 December 2012	Inactive
Austar Real Project Consulting (Shanghai) Ltd. (奧星瑞爾工程諮詢(上海)有限公司)	PRC	12 March 2014	Inactive
Shijiazhuang Austar Technical & Service Co., Ltd. (石家莊奧星技術服務有限公司)	PRC	29 December 2011	Inactive
Austar Inc.	USA	16 January 2007	Dormant

Save as disclosed above, Mr. Mars Ho has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Ho Kin Hung (何建紅), aged 57
Executive Director

Mr. KH Ho was appointed as a Director on 9 January 2014 and became our executive Director with effect from 20 June 2014. He joined our Group on 20 August 2003 and is responsible for overall management of operations and sales of the Group. He has approximately 33 years of experience in the pharmaceutical industry. Prior to joining our Group, Mr. KH Ho worked as a marketing executive at China Fen Hin Medicine Co., Ltd from February 1981 to January 1992, where he was responsible for marketing. China Fen Hin Medicine Co., Ltd was primarily engaged in the export and wholesale of Chinese medicine and health products. He obtained a higher diploma in china trade awarded jointly by the Hong Kong Management Association and the Institute of Research on Economics of SEZs, Hong Kong and Macau Jinan University, China in October 1987.

Mr. KH Ho had been a director of the companies below, which had been dissolved or struck off prior to the Latest Practicable Date. As confirmed by Mr. KH Ho, each of such companies was dormant and solvent prior to the dissolution/being struck off.

Name of Company	Jurisdiction	Date of dissolution/ strike off	Nature of business before dissolution
Austar Scientific Limited (奧星科儀有限公司)	Hong Kong	7 July 2006	Inactive
Angelantoni-Austar Limited (奧星安吉拉東尼有限公司)	Hong Kong	5 October 2012	Holding company
PDMed Ltd	BVI	1 November 2008	Holding company
Austar Medical Industrial Limited (奧星醫療實業有限公司)	BVI	1 November 2007	Holding company
AustarPharma Limited	BVI	1 November 2006	Holding company
Austar Pharma Research & Manufacturing Limited	BVI	1 November 2010	Holding company
Austar PMC (SH) Limited	BVI	2 May 2013	Holding company
Austar Medical Rubber (China) Limited (previous name Samsung Medical Rubber (China) Ltd.) (奧星醫療橡膠(中國)有限公司)	BVI	1 May 2013	Holding company
PD Med Limited (北京施普德生物醫學技術研究院有限公司)	PRC	17 June 2008	Inactive

Name of Company	Jurisdiction	Date of dissolution/ strike off	Nature of business before dissolution
SenXing Medical Rubber (Beijing) Limited (森星醫療橡膠(北京)有限公司)	PRC	28 December 2012	Inactive
Austar Real Project Consulting (Shanghai) Ltd. (奧星瑞爾工程諮詢(上海)有限公司)	PRC	12 March 2014	Inactive
Austar Inc.	USA	16 January 2007	Dormant

Save as disclosed above, Mr. KH Ho has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Chen Yuewu (陳躍武), aged 48
Executive Director

Mr. Chen Yuewu was appointed as our executive Director with effect from 20 June 2014. Mr. Chen joined our Group on 1 August 2005. He is responsible for overall management of operations and managing technology centre of the Group. Mr. Chen has approximately 24 years of experience in the pharmaceutical industry. Prior to joining our Group, he worked as a production manager at 河北聯合製藥有限公司 (Hebei Union Pharmaceutical Company Limited*) from September 1990 to March 2000 where he was responsible for managing the engineering department and the production department. 河北聯合製藥有限公司 (Hebei Union Pharmaceutical Company Limited*) was engaged in pharmaceutical production. Mr. Chen has been a technical services manager in a company controlled by Mr. Mars Ho, our chairman, chief executive officer and one of our Controlling Shareholders since April 2000. Mr. Chen obtained a bachelor's degree of electrical engineering in industrial electrical and automated production in July 1990 from 河北工學院 (Hebei Institute of Technology*) in China. He further completed a one-year course in economics and management strategy at the 北京大學 (Peking University*) in October 2012.

Mr. Chen Yuewu has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Madam Zhou Ning (周寧), aged 41
Executive Director

Madam Zhou Ning was appointed as our executive Director with effect from 20 June 2014. Madam Zhou joined our Group on 10 April 2014. She is responsible for overall management of operations and internal control of the Group. Madam Zhou has over 9 years of experience in the pharmaceutical industry. Prior to joining our Group, Madam Zhou worked as project manager at 北京國際經濟技術公司 (Beijing International Economics and Technology Co., Ltd*) from July 1995 to December 1999, where she was responsible for the operations of international exhibitions. 北京國際經濟技術公司 (Beijing International Economics and Technology Co., Ltd*) is a subsidiary of 北京市貿促會 (China Council for the Promotion of International Trade Beijing Sub-council*), which was engaged in the promotion of international trade and exchange of technology between different countries and PRC, and it is a sub-council of 中國國際貿易促進委員會 (China Council for the Promotion of International Trade*). Before joining our Group in April 2014, from November 2005 to 14 February 2014, Madam Zhou had been employed by a company controlled by Mr. Mars Ho, our chairman, chief executive officer and one of our Controlling Shareholders, as an assistant to Mr. Mars Ho, assisting the coordination and communication of different business segments, and as the chief financial officer, where she was responsible for procurement and financial matters. Madam Zhou graduated with a bachelor's degree of arts from 北京師範大學 (Beijing Normal University*) in China in June 1995 and a master's degree in business administration from 北京大學 (Peking University*) in China in January 2006.

Madam Zhou Ning has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

NON-EXECUTIVE DIRECTORS

Mr. Enzo Barazetti, aged 63

Non-executive Director

Enzo Barazetti was appointed as our non-executive Director with effect from 20 June 2014. Mr. Barazetti joined our Group on 27 June 2012. Mr. Barazetti has approximately 40 years of experience in financial management, mainly spent in engineering companies. Prior to joining the Group, he acted as the assistant to the CFO and was responsible for preparing the quarterly financial reports and the annual financial statements of Mobiliare Industriale Cisalpina Spa (Heineken Group) from February 1973 to October 1978. Mobiliare Industriale Cisalpina Spa was primarily engaged in the food and beer industry. From October 1978 to January 1982, Mr. Barazetti worked for Erre Service Srl as an assistant to the CFO, where he was responsible for managing all the financial activities and the implementation of administration internal control. Erre Service Srl (Waircom Group) was engaged in the business of manufacturing of pneumatic cylinders and valves. He worked for Fosweco Spa as the financial director from February 1982 to June 1986 where he was responsible for financial, accounting, personnel and legal activities. Fosweco Spa (Foster Wheeler Group) was a company engaged in the business of engineering and installation of water system plants. From June 1986 to December 2003 he was employed by Foster Wheeler Finanziaria Srl (Foster Wheeler Group) and was seconded to Steril Spa. In this company he acted as CFO and member of the executive committee with the responsibility of all financial, administrative, personnel and legal activities. Steril Spa engaged in the business of engineering in the pharmaceutical field. From March 2004 to December 2005 he worked for Foster Wheeler Italiana with the responsibility of risk management and supporting financial activities. Foster Wheeler Continental Europe Srl was a holding company of the Foster Wheeler Group companies in Europe. From January 2006 to December 2010, he worked for Angelantoni Industrie Spa (Angelantoni Group) as Business Developer with the responsibility to establish partnerships and M&A. Angelantoni Industrie Spa was engaged in the business of manufacturing pharmaceutical equipments, automotive devices and green power. Mr. Barazetti graduated in 1970 in business economy high school Enrico de Nicola – Monza (Milano).

Mr. Barazetti had been a Director of the companies below, which had been dissolved or struck off prior to the Latest Practicable Date. As confirmed by Mr. Barazetti, each of such companies was dormant and solvent prior to the dissolution/being struck off.

Name of Company	Jurisdiction	Date of dissolution/ strike off	Nature of business before dissolution
GF Austar Limited	Hong Kong	29 August 2008	JV holding company
Angelantoni-Austar Limited (奧星安吉拉東尼有限公司)	Hong Kong	5 October 2012	JV holding company
Steril Spa	Italy	31 December 2004	Pharmaceutical engineering

Mr. Enzo Barazetti was a director of Steril SPA from 1987 to 2004. Steril Spa was deregistered because of the merger with Foster Wheeler Continental Europe S.r.l. in 2004. Steril Spa prior to deregistration was a pharmaceutical engineering company.

Save as disclosed above, Mr. Barazetti has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Madam Ji Lingling (季玲玲), aged 32
Non-executive Director

Madam Ji Lingling was appointed as our non-executive Director with effect from 20 June 2014, on which she joined our Group. Madam Ji is a qualified lawyer in the PRC and has approximately 10 years experience in legal compliance. Prior to becoming our Chairman's assistant in 2005, she worked as a sales assistant in 北京啟迪世紀通訊技術有限公司 (Beijing Unismobile Communication Technology Co*) which is a company engaged in the research and development of communication and computer products from May 2004 to July 2005. Since July 2005, Madam Ji has been employed by a company controlled by Mr. Mars Ho, our chairman, chief executive officer and one of on our Controlling Shareholders, as an assistant to Mr. Mars Ho, assisting our Chairman in overseeing all legal matters. Madam Ji graduated from 中國人民大學 (Ren Min University of China*) in China with a bachelor's degree in laws in July 2004 and from 北京大學 (Peking University*) in China with a master's degree in laws in January 2012 respectively.

Madam Ji Lingling has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Lap Kei (張立基), aged 42

Independent non-executive Director

Mr. Cheung Lap Kei was appointed as our Group's independent non-executive Director with effect from 21 October 2014. He has approximately 20 years of experience in auditing and accounting field. Mr. Cheung worked as an audit assistant for George Yau & Co, a certified public accountants' firm from May 1994 to February 1996. From December 1996 to December 1998, he worked as a staff accountant for Ernst & Young. He worked for KPMG from October 1999 to January 2005. By the time he left KPMG, he was a manager. Both Ernst & Young and KPMG are certified public accountants' practice offering a variety of professional services including audit and assurance, consultancy, corporate finance and tax. He also served as the group financial controller, qualified accountant, authorised representative and company secretary of China Ruifeng Renewable Energy Holdings Limited (previously known as Galaxy Semi-Conductor Holdings Limited) (Stock code 527) from February 2005 to January 2008. Mr. Cheung served as the chief financial officer, qualified accountant, authorised representative and company secretary of United Photovoltaics Group Ltd (previously known as Time Infrastructure Holdings Limited) (Stock code 686), from June 2008 to January 2009. Mr. Cheung received a bachelor's degree in commerce from Australian National University in Australia in September 1994, and a master's degree in business administration from Deakin University in Australia in August 2006. He is an associate member of the Hong Kong Institute of Certified Public Accountants since October 1998 and a member of Certified Public Accountants of Australia since March 1998. Mr. Cheung currently works in the following publicly listed companies:

Name of the Company	Listing Venue	Stock Code	Title	Date of commencement of service
China Zhongwang Holdings Limited	Hong Kong	1333	Chief Financial Officer, Company Secretary and authorised representative	30 December 2008

Mr. Cheung has not been a director of any publicly listed company during the three years preceding the date of this prospectus. Given Mr. Cheung's extensive experience in the accounting area and his professional background, our Directors believe that he has appropriate accounting and related financial management expertise and is competent to discharge his duties as an independent non-executive Director.

Madam Chiu Hoi Shan (趙凱珊), aged 37

Independent Non-executive Director

Madam Chiu Hoi Shan was appointed as our independent non-executive Director with effect from 21 October 2014. Madam Chiu obtained a Bachelor of Laws degree and a Postgraduate Certificate in Laws from the University of Hong Kong in December 1998 and June 1999 respectively. She has been practising as a solicitor in Hong Kong since August 2001 and her practice has been focusing on civil litigation and corporate commercial matters. She is currently a partner at S.H. Leung & Co. which is a solicitor's firm in Hong Kong engaged in the provision of various legal services. Madam Chiu is also the company secretary of Chongqing Machinery and Electric Co., Ltd., a company whose shares are listed on the Main Board of the Stock Exchange (Stock code 2722).

Madam Chiu Hoi Shan has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Raco Ivan Jordanov (alias Racho Jordanov), aged 66

Independent Non-executive Director

Mr. Raco Ivan Jordanov (alias Racho Jordanov) is our Group's independent non-executive Director. He was appointed as our independent non-executive Director on 21 October 2014. Mr. Jordanov has over 30 years of experience in building and leading manufacturing operations in development-stage and multi-national biopharmaceutical companies. He spent approximately 20 years in Genentech Inc. as senior director in Singapore Operations, where he established outsourcing capabilities for pharmaceutical product substance and products, medical devices and developed manufacturing facilities. Genentech Inc. is a company which engages in the research, discovery, development, manufacture and marketing of biotechnology products. Mr. Jordanov also served as management in various companies such as Telios Pharmaceuticals and Serono S.A. before he established his own company JHL Biotech in 2012 which provides process development and manufacturing services to emerging and established biopharmaceutical companies seeking to commercialise high-quality, affordable medicine.

He obtained his bachelor in science in biology at the University of California, U.S.A in 1975, bachelor degree in mechanical engineering at the Sofia Institute of Technology, Bulgaria in June 1969 and a master degree in business administration at the National University, San Diego, U.S.A in 1980.

Mr. Jordanov has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Save as disclosed above, there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51 of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The following list sets forth certain information relating to the members of our senior management (other than Directors) who are primarily responsible for the operations and management of our Group.

Name	Age	Position	Roles and Responsibilities	Date of appointment	Date of joining our Group
Mr. Gao Qiang (高強)	40	Vice president	Strategic planning and execution, cooperation with business partners and overseas market expansion	1 January 2014	17 December 2012
Madam Tang Xiangdi (唐湘娣)	36	Financial controller	Financial management	1 November 2013	1 January 2013
Mr. Yi Jun (易軍)	49	General manager of Liquid and Bioprocess System	Implementation and management of the liquid and Bioprocess System	12 September 2008	9 October 2003

Mr. Gao Qiang (高強), aged 40
Vice President

Mr. Gao Qiang was appointed as our vice president from 1 January 2014 and he is responsible for the strategic planning and execution, cooperation with business partners and overseas market expansion of our Group. Mr. Gao joined our Group in December 2012. He has approximately 9 years of experience in pharmaceutical industry and business development and international market operations. Prior to joining our Group, he has been employed as an assistant to managing director and vice general manager in a company controlled by Mr. Mars Ho, our chairman, chief executive officer and one of our Controlling Shareholders from November 2004 to December 2012 and from September 1999 to October 2004, he worked as a manager of the knowledge management department at Dan Form Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (Stock code 271), which is a company engaged in the investment of real estate, where he was responsible for management information system and knowledge management. Mr. Gao obtained a bachelor of arts degree majoring in English from 吉林大學 (Jilin University*) in China in July 1997 and a master's degree of business administration from a programme jointly operated by 北京大學 (Peking

University*) in China and a number of universities in the United States of America in February 2005. Mr. Gao Qiang has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Madam Tang Xiangdi (唐湘娣), aged 36

Financial Controller

Madam Tang Xiangdi was appointed as our Group's financial controller from 1 November 2013 and she is primarily responsible for the financial management of our Group. Madam Tang joined our Group in January 2013. She has over 10 years of experience in financial reporting and treasury management. From July 2000 to May 2002, she worked as an accountant at 北京匯金科技有限責任公司 (Beijing Nasoft Co. Ltd*), a company engaged in the research and development of software and information systems and she was responsible for preparing the accounting documents, and tax returns. She worked as a finance manager in 樂金電子(中國)有限公司(北京營業部) (LG Electronics (China) Co., Ltd (Beijing Sales office*), a company engaged in the manufacturing, sales, and the research and development of various electronic products, and home appliances, from May 2002 to June 2007 and she was responsible for reviewing the daily, monthly and annual financial reports. From June 2007 to April 2009 she worked as a finance manager responsible for reviewing, examining and monitoring the revenue and expenses in the daily operations, audit reports and inventory level at 北京同樂寒舍國際餐飲有限責任公司 (My Humble House in Beijing (Restaurant) Company Limited*), a company engaged in catering business. She has been a finance manager since April 2009 in a company controlled by Mr. Mars Ho, our chairman, chief executive officer and one of our Controlling Shareholders. Madam Tang obtained a bachelor's degree in management at 中南財經政法大學 (Zhongnan University of Economics and Law*) in June 2000. She also obtained a master's degree of business administration from 北京大學 (Peking University) in June 2014. Madam Tang Xiangdi has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Yi Jun (易軍), aged 49

General Manager of Liquid and Bioprocess System

Mr. Yi Jun was appointed as the general manager of our Group's Liquid and Bioprocess Process System from 12 September 2008. Mr. Yi joined our Group in October 2003. He is primarily responsible for management and implementation of the Liquid and Bioprocess System. Mr. Yi has approximately 27 years of experience in the pharmaceutical industry. Prior to joining our Group, Mr. Yi worked as the department head of engineering and freeze dry machines from July 1986 to July 1996 at 河北聯合製藥有限公司 (Hebei Union Pharmaceutical Company Limited*), a company engaged in production of various pharmaceutical products. Mr. Yi obtained a bachelor's degree in mechanical engineering from 河北化工學院 (Hebei Institute of Chemical Engineering*) (now known as 河北科技大學 (Hebei University of Science and Technology*)) in China in July 1986. Mr. Yi Jun has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Chen Wai Chung, Edmund (陳煒聰), aged 42

Mr. Chen Wai Chung, Edmund was appointed as our Group's vice president and company secretary on 24 June 2014. Mr. Chen is responsible for overseeing our Group's financial planning and management. He joined our Group in December 2013. He has over 16 years of experience in accounting and financial control. Prior to joining our Group, Mr. Chen worked as the financial consultant of 貴州一樹連鎖藥業有限公司 (Guizhou Ensure Pharmaceutical Company Limited*), a company engaged in the retail of Chinese and western medicines from March 2003 to August 2004 and from April 2011 to January 2012, where he was responsible for preparing financial statements, business restructuring and financing matters. He held various positions in KPMG Huazhen (Beijing office) and KPMG (Hong Kong office) from September 2004 to March 2011, where he was responsible for conducting internal control reviews, and auditing relating to Chinese enterprises restructuring and initial public offering. KPMG (Hong Kong office) and KPMG Huazhen (Beijing office) are certified public accountants' firm offering a variety of professional services including audit and assurance, consultancy, corporate finance and tax. Mr. Chen worked as the Chief Financial Officer of 中工裝備控股有限公司 (Sinomachinery Holding Limited*), a company engaged in developing and manufacturing of small and medium machinery products from February 2012 to January 2013, where he was responsible for financial management and cash flow management. Mr. Chen obtained a bachelor's degree in accountancy from the City University of Hong Kong in December 1996 and he is a member of the Hong Kong Institute of Certified Public Accounts. Mr. Chen is currently an independent non-executive director of Simsen International Corporation Limited (stock code 993). Save as disclosed herein, Mr. Chen has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal control procedures so as to achieve accountability.

Our Company has adopted a code of corporate governance, containing the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Our Directors will use their best endeavours to procure our Company to comply with such code of corporate governance save for the deviation below and make disclosure of deviation from such code in accordance with the Listing Rules.

Pursuant to code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, our Company does not have a separate chairman and chief executive officer, with Mr. Mars Ho currently performing these two roles. Our 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 our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and efficiently.

BOARD COMMITTEES

Audit committee

Pursuant to Rule 3.21 of the Listing Rules, an audit committee was established by our Board on 21 October 2014 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our 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. The audit committee 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.

Remuneration committee

We established the remuneration committee on 21 October 2014 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. The remuneration committee comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and one non-executive Director, namely, Mr. Enzo Barazetti. Madam Chiu Hoi Shan is the chairlady of the remuneration committee.

Nomination committee

We established the nomination committee on 21 October 2014 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and senior management. The nomination committee comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and one executive Director, namely, Mr. Mars Ho. Mr. Mars Ho is the chairman of the nomination committee.

Corporate governance committee

We established the corporate governance committee on 21 October 2014 with written terms of reference. The primary duties of the corporate governance committee are to develop and review our Company's policies and practices on corporate governance and make recommendations to our Board and to review and monitor the training and continuous professional development of directors and senior management of our Group. The corporate governance committee comprises one independent non-executive Director, namely Madam Chiu Hoi Shan and two executive Directors, namely, Mr. Mars Ho and Madam Zhou Ning. Madam Zhou Ning is the chairlady of the corporate governance committee.

Risk management committee

We established the risk management committee on 21 October 2014 with written terms of reference. The primary duties of the risk management committee are to review our risk management policies and standards, as well as the fundamental concepts and scope of compliance management and to provide comment on the overall target and basic policy of the compliance and risk management. The risk management committee comprises two non-executive Directors, namely, Mr. Enzo Barazetti and Madam Ji Lingling and one executive Director, namely Madam Zhou Ning. Madam Zhou Ning is the chairlady of the risk management committee.

DIRECTORS' REMUNERATION

In each of the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, the total remuneration (comprising fees, salaries and allowances, discretionary bonuses and pension scheme contribution) and benefits in kind of our Directors was RMB0.7 million, RMB2.3 million, RMB4.8 million and RMB3.4 million, respectively.

The aggregate remuneration (including fees, basic salaries, allowances and other benefits and contributions to pension schemes, housing allowances, other allowances and benefits in kind, and discretionary bonuses) of key management for the three years ended 31 December 2013 and the six months ended 30 June 2014 was approximately RMB1.7 million, RMB4.2 million, RMB7.6 million and RMB4.9 million respectively.

Save as disclosed above, no other payments have been paid or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

Except as disclosed above, no other amounts have been paid or were payable by us to the Directors and members of the senior management for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014.

We will determine the remuneration of our Directors on the basis of their experience, performance, duties and market conditions.

Under the remuneration policy of our Company, the remuneration committee of our Board will consider factors such as salaries paid by comparable companies, time commitment, responsibilities and performance of our Directors, senior management and key employees, as the case may be, in assessing the amount of remuneration payable to our Directors and such employees. It is estimated that under the arrangements currently in force, the aggregate remuneration of the Directors payable in respect of the year ending 31 December 2014 is estimated to be approximately RMB5.4 million.

STAFF

As at the Latest Practicable Date, our Group employed 957 employees which represented 954 employees in the PRC, 3 employees overseas. Our Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where our Group operates.

Set out below is a breakdown of the number of our full-time employees by function as at the same date:

	Number of employees	**Percentage of total (%)**
Research and development	34	3.5
Sales and marketing	170	17.3
Administration	141	14.2
Project management and execution	488	51.0
Manufacturing	134	14.0
Total	967	100

The table below shows the movement of the number of full-time employees by function during the Track Record Period:

	As at 31 December			**As at 30 June**	**Change**		
	2011	**2012**	**2013**	**2014**	**2012 vs. 2011**	**2013 vs. 2012**	**2014 June vs. 2013 December**
	(No. of employees)	*(No. of employees)*	*(No. of employees)*	*(No. of employees)*	*(No. of employees)*	*(No. of employees)*	*(No. of employees)*
Research and development	12	15	24	24	+3	+9	–
Sales and marketing	86	106	147	174	+20	+41	+27
Administration	91	108	136	139	+17	+28	+3
Project management and execution	240	272	436	468	+32	+164	+32
Manufacturing	95	102	104	132	+7	+2	+28
Total	524	603	847	937	+79	+244	+90

The table below shows the movement of full-time employees by segment during the Track Record Period:

	As at 31 December			As at 30 June	Change		
	2011	**2012**	**2013**	**2014**	**2012 vs. 2011**	**2013 vs. 2012**	**2014 June vs. 2013 December**
	(No. of employees)	*(No. of employees)*	*(No. of employees)*	*(No. of employees)*	*(No. of employees)*	*(No. of employees)*	*(No. of employees)*
Liquid and Bioprocess System	199	216	323	362	+17	+107	+39
Clean Room and Automation Control and Monitoring System	118	146	175	184	+28	+29	+9
Powder and Solid System	23	27	56	51	+4	+29	–5
GMP Compliance Service	82	87	120	124	+5	+33	+4
Life Science Consumables	26	31	41	49	+5	+10	+8
Distribution and Agency of Pharmaceutical Equipment	16	20	26	24	+4	+6	–2
Other supporting functions	60	76	106	143	+16	+30	+37
Total	524	603	847	937	+79	+244	90

Employees' benefits

Our Group has established various welfare plans including the provision of basic pension funds, basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be notifiable or connect transaction under the Listing Rules, is contemplated including share issue and share repurchases;

(c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after Listing.

SHARE CAPITAL

The following table is prepared on the basis that the Global Offering and the Capitalisation Issue were effected. This table does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased pursuant to the Issuing Mandate and the Repurchase Mandate.

		HK$
Authorised share capital		
10,000,000,000	Shares	100,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue:		
1,000,000	Shares in issue as of the date of this prospectus	10,000
125,000,000	Shares to be issued under the Global Offering	1,250,000
374,000,000	Shares to be issued under the Capitalisation Issue	3,740,000
500,000,000		5,000,000

If the Over-allotment Option is exercised in full, our issued share capital immediately following the Global Offering, the Capitalisation Issue and the issue of Shares pursuant to the exercise of the Over-allotment Option will be as follows:

		HK$
Authorised share capital		
10,000,000,000	Shares	100,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:		
1,000,000	Shares in issue as of the date of this prospectus	10,000
143,750,000	Shares to be issued under the Global Offering and the exercise of the Over-allotment Option	1,437,500
374,000,000	Shares to be issued under the Capitalisation Issue	3,740,000
518,750,000		5,187,500

The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

Assumptions

The above tables assume that the Global Offering and the Capitalisation Issue become unconditional. It takes no account of Shares which may be allotted and issued upon the exercise of the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and the Repurchase Mandate.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares save with respect to the Capitalisation Issue.

ISSUING MANDATE

Subject to the conditions set forth in the section headed "Structure and conditions of the Global Offering" in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to allot, issue and deal with the Shares with an aggregate nominal value not exceeding:

– 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), and

– the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

This mandate will expire:

– at the conclusion of the next annual general meeting of our Company; or

– upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

– the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or reviewing such mandate,

whichever is the earliest.

For further details of the Issuing Mandate, please refer to the paragraph headed "5. Resolutions in writing of all our Shareholders passed on 21 October 2014" in Appendix IV to this prospectus.

REPURCHASE MANDATE

Subject to the conditions set forth in the section headed "Structure and conditions of the Global Offering" in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the Listing Rules. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the paragraph headed "6. Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

This mandate will expire:

– at the conclusion of the next annual general meeting of our Company; or

– upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

– the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate,

whichever is the earliest.

For further information about the Repurchase Mandate, please refer to the paragraph headed "5. Resolutions in writing of all our Shareholders passed on 21 October 2014" in Appendix IV to this prospectus.

You should read the following discussion and analysis in conjunction with our consolidated financial information together with the accompanying notes, set forth in the Accountant's Report included as Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. You should read the whole of the Accountant's Report included as Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Forward-looking statements" and "Risk factors".

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading provider of integrated engineering solutions with high-end and comprehensive services and products to reputable pharmaceutical manufacturers and research institutes in the PRC and also a provider of those services and products to customers in the emerging countries. Our customers include pharmaceutical companies such as Lijun Group Companies, Hisun Pharmaceutical, Chengdu Institute of Biological Products, Hualan Biological, Shanghai Institute of Biological Products, GlaxoSmithKline Biologicals and Beijing Fresenius Kabi. We offer high-end integrated engineering solutions for our customers to set up production facilities and also build up a clean environment which are both critical for pharmaceutical production. Our solutions cover Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System and GMP Compliance Service to assist our customers in key phases of pharmaceutical product lifecycle from research, development, pilot plant, commercial production to product launch. We, together with our joint ventures, also engage in the manufacture, sale and distribution of various types of high-end pharmaceutical equipment and life science consumables.

Our value-added integrated engineering solutions are tailor-made for our customers to build their production facilities. We assist our customers with system construction, utilising hardware and software engineering and techniques, including advice on system design, choice of equipment, production process flow, application of production techniques and validation documentation. Our solutions comprise our provision of equipment, parts and advice on application techniques which are aimed to enhance efficiency and effectiveness of production process of our customers.

Through our joint venture arrangements with STERIS and PALL, which are established companies in the life science industry, we were able to leverage on the different pharmaceutical manufacturing equipment developed and/or manufactured by STERIS and STERIS-AUSTAR WFOE and the pharmaceutical consumables developed and/or manufactured by PALL and PALL-AUSTAR WFOE respectively, by integrating such products into our integrated engineering solutions and offering a variety of quality products in our product portfolio to our customers on a complementary basis with our joint venture partners.

Through direct marketing, regular attendance of international exhibitions and conventions, and organisation of seminars with our suppliers, we identify business opportunities by active discussion and consultation with our potential customers where we offer to act as a solutions provider to our customers in a wide range of services and products which are critical to their pharmaceutical production process. We operate our business under three business models, namely (a) *integrated engineering solutions*, where we assist our customers to build tailor made production facilities and provide advice to customers on system design, choice of equipment and system construction, and most of our revenue are recognised by way of revenue recognition methods of "construction contracts" and "sale of goods", with insignificant amount of commission and agency fees; (b) *consulting services*, where we derive revenue from service fees; and (c) *distributorship and agency*, where we derive revenue from sale of goods and agency fees. We provide our services and products under six business segments, namely, (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. Our ability to provide comprehensive services and products across these business segments, in different stages of a pharmaceutical product lifecycle enables us to solidify our working relationships with our customers.

The following table sets forth the revenue for each of our business segments during the Track Record Period.

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Integrated engineering solutions					
Liquid and Bioprocess System	177,865	228,718	380,997	207,713	147,173
Clean Room and Automation Control and Monitoring System	67,903	82,595	152,545	73,172	73,765
Powder and Solid System	11,526	24,067	44,413	14,832	27,555
Subtotal of Integrated engineering solutions	***257,294***	***335,380***	***577,955***	***295,717***	***248,493***
Consultancy services					
GMP Compliance Service	***14,736***	***31,519***	***47,652***	***22,489***	***24,927***
Distribution and Agency					
Life Science Consumables	27,393	34,560	52,756	28,022	34,389
Distribution and Agency of Pharmaceutical Equipment	25,755	19,294	26,790	7,842	13,014
Subtotal of Distribution and Agency	***53,148***	***53,854***	***79,546***	***35,864***	***47,403***
Total	325,178	420,753	705,153	354,070	320,823

Going forward, we will continue to further expand our service and product offerings, improve our service and product quality, and penetrate deeper into the markets of the PRC and the emerging countries with our services and products.

BASIS OF PRESENTATION

Our financial information has been prepared in accordance with IFRS and under the historical cost convention as modified by the revaluation of available-for-sale financial assets. Our financial information is presented in Renminbi.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying our Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in the Accountant's Report in Appendix I to this prospectus.

Pursuant to the Reorganisation as described in the section headed "History, Reorganisation and group structure" in this prospectus, our Company became the holding company of our Group on 20 June 2014. Our Company and the subsidiaries now comprising our Group have been under the common control of the Controlling Shareholder throughout the Track Record Period. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

Immediately prior to and after the Reorganisation, the Listing Business is held by Austar BVI. The Listing Business is mainly conducted through Austar BVI and its subsidiaries. Pursuant to the Reorganisation, Austar BVI and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business under Austar BVI for all periods presented.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Changes in laws and regulations governing the pharmaceutical industry in PRC

The pharmaceutical industry in China is regulated. Our customers are governed by various local, regional and national regulatory regimes in all aspects of their operations, including licensing and certification requirements and procedures for manufacturers of pharmaceuticals, and environmental protection laws and regulations. Changes in laws and regulations related to our business may affect our business, financial conditions and results of operations. For example, the promulgation of China New GMP in 2011 improved the quality control requirements on pharmaceutical products for pharmaceutical manufacturers, which increased the demand for our GMP Compliance Service and related integrated engineering solutions as all pharmaceutical manufacturers have to fulfil the China New GMP requirements, otherwise they will not be allowed to continue their production. If we are unable to continue to keep abreast of such new regulatory measures and government regulations, we may not be able to remain competitive in the pharmaceutical industry and our business, results of operations and financial condition could be materially and adversely impacted.

Variety in sales mix

We provide diversified services and products offerings with three different business models, namely, integrated engineering solutions, consulting services and distributorship and agency. Our array of services and products are being operated under 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. We believe our diversified product portfolio enable us to expand our market share, ensure the quality of our services and products, improve our profitability and capture opportunities in the pharmaceutical sector.

The profitability of our services and products varies across our business segments. Changes in service and product mix have affected, and are expected to continue to affect, our financial performance as different products or services generate different gross profit margin depending on factors such as cost structures and marketing and pricing strategies. During the Track Record Period, our business segments reported different segment gross profit margin, ranging from approximately 22.2% to approximately 66.0%, and our overall gross profit margin fluctuated between approximately 30.5% and approximately 35.5%. The fluctuation of our overall gross profit margin was principally attributable to change in demand of mix in our services and products and hence the revenue derived from each business segment. Going forward, we will continue to evaluate and adjust our portfolio of our service and product offerings from time to time to focus on products with higher profit margins, greater market demand and potential to maintain or increase our profitability.

Cost of sales

Cost of raw materials and staff costs constitute major components of our cost of sales.

Cost of raw materials

Our cost of raw materials incurred in our cost of sales represented approximately 80.5%, 75.6%, 77.9% and 73.3% of our cost of sales during each of the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. Our major raw materials used for our offering of services and products include various pharmaceutical equipment, components and other ancillary parts such as pure steam generators, multiple effect water stills, piping parts and valves.

We generally maintain long-term cooperative relationships with our major suppliers of materials, which allow us to enjoy stronger bargaining power and help us to reduce our exposure to price fluctuations and ensure the quality of materials we procure.

In addition, the prices and availability of raw materials may vary from period to period due to factors such as consumer demand and market conditions. Although we enjoy bargaining power over our major suppliers, we cannot completely avoid price fluctuation. As a result, we are exposed to the market risk of price fluctuation, and fluctuation in such prices may cause fluctuation in our cost of sales. Any increase in the price of our principal raw materials would negatively impact our gross profit margin if we are unable to transfer the increased cost resulting from such price increase through increasing the selling price of our products.

Our major raw materials are made of steel and steel related products. Our suppliers may control its cost against increases in the price of raw materials when the price of raw materials declines, the reduction in cost may not be passed onto solution providers such as our Group. Therefore, despite the decline in steel prices during the Track Record Period, our unit price of materials have not been materially affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of raw materials on our profit before tax during the Track Record Period. Fluctuation in our cost of materials are assumed to be 5% and 10%.

	For the year ended 31 December	
	+/-5%	**+/-10%**
Hypothetical fluctuations	*RMB'000*	*RMB'000*
Increase/decrease in cost of raw materials		
Year ended 31 December 2011	+/-9,039	+/-18,078
Year ended 31 December 2012	+/-10,740	+/-21,479
Year ended 31 December 2013	+/-19,103	+/-38,206
Six months ended 30 June 2014	+/-7,588	+/-15,176
Increase/decrease in profit before income tax		
Year ended 31 December 2011	-/+9,039	-/+18,078
Year ended 31 December 2012	-/+10,740	-/+21,479
Year ended 31 December 2013	-/+19,103	-/+38,206
Six months ended 30 June 2014	-/+7,588	-/+15,176

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our gross profit amounted to approximately RMB100.5 million, RMB136.4 million, RMB215.0 million and RMB113.7 million, respectively. For illustrative purpose, we would have recorded a breakeven in our gross profit if the costs of our raw materials increased by approximately 55.6%, 63.5%, 56.3% and 74.9%, respectively, from the corresponding period.

Staff costs

Staff costs incurred in cost of sales mainly include salaries, wages and social security costs for project engineers, technicians and workers who are directly involved in the provision of our services and products, which represented approximately 8.7%, 11.8%, 9.9% and 10.7% of our total cost of sales for each of the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. In recent years, our staff costs have increased as a result of expansion of our operational scale and strategy to recruit and retain talents. Fluctuation in staff costs may lead to fluctuation in our cost of sales.

Ability to attract and retain talents

Our success to achieve significant growth during the Track Record Period is highly depending on the expertise and experience of our directors and other key management personnel. Our provision of services and products heavily depends on the extensive technical expertise and know-how of our project engineers, supervisors and technical personnel. Besides, our increase in the sales order intake during the Track Record Period was mainly contributed by the efforts made by our selling and marketing personnel who have strong sales skills and knowledge of the pharmaceutical manufacture industry. In addition, to strengthen our R&D, product design and development capabilities, we continue to rely on the efforts of our R&D, talents. As a result, we have actively developed a strategy to recruit, train and retain talented employees, whether in sales, technical and/or administrative functions, so as to provide better services to our customers. We hire experts in the engineering field both in the PRC and from overseas who possess technical know-how relevant to our provision of our integrated engineering solutions and GMP Compliance Service so as to train up our junior staff to maintain our competitiveness. We provide our staff with training program, align employees' compensation with their performance and provide them with a clear career path. If we lose any of these key personnel without adequate and timely replacement, our business, results of operations and financial condition may be materially and adversely affected.

Competition

Our Directors consider that our Group faces potential competition from other pharmaceutical equipment, process system and service providers. Should our Group fail to compete with our competitors, maintain our competitive advantages or respond rapidly to a fast changing business environment and customers' requests, our operations could be adversely affected. Any increase in competition can adversely affect our Group's market share, which may lead to price reductions. Any of these events could have a material adverse effect on the Group's financial condition, results of operations and prospects. Please refer to the section headed "Business – Competition" of this prospectus for further details.

Timing of projects and percentage completed

Our revenue from construction contracts is derived from the provision of our integrated system solutions, which comprised approximately 43.6%, 47.8%, 59.8% and 56.9% of our total revenue for each of the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. Our revenue from construction contracts is recognised based on the percentage of completion method, and billings are based on completion of milestone progress as set out in the contracts. As such, our revenue from construction contracts is depending not only on the number of projects, their contract values, but also on the percentage completed during each of the financial year/period of the Track Record Period. As our construction contracts typically cover a period of between six months to one year, the number of contracts and progress of each contract we undertake in any period may affect our results of operations and lead to fluctuations in revenue recognised from period to period.

PRC taxation and preferential tax treatment

The amount of income tax that we pay and the level of preferential tax treatments to which we are entitled to affect the profit attributable to our Shareholders. The rate of income tax applicable to our Group depends on the entitlement of preferential tax treatments. Termination or revision of our preferential tax treatments that our Group currently enjoys may adversely affect the results of operations and financial condition of our Group.

The tax rate applicable to companies in the PRC may vary depending on the entitlement of preferential tax treatments based on their industry or location. The current maximum PRC EIT rate applicable to companies in the PRC is 25%. Our Group's subsidiaries, Shanghai Austar, Austar SJZ and Austar Hansen have been qualified as "High and New Technology Enterprises" which are entitled to enjoy a preferential income tax rate of 15% under the Corporate Income Tax Law《企業所得稅法》. However, the qualifications of "High and New Technology Enterprises" are subject to renewal after their expiry in September 2016, November 2015 and November 2016, respectively. The preferential income tax rate is subject to review and approval by tax authority every year. If we fail to satisfy the requirements for the qualification of "High and New Technology Enterprises" for relevant subsidiaries after periodical review by tax authority in the future or if there is any change in the existing PRC policy relating to preferential tax treatments applicable to us, we may no longer be entitled to the preferential tax rate currently enjoyed by us. There is no assurance that we will continue to qualify for the preferential tax treatments currently enjoyed by us in the future. Any loss or substantial reduction of the tax benefits enjoyed by us would adversely affect our financial condition and performance.

Austar SJZ

Austar SJZ is qualified as "High and New Technology Enterprise" and such qualification as a "High and New Technology Enterprise" was issued in November 2012 and valid from November 2012 through November 2015. Austar SJZ was entitled to a preferential income tax rate of 15% on its taxable income, subject to filing with the tax authority-in-charge, and has paid its income tax based on preferential income tax rate of 15% in 2012 and 2013. According to the relevant tax provisions, for the year ended 31 December 2012, the tax authority-in-charge of the relevant filing was the Shijiazhuang Changan District Office of the State Administration of Taxation ("District Tax Authority"); whereas for the year ended 31 December 2013, due to the amount of corporate income tax exemption based on the preferential tax rate was more than RMB5 million, the tax authority-in-charge of the relevant filing was the Hebei Provincial Office of the State Administration of Taxation ("Provincial Tax Authority") in addition to the District Tax Authority.

However, in September 2014, Austar SJZ was notified by the District Tax Authority that a review of the validity of the preferential tax status of Austar SJZ granted in 2012 and 2013 ("Relevant Review") had been initiated against Austar SJZ by the Provincial Tax Authority. The Provincial Tax Authority was of the view that (i) the certificates of registration for its intellectual property rights on a certain system product of Austar SJZ and in connection with the provision of GMP Compliance Service by Austar SJZ were only obtained in July and September 2014 respectively and not before 2012, Austar SJZ's products and services provided to its customers during 2012 and 2013 might not constitute as "high and new technical products or services" as technically required under the relevant tax regulations; and (ii) as part of Austar SJZ's income attributed to high and new technology products was derived from externally purchased machinery and equipment which were not self-manufactured products, it could not be construed to be entitled to the preferential tax rate as such income might not be attributable to proprietary intellectual property rights of Austar SJZ. Subsequently, Austar SJZ was notified by the District Tax Authority by notice ("Notice") to pay back the difference between the tax calculated based on the normal rate of 25% and the preferential rate of 15% for each of the years ended 31 December 2012 and 2013 ("Tax Difference") and late charges, the aggregate amount of Tax Difference is approximately RMB7.9 million. Accordingly, the Group has made provision for additional income tax payable based on the income tax rate of 25% of RMB3.6 million and RMB4.3 million for the years ended 31 December 2012 and 2013 respectively, and late charges payable in the amount of RMB207,000 and RMB263,000 in the year ended 31 December 2013 and the six months ended 30 June 2014, respectively. Payments in respect of the Tax Difference have been made in accordance with the Notice as at the Latest Practicable Date. As confirmed by the District Tax Authority in writing subsequent to the issue of the Notice, for the year ending 31 December 2014, Austar SJZ is entitled to prepay the income tax at the preferential income tax rate of 15% to which "High and New Technology Enterprises" are entitled to. As a result, the income tax rate applicable to Austar SJZ for the year ended 31 December 2012, 2013 and the six months ended 30 June 2014 was 25%, 25% and 15%, respectively.

As advised by our PRC Legal Adviser, (i) Austar SJZ had complied with the relevant PRC laws and regulations in obtaining its "High and New Technology Enterprise" certificate and that the "High and New Technology Enterprise" certificate issued in November 2012 which Austar SJZ holds was granted by four competent authorities which include the Hebei Local Taxation Bureau of the State Administration of Taxation, the Science and Technology Authority of Hebei Province, and the Financial Authority of Hebei Province in addition to the Provincial Tax Authority, has not been revoked as a result of the decision as set out in the Notice (which was only concerned with the preferential tax treatment) and is still legitimate and valid as any revocation of the "High and New Technology Enterprise" status conferred by such certificate can only be made by the four competent authorities concerned; (ii) Austar SJZ's entitlement to the preferential income tax rate of 15% on its taxable income during the years ended 31 December 2012 and 2013 has been consented to by the District Tax Authority and there had been no procedural flaws in the relevant filings with the tax authority in-charge and that such filings were valid; (iii) the Relevant Review and the PRC tax authority's decision on rejection of filing for entitlement to the preferential income tax rate of having a "High and New Technology Enterprise" status experienced by Austar SJZ was not an isolated case and there were also other enterprises having a "High and New Technology Enterprise" status subject to outcomes of similar nature; (iv) according to the interview conducted with the related officer of the District Tax Authority, the occurrence of the Relevant Review and the decision as set out in the Notice did not amount to a non-compliance incident of Austar SJZ or a breach of the relevant PRC laws, but rather is a result of difference in the interpretation of the related tax regulations between the relevant superior and inferior tax authorities; (v) according to the interview with the related officer of the District Tax Authority, the District Tax Authority has agreed with the view of Austar SJZ that although certain parts and components of Austar SJZ were machinery and equipment which were externally purchased, Austar SJZ had utilised its own know-how, technical expertise, knowledge in market trends in the pharmaceutical industry and techniques to process and assemble machinery and equipment into their own products and integrated engineering solutions according to customers' requirements prior to selling to its customers, and therefore, the District Tax Authority is of the view that the products of Austar SJZ should be qualified as high and new technology products and the attributable income should be qualified for the preferential tax treatment; (vi) Austar SJZ has the right to appeal on the decision as set out in the Notice; and (vii) notwithstanding the certificates of registration in respect of the intellectual property rights of a certain system product of Austar SJZ and the provision of the GMP Compliance Service were only obtained in 2014, given that Austar SJZ still holds a "High and New Technology Enterprise" status and has already obtained the certificates of registration in respect of the intellectual property rights mentioned above, the issues identified in the Notice regarding the non-entitlement to the preferential tax treatment no longer exist. In addition, the District Tax Authority, which was aware of the timing of the obtaining of the relevant certificate of registration of intellectual property rights by Austar SJZ, has confirmed that Austar SJZ is entitled to the income tax at the preferential income tax rate of 15%, Austar SJZ shall be entitled to prepay the income tax for the year ending 31 December 2014 at the preferential tax rate of 15%. Our Directors have confirmed that Austar SJZ has liaised with the Provincial Tax Authority in relation to its entitlement to corporate income tax exemption under the preferential income tax rate of 15% for the financial year ending 31 December 2014, and was advised that given that the year 2014 has not come to an end, the Provincial Tax Authority could not confirm and thus did not provide confirmation as to whether Austar SJZ is entitled to such corporate tax exemption since the exact amount of tax exemption (if any) to which Austar SJZ would be entitled for the whole financial year of 2014 is not known yet. The actual amount of corporate income tax to be charged for the year ending 31 December 2014 would only be known after the end of the 2014 and confirmed at the filing formality of the income tax to the District Tax Authority in around April or May 2015 and the actual amount of the corporate income tax exemption would only be known by then. Thus, it will only be around April or May 2015 (i.e. when income tax filings have been completed by

Austar SJZ), that the District Tax Authority or the municipal tax authority, or in the case of the amount of income tax exemption exceeds RMB5 million, the Provincial Tax Authority, can determine and approve (where applicable) the actual amount of corporate income tax and the exact amount of tax exemption (if any). As confirmed by the District Tax Authority in writing, Austar SJZ is still entitled to prepay the income tax at the preferential income tax rate of 15% for the year ending 31 December 2014.

Based on the above, our PRC Legal Adviser is of the view that the District Tax Authority is the competent tax authority to confirm the applicable tax rate for prepayment of income tax.

On the basis that (i) written confirmation from the District Tax Authority that Austar SJZ is entitled to prepay its income tax for the year ending 31 December 2014 based on the preferential tax rate of 15%; (ii) Austar SJZ has already obtained the certificate of registration in respect of the intellectual property rights in the provision of GMP Compliance Services in September 2014 and its provision of products and services should quality as high and new technology products for the reasons mentioned above; and (iii) on the assumption that the current business profile remains unchanged for the rest of the financial year ending 31 December 2014, our Directors have confirmed that they are of the view that Austar SJZ will be able to satisfy all other criteria for having the status of "High and New Technology Enterprise" for the year ending 31 December 2014, such as (a) the possession of independent intellectual property rights in relation to the key technologies for provision of its main services and products; (b) the requisite ratio of research and development personnel; (c) the continuous involvement in research and development activities concerning science and technology and the requisite ratio of qualifying research and development expenditures; and (d) the requisite ratio of the revenue generated from high technology products and services to the total revenue, our PRC Legal Adviser is of the view that Austar SJZ is entitled to prepay income tax rate of 15% for the year ending 31 December 2014 and should the amount of corporate income tax exemption exceeds RMB5 million and require additional approval by the Provincial Tax Authority, there should be no material legal obstacle for Austar SJZ to be able to enjoy the corresponding preferential tax rate of 15% and to be entitled to the corresponding corporate income tax exemption for the financial year ending 31 December 2014.

The actual amount of income tax to be charged for the year ending 31 December 2014 can only be confirmed by the relevant PRC tax authority after the end of the financial year 2014 (i.e. usually around April or May 2015), after review of the tax filings and documents in support of the tax exemption submitted by Austar SJZ to the relevant PRC tax authority.

Shanghai Austar and Austar Hansen

As (a) the filing formality of income tax for the financial year ended 31 December 2013 of each of Shanghai Austar and Austar Hansen has been respectively completed with the Songjiang sub-bureau of Shanghai Local Tax Bureau and the First branch of the Shanghai Free Trade Zone sub-bureau of the Shanghai Local Tax Bureau (collectively "Shanghai Local Tax

Bureau"), being the competent tax authority for approval of the preferential tax rate and corporate income tax exemption for companies respectively established in Songjiang and Free Trade Zone of Shanghai regardless of amount of tax exemption; (b) based on relevant PRC laws and regulations, the Shanghai Local Tax Bureau has the authority to approve the preferential tax rate and corporate income tax exemption and there is no requirement and procedures in place that will require escalation and review of preferential tax rate and corporate income tax exemption to the higher and other authorities; and (c) our Directors have confirmed that each of Shanghai Austar and Austar Hansen has satisfied all criteria for having the status of "High and New Technology Enterprise" for the year ended 31 December 2013 without being subject to any review or challenge by any regulatory authorities up to the Latest Practicable Date, our PRC Legal Adviser is of the view that Shanghai Austar and Austar Hansen are entitled to the preferential tax rate of 15% for the financial year ended 31 December 2013 under the relevant PRC laws and regulations. Based on the above, we are of the view that there is no indication that the preferential tax rate of 15% enjoyed by Shanghai Austar and Austar Hansen will be revoked. However, we cannot assure that the preferential tax rate of 15% enjoyed by Shanghai Austar and Austar Hansen will not be subject to review or challenge by higher or other authorities. Please refer to the section headed "Risk factors – Risks relating to our business – The preferential tax treatment for "High and New Technology Enterprises" currently available to us in the PRC may be changed or discontinued" for the potential financial impact if preferential tax rate of 15% enjoyed by Shanghai Austar and Austar Hansen is revoked.

On the assumption that the current business profile remains unchanged for the rest of the financial year ending 31 December 2014, our Directors are of the view that each of Shanghai Austar and Austar Hansen will be able to satisfy all the criteria for having the status of "High and New Technology Enterprise" for the year ending 31 December 2014. Such criteria include (a) the possession of independent intellectual property rights in relation to key technologies for provision of their main services and products; (b) both Shanghai Austar and Austar Hansen have utilised their respective know-how, technical expertise, knowledge in market trends in the pharmaceutical industry and techniques to process and assemble machinery and equipment into their own products and provide integrated engineering solutions before selling to these customers; (c) the requisite ratio of research and development personnel; (d) the continuous involvement in research and development activities concerning science and technology and the requisite ratio of qualifying research and development expenditures; and (e) the requisite ratio of revenue generated from high technology products and services to the total revenue. On such basis, our PRC Legal Adviser is of the view that there should be no material legal obstacle for each of Shanghai Austar and Austar Hansen to be able to enjoy the corresponding preferential tax treatment for the financial year ending 31 December 2014, provided that the tax filing procedures for the financial year ending 31 December 2014 will remain the same as that for the financial year ended 31 December 2013, so that (i) the approval of income tax exemption can be handled by Shanghai Local Tax Bureau, being the competent authority regardless of amount of tax exemption and (ii) the preferential tax treatment will not be subject to any review or challenge by higher or other authorities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 to our consolidated financial statements as set out in the Accountant's Report in Appendix I to this prospectus.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for construction contracts, sale of goods, and rendering of services, stated net of discounts, returns and value added taxes. Our Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria, as described below, have been met for each of our Group's activities. Our Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Construction contracts

When the outcome of a contract can be estimated reliably, revenue from construction contracts is recognised under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that the recoverability is probable and such contract costs is recognised as an expense when incurred.

(ii) Sales of goods

Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the projects and collectability of the related receivables is reasonably assured.

(iii) Rendering of services

Services rendered mainly include technique development, design, consultation and supervision services. Service revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total services to be provided.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

Our Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. The respective balance items are "amounts due from customers for contract work" and "amounts due to customers for contract work".

Contract work-in-progress is valued at the cost of the work done, plus the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions.

Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, which consist of direct payroll costs, materials, costs of subcontracted work, maintenance costs for the equipment used and other direct costs.

Profits are not recognised unless a reliable estimate can be made of the result of completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project-by-project basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses)' in the statement of comprehensive income.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	20 years
Machinery	10 years
Vehicles	5 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Impairment of trade and other receivables

Our Group's management determines the provision for impairment of trade and other receivables based on the credit history of the customers and current market conditions. Our management reassesses the adequacy of impairment provision on a regular basis by reviewing each individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be public information or easily accessible public information and market volatility that might bear a significant impact but might not be easily ascertained.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of comprehensive income from the financial information of our Group during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 December			For the six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	325,178	420,753	705,153	354,070	320,823
Cost of sales	(224,657)	(284,304)	(490,187)	(247,950)	(207,086)
Gross profit	100,521	136,449	214,966	106,120	113,737
Selling and marketing expenses	(28,528)	(36,760)	(72,104)	(30,628)	(32,374)
Administrative expenses	(24,502)	(35,383)	(47,849)	(19,729)	(30,568)
Research and development expenses	(11,795)	(16,076)	(23,897)	(9,912)	(10,191)
Other income	305	418	1,130	116	590
Other gains/(losses)	450	(163)	(46)	225	(622)
Operating profit	36,451	48,485	72,200	46,192	40,572
Interest income	173	392	1,256	474	756
Finance expenses	(857)	(1,693)	(1,298)	(816)	(453)
Finance (expenses)/income – net	(684)	(1,301)	(42)	(342)	303
Share of profit of joint ventures	2,631	4,102	4,495	3,149	2,579
Profit before income tax	38,398	51,286	76,653	48,999	43,454
Income tax expense	(11,061)	(15,777)	(23,082)	(13,386)	(10,705)
Profit for the year	27,337	35,509	53,571	35,613	32,749
Profit attributable to:					
Owners of the Company	27,258	35,476	53,571	35,613	32,750
Non-controlling interests	79	33	–	–	(1)
	27,337	35,509	53,571	35,613	32,749

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We recognise revenue from our provision of services and products to our customers by three ways: (i) construction contracts; (ii) sales of goods; and (iii) rendering of services. Revenue derived from the integrated engineering solutions may be recognised by all three ways, and revenue derived from the distributorship and agency sales can be recognised as sales of goods and rendering of services, whilst revenue derived from consulting services is only recognised as service fees received for rendering of services. Our total revenue increased from approximately RMB325.2 million in 2011 to approximately RMB705.2 million in 2013, representing a CAGR of 47.3% over the three-year period, and decreased by 9.4% from approximately RMB354.1 million for the six months ended 30 June 2013 to approximately RMB320.8 million for the six months ended 30 June 2014.

We provide our 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. Our ability to provide comprehensive services and products across these business segments, in different stages of a pharmaceutical product lifecycle enables us to solidify our working relationships with our customers. The following table sets forth, for the periods indicated, the breakdown of our revenue by business segment:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Liquid and Bioprocess System	177,865	54.8%	228,718	54.4%	380,997	54.0%	207,713	58.7%	147,173	45.8%
• Pharmaceutical water system	148,770	45.9%	204,632	48.7%	280,256	39.7%	161,800	45.7%	109,179	34.0%
• Liquid preparation and bioprocess system	29,095	8.9%	24,086	5.7%	100,741	14.3%	45,913	13.0%	37,994	11.8%
Clean Room and Automation Control and Monitoring System	67,903	20.9%	82,595	19.6%	152,545	21.6%	73,172	20.7%	73,765	23.0%
• Clean room enclosure system	22,498	6.9%	29,328	7.0%	49,120	7.0%	25,602	7.2%	26,475	8.3%
• Automation control and monitoring system	45,405	14.0%	53,267	12.6%	103,425	14.6%	47,570	13.5%	47,290	14.7%
Powder and Solid System	11,526	3.5%	24,067	5.7%	44,413	6.3%	14,832	4.2%	27,555	8.6%
GMP Compliance Service	14,736	4.5%	31,519	7.5%	47,652	6.8%	22,489	6.4%	24,927	7.8%
Life Science Consumables	27,393	8.4%	34,560	8.2%	52,756	7.5%	28,022	7.9%	34,389	10.7%
Distribution and Agency of Pharmaceutical Equipment	25,755	7.9%	19,294	4.6%	26,790	3.8%	7,842	2.1%	13,014	4.1%
Total	325,178	100.0%	420,753	100.0%	705,153	100.0%	354,070	100.0%	320,823	100.0%

The following table sets forth the breakdown of our revenue by geographical regions for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*Unaudited*)	%	*RMB'000*	%
The PRC	301,724	92.8%	387,839	92.2%	662,110	93.9%	331,670	93.7%	292,500	91.2%
Other countries	23,454	7.2%	32,914	7.8%	43,043	6.1%	22,400	6.3%	28,323	8.8%
Total	325,178	100.0%	420,753	100.0%	705,153	100.0%	354,070	100.0%	320,823	100.0%

During the Track Record Period, we derived revenue mainly from the business operations in the PRC, which accounted for 92.8%, 92.2%, 93.9% and 91.2% of our total revenue, respectively, and our revenue from overseas customers accounted for 7.2%, 7.8%, 6.1% and 8.8% for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively,

Cost of sales

Our cost of sales comprises mainly cost of raw materials, staff costs, travel expenses, sales taxes and surcharges and others. Cost of raw materials are our major component in the cost of sales, accounting for 80.5%, 75.6%, 77.9% and 73.3% of our total cost of sales for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively, which mainly include expenses relating to our purchases of raw materials such as steel components, valves and pipelines used in our integrated engineering solutions. Staff costs mainly comprise salaries, wages and social security costs for project engineers, technicians and those who are directly involved in the provision of our services and products. Our cost of sales also includes depreciation of property, plant and equipment used in our manufacturing processes, travel expenses for project engineers, sales taxes and surcharges, freight and port charges and other miscellaneous expenses including maintenance fees, property management fees, technical services fees and other sundry expenses. The following table sets forth, for the periods indicated, a breakdown of our cost of sales by nature:

	For the year ended 31 December									For the six months ended 30 June					
	2011			2012			2013			2013			2014		
	RMB'000	Percentage of cost of sales (%)	Percentage of revenue (%)	RMB'000	Percentage of cost of sales (%)	Percentage of revenue (%)	RMB'000	Percentage of cost of sales (%)	Percentage of revenue (%)	RMB'000 (Unaudited)	Percentage of cost of sales (%)	Percentage of revenue (%)	RMB'000	Percentage of cost of sales (%)	Percentage of revenue (%)
Raw materials	180,778	80.5%	55.5%	214,792	75.6%	51.2%	382,056	77.9%	54.2%	199,137	80.3%	56.2%	151,755	73.3%	47.3%
Staff costs	19,501	8.7%	6.0%	33,471	11.8%	8.0%	48,479	9.9%	6.9%	22,560	9.1%	6.4%	22,076	10.7%	6.9%
Travel expenses	5,797	2.6%	1.8%	10,652	3.7%	2.5%	15,557	3.2%	2.2%	7,854	3.2%	2.2%	6,835	3.3%	2.1%
Sales tax and surcharges	2,507	1.1%	0.8%	3,910	1.4%	0.9%	7,057	1.4%	1.0%	4,698	1.9%	1.3%	3,222	1.6%	1.0%
Freight and port charges	1,458	0.6%	0.4%	3,104	1.1%	0.7%	4,179	0.9%	0.6%	3,334	1.3%	0.9%	2,137	1.0%	0.7%
Depreciation	1,467	0.7%	0.5%	1,660	0.6%	0.4%	3,444	0.7%	0.5%	1,696	0.7%	0.5%	2,469	1.2%	0.8%
Consumables	1,580	0.7%	0.5%	1,850	0.7%	0.4%	3,709	0.8%	0.5%	1,393	0.6%	0.4%	874	0.4%	0.3%
Subcontracting fees	196	0.1%	0.1%	46	0.0%	0.0%	4,302	0.9%	0.6%	1,425	0.6%	0.4%	6,523	3.1%	2.0%
Rental expenses	995	0.4%	0.3%	1,472	0.5%	0.3%	3,039	0.6%	0.4%	1,633	0.7%	0.5%	1,855	0.9%	0.6%
Miscellaneous expenses	10,378	4.6%	3.2%	13,347	4.6%	3.2%	18,365	3.7%	2.6%	4,220	1.6%	1.2%	9,340	4.5%	2.9%
Total	224,657	100.0%	69.1%	284,304	100.0%	67.6%	490,187	100.0%	69.5%	247,950	100.0%	70.0%	207,086	100.0%	64.6%

The following table sets out the breakdown of our cost of sales by segment during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Liquid and Bioprocess System	134,350	59.7%	175,225	61.6%	296,379	60.6%	163,971	66.1%	108,476	52.4%
Clean Room and Automation Control and Monitoring System	46,416	20.7%	56,434	19.8%	105,507	21.5%	48,625	19.6%	46,375	22.4%
Powder and Solid System	6,911	3.1%	14,194	5.0%	30,037	6.1%	9,827	4.0%	15,033	7.3%
GMP Compliance Service	6,905	3.1%	11,534	4.1%	16,186	3.3%	6,435	2.6%	9,114	4.4%
Life Science Consumables	11,866	5.3%	17,659	6.2%	29,586	6.0%	15,766	6.4%	20,082	9.7%
Distribution and Agency of Pharmaceutical Equipment	18,209	8.1%	9,258	3.3%	12,492	2.5%	3,326	1.3%	8,006	3.8%
Total	224,657	100.0%	284,304	100.0%	490,187	100.0%	247,950	100.0%	207,086	100.0%

Our cost of sales mainly comprises project cost for services provided including integrated engineering system solutions and GMP Compliance Service, cost of products manufactured and cost incurred for distribution and agency services. We will review the actual cost of sales incurred for our projects periodically and compare against our budgeted cost of sales to determine the extent of deviation, if any. Our actual cost of sales may deviate from the budget as the actual materials used and the manpower incurred during the execution of the projects may vary as the project progress.

Gross profit and gross profit margin

During the Track Record Period, our gross profit amounted to approximately RMB100.5 million, RMB136.4 million, RMB215.0 million and RMB113.7 million, respectively, for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, and our overall gross profit margin was approximately 30.9%, 32.4%, 30.5% and 35.5%, respectively, for the same period. The following table sets forth a breakdown of gross profit and gross profit margin by segment for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Liquid and Bioprocess System	43,515	24.5%	53,493	23.4%	84,618	22.2%	43,742	21.1%	38,697	26.3%
Clean Room and Automation Control and Monitoring System	21,487	31.6%	26,161	31.7%	47,038	30.8%	24,547	33.5%	27,390	37.1%
Powder and Solid System	4,615	40.0%	9,873	41.0%	14,376	32.4%	5,005	33.7%	12,522	45.4%
GMP Compliance Services	7,831	53.1%	19,985	63.4%	31,466	66.0%	16,054	71.4%	15,813	63.4%
Life Science Consumables	15,527	56.7%	16,901	48.9%	23,170	43.9%	12,256	43.7%	14,307	41.6%
Distribution and Agency of Pharmaceutical Equipment	7,546	29.3%	10,036	52.0%	14,298	53.4%	4,516	57.6%	5,008	38.5%
Total	100,521	30.9%	136,449	32.4%	214,966	30.5%	106,120	30.0%	113,737	35.5%

Selling and marketing expenses

The table below sets forth a breakdown of our selling and marketing expenses for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(Unaudited)*	*(%)*	*RMB'000*	*(%)*
Staff costs	7,053	24.7%	18,334	49.8%	36,657	50.9%	16,580	54.1%	14,937	46.1%
Travel, meeting and communication expenses	6,277	22.0%	5,230	14.2%	9,654	13.4%	4,103	13.4%	6,309	19.5%
Freight and port charges	2,068	7.2%	3,331	9.1%	4,679	6.5%	2,057	6.7%	2,133	6.6%
Promotion expenses	2,275	8.0%	2,357	6.4%	2,831	3.9%	1,448	4.7%	2,696	8.3%
Warranty and after-sales service expenses	3,268	11.5%	2,374	6.5%	9,314	12.9%	2,916	9.5%	2,184	6.7%
Entertainment expenses	1,310	4.6%	1,049	2.9%	1,612	2.2%	650	2.1%	1,223	3.8%
Office expenses	3,361	11.8%	3,328	9.1%	3,256	4.5%	1,130	3.7%	1,193	3.7%
Others	2,916	10.2%	757	2.0%	4,101	5.7%	1,744	5.8%	1,699	5.3%
Total	28,528	100.0%	36,760	100.0%	72,104	100.0%	30,628	100.0%	32,374	100.0%

Selling and marketing expenses comprise mainly staff costs paid to sales and marketing personnel, travel, meeting and communication expenses, freight and port charges incurred in delivering goods to customers, promotion expenses incurred for marketing and promotion activities such as exhibitions, conventions and industry conferences, warranty and after-sales service expenses, office expenses including depreciation of office equipment, rental expenses and property management expenses and other miscellaneous expenses arising from selling and marketing activities.

Selling and marketing expenses amounted to approximately RMB28.5 million, RMB36.8 million, RMB72.1 million and RMB32.4 million for each of the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. As a percentage of total revenue, our selling and marketing expenses accounted for 8.8%, 8.7%, 10.2% and 10.1% during the respective periods.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
							(Unaudited)			
Staff costs	8,792	35.9%	14,128	39.9%	21,360	44.6%	9,624	48.8%	13,093	42.8%
Office administration expenses	6,827	27.9%	4,125	11.7%	6,573	13.7%	2,786	14.1%	3,911	12.8%
Travel, meeting and communication expenses	1,564	6.4%	1,196	3.4%	2,312	4.8%	994	5.0%	1,894	6.2%
Provision/(Reversal) of impairment on receivables	766	3.1%	10,605	30.0%	4,145	8.7%	2,202	11.2%	(234)	(0.8%)
Impairment of inventories	541	2.2%	423	1.2%	118	0.2%	10	0.1%	389	1.3%
Legal and professional fees	953	3.9%	1,245	3.5%	7,274	15.2%	2,038	10.3%	8,692	28.5%
Other tax expenses	1,115	4.6%	386	1.1%	449	0.9%	206	1.0%	282	0.9%
Other administrative expenses	3,944	16.0%	3,275	9.2%	5,618	11.9%	1,869	9.5%	2,541	8.3%
Total	24,502	100.0%	35,383	100.0%	47,849	100.0%	19,729	100.0%	30,568	100.0%

Administrative expenses primarily comprise staff costs, office administration expenses, travel, meeting and communication expenses, impairment of receivables and inventories, legal and professional fees and others.

Staff costs mainly represent salaries and employment benefit expenses for our management and administrative personnel. Office administration expenses primarily include depreciation of property, plant and equipment and amortisation for our acquired computer software, office rental expenses, utility and property management fees, office expenses and human resources management fees. Travel, meeting and communication expenses primarily consist of expenses incurred for attending business trips and conferences by our management, directors and other administrative personnel expenses. Legal and professional fees for the year ended 31 December 2013 and the six months ended 30 June 2014 were mainly incurred for the services rendered by different professional parties for the preparation of the Listing. Others mainly include miscellaneous expenses associated with administrative activities.

Administrative expenses amounted to approximately RMB24.5 million, RMB35.4 million, RMB47.8 million and RMB30.6 million for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively. As a percentage of total revenue, our administrative expenses accounted for 7.5%, 8.4%, 6.8% and 9.5% during the respective periods.

Research and development expenses

Our research and development expenses are incurred in the research and development of new applications to meet the needs of our customers. Our research and development expenses primarily include staff cost, materials consumed for our R&D activities, and travel and meeting expenses and other expenses associated with our R&D department. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our R&D expenses amounted to approximately RMB11.8 million, RMB16.1 million, RMB23.9 million and RMB10.2 million, respectively; as a percentage of total revenue, our research and development expenses accounted for 3.6%, 3.8%, 3.4% and 3.2%, respectively, for the respective periods.

Other income

Other income mainly represents government grants. Other income amounted to approximately RMB0.3 million, RMB0.4 million, RMB1.1 million and RMB0.6 million for each of the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively.

Other gains/(losses)

Other gains/(losses) mainly include dividends of available-for-sale financial assets, gains or losses on disposal of property, plant and equipment and exchange gains or losses. The available-for-sale financial assets mainly represented investment funds managed by banks, which were mainly invested in government bonds, central bank notes and other money market instruments of relatively lower risk. These available-for-sale financial assets were invested only during the year ended 31 December 2013 and had all been disposed by February 2014. Other gains and losses recorded a gain of approximately RMB0.5 million, a loss of approximately RMB0.2 million, a loss of approximately RMB46,000 and a loss of approximately RMB0.6 million for the year ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, respectively.

Finance (expenses)/income – net

Finance (expenses)/income – net comprise mainly interest charges on our interest-bearing bank borrowings and interest income from cash in deposits. We recorded net finance expenses amounted to approximately RMB0.7 million, RMB1.3 million, RMB42,000 and net finance income amounted RMB0.3 million for each of the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively.

Share of profit of joint ventures

Our share of profit of joint ventures primarily relates to our share of profits from our two joint ventures, STERIS-AUSTAR JV and PALL-AUSTAR JV. The following table sets forth a breakdown of our share of profit of investments accounted for using the equity method during the periods indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
STERIS-AUSTAR JV	2,631	4,102	3,701	2,779	1,831
PALL-AUSTAR JV	–	–	794	370	748
Total	2,631	4,102	4,495	3,149	2,579

Income tax expense

Our Company is a company incorporated in the Cayman Islands and has subsidiaries incorporated in the BVI, Hong Kong, the PRC and Italy.

Under the PRC EIT Law, the applicable corporate income tax rate was 25% during the Track Record Period. 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 and Austar Hansen were granted the qualification of "High and New Technology Enterprises" in September 2013 and November 2013, respectively, and a preferential income tax rate of 15%, subject to renewal before the expiry of such qualification in September 2016 and November 2016, respectively, as the qualification is valid for three years. Such preferential income tax rate are required to be filed and approved by the local taxation bureau annually. Subject to PRC governmental authorities' approval pursuant to the PRC EIT Law and the other applicable laws and regulations of the PRC, their preferential tax treatments are expected to be renewed. Austar SJZ is qualified as a "High and New Technology Enterprise" under the PRC income tax law and was entitled to a preferential income tax rate of 15% on its taxable income and its qualification as "High and New Technology Enterprise" is valid through November 2015. Austar SJZ has paid its income tax based on preferential income tax rate of 15% in 2012 and 2013. However, in September 2014, Austar SJZ was notified by the relevant tax authority to pay back the preferential income tax benefit enjoyed by Austar SJZ in 2012 and 2013 and that the payment of this tax difference has been settled as required by the relevant tax authority. Accordingly, the Group has made a provision for additional income tax payable of RMB3.6 million and RMB4.3 million for the years ended 31 December 2012 and 2013, respectively, based on the income tax rate of 25%. Austar SJZ has settled such income tax expenses as at the Latest Practicable Date. As confirmed by the relevant tax authority in writing, Austar SJZ is entitled to the preferential income tax rate of 15% for quarterly income tax filing for the year ending 31 December 2014. As a result, the income tax rate applicable to Austar SJZ for the years ended 31 December 2012 and 2013 and the six months ended 30 June 2014 was 25%, 25% and 15%, respectively. For more details, please refer to the section headed "Financial Information – Key factors affecting our results of operations – PRC taxation and preferential tax treatment".

The tax rate of our Group's subsidiaries incorporated in Hong Kong is 16.5%. Local income tax in the Cayman Islands and the BVI was exempted.

Our income tax expenses were RMB11.1 million, RMB15.8 million, RMB23.1 million and RMB10.7 million for the year ended 31 December 2011, 2012, 2013 and the six months 30 June 2014, respectively; the effective tax rate for the same period was 28.8%, 30.8%, 30.1% and 24.6%, respectively. Save as disclosed above, during the Track Record Period, we paid all relevant taxes and there were no disputes or unresolved tax issues with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Six months ended 30 June 2014 compared to six months ended 30 June 2013

Revenue

Our revenue decreased by approximately RMB33.2 million or 9.4% to approximately RMB320.8 million for the six months ended 30 June 2014 from RMB354.1 million for the six months ended 30 June 2013, primarily due to the decrease in revenue from the business segment of Liquid and Bioprocess System and partially offset by the increase in revenue from the business segment of Powder and Solid System, Life Science Consumables and Distribution and Agency of Pharmaceutical Equipment.

Liquid and Bioprocess System

Our revenue from the business segment of Liquid and Bioprocess System decreased by approximately RMB60.5 million or 29.1% from RMB207.7 million for the six months ended 30 June 2013 to approximately RMB147.2 million for the six months ended 30 June 2014. The decrease was mainly attributable to (i) management strategies to focus on projects with higher gross profit margin; and (ii) significant growth of revenue in 2013 due to the requirement for the sterile pharmaceutical manufacturers to comply with the China New GMP by 2013. The number of contract increased from 122 for the six months ended 30 June 2013 to 151 for the six months ended 30 June 2014.

Clean Room and Automation Control and Monitoring System

Our revenue from the business segment of Clean Room and Automation Control and Monitoring System remained relatively stable at approximately RMB73.2 million and approximately RMB73.8 million for the six months ended 30 June 2013 and 2014 respectively. The revenue of the six months ended 30 June 2013 and 2014 remained relatively stable due to changes in revenue mix. The decrease in overseas sales of clean room enclosure system was offset by the increase in revenue of the PRC sales of clean room enclosure system, while the increase in the revenue derived from automation control was offset by the decline in revenue from monitoring system. The total number of contracts increased from 246 for the six months ended 30 June 2013 to 323 for the six months ended 30 June 2014.

Powder and Solid System

Our revenue from the business segment of Powder and Solid System increased by approximately RMB12.7 million or 85.8% from approximately RMB14.8 million for the six months ended 30 June 2013 to approximately RMB27.6 million for the six months ended 30 June 2014. The increase primarily results from the increase in sales of the discharging machines which our Group has newly launched in 2013. The total number of contracts under the business segment of Powder and Solid System increased from 63 for the six months ended 30 June 2013 to 107 for the six months ended 30 June 2014.

GMP Compliance Service

Our revenue from the business segment of GMP Compliance Service increased by approximately RMB2.4 million or 10.8% from approximately RMB22.5 million for the six months ended 30 June 2013 to approximately RMB24.9 million for the six months ended 30 June 2014, which was primarily attributable to the increased number of customers who needed to comply with overseas standards including European(EMA), US(FDA) and WHO in order to export their pharmaceutical products overseas, these customers continued to demand services from us as a result of our extensive GMP compliance experience in the pharmaceutical industry. The number of contracts under the business segment of GMP Compliance Service increased from 66 for the six months ended 30 June 2013 to 101 for the six months ended 30 June 2014.

Life Science Consumables

Our revenue from the business segment of Life Science Consumables increased by approximately RMB6.4 million or 22.7% from approximately RMB28.0 million for the six months ended 30 June 2013 to approximately RMB34.4 million for the six months ended 30 June 2014 which was primarily attributable to the increase in our distribution of life science consumables manufactured by PALL-AUSTAR WFOE for the six months ended 30 June 2014. The increase was mainly driven by the launch of new pharmaceutical equipment which has a wider scope of use in hospitals, and new product launches by PALL-AUSTAR WFOE during the six months. The number of contracts under the business segment of Life Science Consumables increased from 1,474 for the six months ended 30 June 2013 to 1,731 for the six months ended 30 June 2014.

Distribution and Agency of Pharmaceutical Equipment

Our revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB5.2 million or 66.0% from approximately RMB7.8 million for the six months ended 30 June 2013 to approximately RMB13.0 million for the six months ended 30 June 2014 which was primarily attributable to the rise in distribution of pharmaceutical equipment in overseas markets as a result of our efforts in expanding distribution channels. The number of contracts under the business segment of Distribution and Agency of Pharmaceutical Equipment increased from 152 for the six months ended 30 June 2013 to 175 for the six months ended 30 June 2014.

Cost of sales

Cost of sales decreased by approximately RMB40.9 million or 16.5% to approximately RMB207.1 million for the six months ended 30 June 2014 from approximately RMB248.0 million for the six months ended 30 June 2013. Such decrease was mainly due to the decrease in cost of raw materials of approximately RMB47.4 million primarily from the business segment of Liquid and Bioprocess System.

Liquid and Bioprocess System

Our cost of sales from the business segment of Liquid and Bioprocess System decreased by approximately RMB55.5 million or 33.8% from approximately RMB164.0 million for the six months ended 30 June 2013 to RMB108.5 million for the six months ended 30 June 2014. The decrease was mainly due to the decline in the cost of raw materials of RMB49.1 million primarily resulting from the decrease in the purchase of materials and components which was in line with the decline in the revenue for the six months ended 30 June 2014.

Clean Room and Automation Control and Monitoring System

Our cost of sales from the business segment of Clean Room and Automation Control and Monitoring System maintained relatively stable at approximately RMB48.6 million and RMB46.4 million for the six months ended 30 June 2013 and 2014 respectively.

Powder and Solid System

Our cost of sales from the business segment of Powder and Solid System increased by approximately RMB5.2 million or 53.0% from approximately RMB9.8 million for the six months ended 30 June 2013 to approximately RMB15.0 million for the six months ended 30 June 2014 which was mainly attributable to: (i) the increase in the cost of raw materials of approximately RMB3.8 million used in the provision of integrated engineering solutions in Powder and Solid System primarily resulting from the increase in the purchase of equipment including mills and mixing machines or materials and components for equipment manufactured by us used in the system for the six months ended 30 June 2014; (ii) the increase in staff costs of approximately RMB0.5 million due to the increase in staff number for the business segment of Powder and Solid System.

GMP Compliance Service

Our cost of sales from the business segment of GMP Compliance Service increased by approximately RMB2.7 million or 41.6% from RMB6.4 million for the six months ended 30 June 2013 to approximately RMB9.1 million for the six months ended 30 June 2014, which was primarily attributable to increase in staff cost as a result of the employment of experts during the six months ended 30 June 2014.

Life Science Consumables

Our cost of sales from the business segment of Life Science Consumables increased by approximately RMB4.3 million or 27.4% from approximately RMB15.8 million for the six months ended 30 June 2013 to approximately RMB20.1 million for the six months ended 30 June 2014, which was mainly attributable to the increase in cost of life science consumables sold of approximately RMB4.3 million which was generally in line with the increase in the revenue from the business segment of Life Science Consumables for the six months ended 30 June 2014.

Distribution and Agency of Pharmaceutical Equipment

Our cost of sales from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB4.7 million or 140.7% from approximately RMB3.3 million for the six months ended 30 June 2013 to approximately RMB8.0 million for the six months ended 30 June 2014 which was primarily attributable to the increase in the cost of equipment for our distribution of pharmaceutical equipment in line with the increase in revenue for the six months ended 30 June 2014.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by approximately RMB7.6 million or 7.2% from approximately RMB106.1 million for the six months ended 30 June 2013 to approximately RMB113.7 million for the six months ended 30 June 2014. Our gross profit margin increased from 30.0% for the six months ended 30 June 2013 to 35.5% for the six months ended 30 June 2014, which was mainly resulted from the increase in gross profit margin from the business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System and Powder and Solid System.

Liquid and Bioprocess System

Our gross profit from the business segment of Liquid and Bioprocess System decreased by approximately RMB5.0 million or 11.5% from approximately RMB43.7 million for the six months ended 30 June 2013 to approximately RMB38.7 million for the six months ended 30 June 2014. Our gross profit margin from the business segment of Liquid and Bioprocess System increased from 21.1% for the six months ended 30 June 2013 to 26.3% for the six months ended 30 June 2014 mainly resulted from the management's strategy to focus on projects with higher gross profit margin.

Clean Room and Automation Control and Monitoring System

Our gross profit from the business segment of Clean Room and Automation Control and Monitoring System increased by approximately RMB2.8 million or 11.6% from approximately RMB24.5 million for the six months ended 30 June 2013 to approximately RMB27.4 million for the six months ended 30 June 2014. Our gross profit margin from Clean Room and Automation Control and Monitoring System segment increased from 33.5% for the six months ended 30 June 2013 to 37.1% for the six months ended 30 June 2014, mainly attributable to the bulk discount offered by our suppliers and the standardisation of certain production processes, which increased efficiency.

Powder and Solid System

Our gross profit from the business segment of Powder and Solid System increased by approximately RMB7.5 million or 150.2% from approximately RMB5.0 million for the six months ended 30 June 2013 to approximately RMB12.5 million for the six months ended 30 June 2014. Our gross profit margin from the business segment of Powder and Solid System increased from 33.7% for the six months ended 30 June 2013 to 45.4% for the six months ended 30 June 2014 that was primarily due to our improving knowhow and techniques in the production of discharging machines which led to increased cost efficiency.

GMP Compliance Service

Our gross profit from the business segment of GMP Compliance Service decreased by approximately RMB0.2 million or 1.5% from approximately RMB16.1 million for the six months ended 30 June 2013 to RMB15.8 million for the six months ended 30 June 2014. Our gross profit margin from the business segment of GMP Compliance Service decreased from 71.4% for the six months ended 30 June 2013 to 63.4% for the six months ended 30 June 2014 mainly attributable to certain projects undertaken during the six months ended 30 June 2014 which carried a relatively lower gross profit margin in view of the launch of new markets and retaining these long-term customers.

Life Science Consumables

Our gross profit from the business segment of Life Science Consumables increased by approximately RMB2.1 million or 16.7% from approximately RMB12.3 million for the six months ended 30 June 2013 to approximately RMB14.3 million for the six months ended 30 June 2014. Our gross profit margin from the business segment of Life Science Consumables decreased from 43.7% for the six months ended 30 June 2013 to 41.6% for the six months ended 30 June 2014. Such decrease was mainly attributable to the increase in our distribution of life science consumables manufactured by PALL-AUSTAR WFOE for the six months ended 30 June 2014 which had a relatively lower gross profit margin.

Distribution and Agency of Pharmaceutical Equipment

Our gross profit from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB0.5 million, or 10.9% from approximately RMB4.5 million for the six months ended 30 June 2013 to approximately RMB5.0 million for the six months ended 30 June 2014. Our gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased from 57.6% for the six months ended 30 June 2013 to 38.5% for the six months ended 30 June 2014 mainly due to the decreased agency service of pharmaceutical equipment which had higher gross profit margin.

Other income

Other income increased by approximately RMB0.5 million from approximately RMB0.1 million for the six months ended 30 June 2013 to RMB0.6 million for the six months ended 30 June 2014, mainly attributable to the increase in the subsidies granted by local government authorities during the six months ended 30 June 2014.

Other gains/(losses)

Other gains/(losses) changed from other gains of approximately RMB0.2 million for the six months ended 30 June 2013 to other losses of approximately RMB0.6 million for the six months ended 30 June 2014, mainly attributable to the exchange losses incurred related to our sales in foreign currencies for the six months ended 30 June 2014.

Selling and marketing expenses

Selling and marketing expenses increased by approximately RMB1.7 million or 5.7% to approximately RMB32.4 million for the six months ended 30 June 2014 from RMB30.6 million for the six months ended 30 June 2013. The increase was primarily due to: (i) the increase in travel, meeting and communication expenses by approximately RMB2.2 million or 53.8% for the six months ended 30 June 2014 in line with our increase in sales orders received; (ii) the increase in promotion expenses of approximately RMB1.2 million mainly resulting from the increase in our visit and involvement in various international exhibitions and a general increase in marketing effort; which was offset by the decrease in the staff costs as a result of the decline in the provision for bonus which related to the level of revenue for the corresponding period.

Administrative expenses

Administrative expenses increased by approximately RMB10.8 million or 54.9% to approximately RMB30.6 million for the six months ended 30 June 2014 from approximately RMB19.7 million for the six months ended 30 June 2013. The increase was primarily due to: (i) the increase in staff costs by approximately RMB3.5 million or 36.0%, mainly attributable to increase in the number of management staff; and (ii) the increase in legal and professional fees of approximately RMB6.7 million mainly as a result of our listing preparation during the six months ended 30 June 2014.

Research and development expenses

Our research and development expenses remained relatively stable at approximately RMB9.9 million and RMB10.2 million for the six months ended 30 June 2013 and 2014 respectively.

Finance expenses – net

Finance expenses – net changed from net finance expenses of approximately RMB0.3 million for the six months ended 30 June 2013 to net finance income of approximately RMB0.3 million for the six months ended 30 June 2014, which was mainly due to the increase in interest income of approximately RMB0.3 million primarily resulting from the increase in average bank deposits for the six months ended 30 June 2014.

Share of profit of joint ventures

Our share of profit of joint ventures decreased by approximately RMB0.6 million, from approximately RMB3.1 million for the six months ended 30 June 2013 to RMB2.6 million for the six months ended 30 June 2014, which was primarily due to the decrease in profit contribution from STERIS-AUSTAR JV, and offset by the increase in profit contribution from PALL-AUSTAR JV.

Income tax expense

Income tax expense decreased by RMB2.7 million to approximately RMB10.7 million for the six months ended 30 June 2014 from RMB13.4 million for the six months ended 30 June 2013, mainly due to the decrease in taxable income. Our effective income tax rate decreased from 27.3% for the six months ended 30 June 2013 to 24.6% for the six months ended 30 June 2014, mainly due to the decrease in income tax rate of one of our subsidiaries.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately RMB2.9 million or 8.0% to RMB32.7 million for the six months ended 30 June 2014 from approximately RMB35.6 million for the six months ended 30 June 2013. Our net profit margin remained relatively stable at 10.1% and 10.2% respectively for the six months ended 30 June 2013 and 2014 respectively.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by approximately RMB284.4 million or 67.6% to approximately RMB705.2 million for the year ended 31 December 2013 from approximately RMB420.8 million for the year ended 31 December 2012, primarily due to the increased demand for integrated engineering solutions for pharmaceutical manufacturers through our business segments of Liquid and Bioprocess System, Clean Room and Automation Control and

Monitoring System and Powder and Solid System in 2013, as a result of higher standards required in the pharmaceutical industry in the PRC and our increased efforts in marketing and promotional activities during 2013. Our total number of contracts increased from 3,421 for the year ended 31 December 2012 to 4,433 for the year ended 31 December 2013. We also recorded an increase in the number of our sales and marketing personnel from 106 as at 31 December 2012 to 147 as at 31 December 2013 in connection with our increased marketing efforts.

Liquid and Bioprocess System

Our revenue from the business segment of Liquid and Bioprocess System increased by approximately RMB152.3 million or 66.6% from approximately RMB228.7 million for the year ended 31 December 2012 to approximately RMB381.0 million for the year ended 31 December 2013. The increase was mainly attributable to: (i) the significant growth in the revenue derived from our provision of integrated engineering solutions in pharmaceutical water system of approximately RMB75.6 million primarily due to the requirement for the sterile pharmaceutical manufacturers to comply with the China New GMP by 2013 which emphasizes on the quality of water for pharmaceutical process, and the design, installation, operation and maintenance of water treatment equipment and transfer system to achieve such standard, which resulted in the increasing demand in new and retrofit projects for the pharmaceutical water system in 2013. As a result, with our extensive technical expertise, well-recognized water treatment equipment, and capability to provide tailor-made and integrated engineering solutions in the pharmaceutical water system, our number of contracts for the pharmaceutical water system increased in 2013; and (ii) the increase in the revenue derived from our provision of integrated engineering solutions in liquid preparation and bioprocess system of approximately RMB76.7 million in 2013 mainly due to the growing market of bio-pharmaceutical sector in the PRC according to the Frost & Sullivan Report. The number of contracts under the business segment of Liquid and Bioprocess System increased from 144 for the year ended 31 December 2012 to 206 for the year ended 31 December 2013.

Clean Room and Automation Control and Monitoring System

Our revenue from the business segment of Clean Room and Automation Control and Monitoring System increased by approximately RMB70.0 million or 84.7% from approximately RMB82.6 million for the year ended 31 December 2012 to approximately RMB152.5 million for the year ended 31 December 2013, which was attributable to: (i) the increase in the revenue generated from the provision of integrated engineering solutions in automation control and monitoring system of approximately RMB50.2 million in 2013 mainly due to the increased sales order intake primarily resulting from the increasing demand for automation control and monitoring technologies in response to the public concern for the pharmaceutical product safety and governments' regulations on pharmaceutical manufacturing process according to the Frost & Sullivan Report; and (ii) the increase in the revenue generated from the provision of integrated engineering solutions in clean room enclosure system of approximately RMB19.8 million in 2013 mainly due to our increased order intakes in the domestic PRC market as a result of the concentration of our sales in the PRC. The number of contracts under the business segment of Clean Room and Automation Control and Monitoring System increased from 281 for the year ended 31 December 2012 to 453 for the year ended 31 December 2013.

Powder and Solid System

Our revenue from the business segment of Powder and Solid System increased by approximately RMB20.3 million or 84.5% from approximately RMB24.1 million for the year ended 31 December 2012 to approximately RMB44.4 million for the year ended 31 December 2013 which was primarily attributable to the increased number of contracts from our existing service and product offerings and the newly launched discharging machines in 2013. The number of contracts under the business segment of Powder and Solid System increased from 78 for the year ended 31 December 2012 to 141 for the year ended 31 December 2013.

GMP Compliance Service

Our revenue from the business segment of GMP Compliance Service increased significantly by approximately RMB16.1 million or 51.2% from approximately RMB31.5 million for the year ended 31 December 2012 to approximately RMB47.7 million for the year ended 31 December 2013, which was primarily attributable to: (i) the increased number of customers for the China New GMP compliance service mainly due to pharmaceutical manufacturers were generally not familiar with the elevated China New GMP standards including the detailed requirements in qualification and validation while they needed to comply with the China New GMP by 2013 or 2015; and (ii) the increased number of customers who needed to comply with overseas standards including European(EMA), US(FDA) and WHO as a result of our extensive GMP compliance experience in the pharmaceutical industry. The number of contracts under the business segment of GMP Compliance Service increased from 61 for the year ended 31 December 2012 to 107 for the year ended 31 December 2013.

Life Science Consumables

Our revenue from the business segment of Life Science Consumables increased by approximately RMB18.2 million or 52.7% from approximately RMB34.6 million for the year ended 31 December 2012 to approximately RMB52.8 million for the year ended 31 December 2013 which was primarily attributable to the increased number of customers in distributorship sales and increase in our product offering in 2013. The number of contracts under the business segment of Life Science Consumables increased from 2,447 for the year ended 31 December 2012 to 3,113 for the year ended 31 December 2013.

Distribution and Agency of Pharmaceutical Equipment

Our revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB7.5 million or 38.9% from approximately RMB19.3 million for the year ended 31 December 2012 to approximately RMB26.8 million for the year ended 31 December 2013 which was primarily attributable to the rise in revenue from agency sales of pharmaceutical equipment resulting from increased number of end customers as a result of our increased effort in marketing in 2013. The number of contracts under the business segment of Distribution and Agency of Pharmaceutical Equipment increased from 410 for the year ended 31 December 2012 to 413 for the year ended 31 December 2013.

Cost of sales

Cost of sales increased by approximately RMB205.9 million or 72.4% to approximately RMB490.2 million for the year ended 31 December 2013 from approximately RMB284.3 million for the year ended 31 December 2012. Such increase was mainly due to: (i) the increase in the cost of raw materials by approximately RMB167.3 million or 77.9% for the year ended 31 December 2013 compared to the previous year, primarily resulting from the increase in the purchase of raw materials for our provision of integrated engineering solutions under the business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, and Powder and Solid System, which was in line with the increase of revenue generated from our provision of integrated engineering solutions; and (ii) the increase in staff cost by approximately RMB15.0 million or 44.8% primarily resulting from the increased staff number in 2013 to cope with our increased sales order intakes and future expansion plan.

Liquid and Bioprocess System

Our cost of sales from the business segment of Liquid and Bioprocess System increased by approximately RMB121.2 million or 69.1% from approximately RMB175.2 million for the year ended 31 December 2012 to approximately RMB296.4 million for the year ended 31 December 2013. The increase was mainly due to: (i) the increase in the cost of raw materials of approximately RMB96.1 million used in our provision of integrated engineering solutions in Liquid and Bioprocess System, resulting from the increase in the purchase of materials and components for the manufacture of equipment in 2013; and (ii) the increase in the staff cost of approximately RMB11.6 million primarily resulting from the increase in staff number from 216 as at 31 December 2012 to 323 as at 31 December 2013.

Clean Room and Automation Control and Monitoring System

Our cost of sales from the business segment of Clean Room and Automation Control and Monitoring System increased by approximately RMB49.1 million or 87.0% from approximately RMB56.4 million for the year ended 31 December 2012 to approximately RMB105.5 million for the year ended 31 December 2013 which was primarily attributable to: (i) the increase in the cost of raw materials of RMB41.8 million used in the provision of Clean Room and Automation Control and Monitoring System solutions, primarily resulting from the increase in the purchase of materials including steel panels for the manufacture of panels, doors and windows which are the components in the clean room enclosure system and also electronic components used in the automation control and monitoring system in 2013; and (ii) the increase in subcontracting fees of approximately RMB4.3 million primarily resulting from that increased outsourcing of electrical installation works with lower gross profit margin to subcontractors, in order to improve efficiency in regards of more projects undertaken in 2013.

Powder and Solid System

Our cost of sales from the business segment of Powder and Solid System increased by approximately RMB15.8 million or 111.6% from approximately RMB14.2 million for the year ended 31 December 2012 to approximately RMB30.0 million for the year ended 31 December 2013 which was mainly attributable to the increase in the cost of raw materials of approximately RMB13.7 million used in the provision of integrated engineering solutions in Powder and Solid System, primarily resulting from the increase in the purchase of equipment including mills and mixing machines or materials and components for equipment manufactured by us used in the system in 2013.

GMP Compliance Service

Our cost of sales from the business segment of GMP Compliance Service increased by approximately RMB4.7 million or 40.3% from approximately RMB11.5 million for the year ended 31 December 2012 to approximately RMB16.2 million for the year ended 31 December 2013, which was primarily attributable to the increase in staff costs of approximately RMB2.1 million and the increase in travelling and communication expenses of approximately RMB1.6 million in line with our increased demand for our GMP Compliance Service in 2013.

Life Science Consumables

Our cost of sales from the business segment of Life Science Consumables increased by approximately RMB11.9 million or 67.5% from approximately RMB17.7 million for the year ended 31 December 2012 to approximately RMB29.6 million for the year ended 31 December 2013 which was in line with the increase in the revenue from the business segment of Life Science Consumables in 2013.

Distribution and Agency of Pharmaceutical Equipment

Our cost of sales from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB3.2 million or 34.9% from approximately RMB9.3 million for the year ended 31 December 2012 to approximately RMB12.5 million for the year ended 31 December 2013 which was primarily attributable to the increase in the cost of equipment for our distribution of pharmaceutical equipment in line with the increase in sales order intakes in 2013.

Gross profit and gross profit margin

As a result of our growth in revenue from all of our business segment, our gross profit rose by approximately RMB78.5 million or 57.5% from approximately RMB136.4 million for the year ended 31 December 2012 to approximately RMB215.0 million for the year ended 31 December 2013. Our gross profit margin decreased from 32.4% for the year ended 31 December 2012 to 30.5% for the year ended 31 December 2013, which was mainly resulted from the decrease in gross profit margin from the business segments of Liquid and Bioprocess System and Clean Room and Automation Control and Monitoring System.

Liquid and Bioprocess System

Our gross profit from the business segment of Liquid and Bioprocess System increased by approximately RMB31.1 million or 58.2% from approximately RMB53.5 million for the year ended 31 December 2012 to RMB84.6 million for the year ended 31 December 2013. Our gross profit margin from the business segment of Liquid and Bioprocess System decreased from approximately 23.4% for the year ended 31 December 2012 to approximately 22.2% for the year ended 31 December 2013 mainly resulted from our strategy to increase our market share for this segment in 2013.

Clean Room and Automation Control and Monitoring System

Our gross profit from the business segment of Clean Room and Automation Control and Monitoring System increased by approximately RMB20.9 million or 79.8% from approximately RMB26.2 million for the year ended 31 December 2012 to approximately RMB47.0 million for the year ended 31 December 2013. Our gross profit margin from Clean Room and Automation Control and Monitoring System segment decreased from 31.7% for the year ended 31 December 2012 to 30.8% for the year ended 31 December 2013, mainly due to the concentration of our sales in the PRC in 2013 which had a generally lower gross profit margin.

Powder and Solid System

Our gross profit from the business segment of Powder and Solid System increased by approximately RMB4.5 million or 45.6% from approximately RMB9.9 million for the year ended 31 December 2012 to approximately RMB14.4 million for the year ended 31 December 2013. Our gross profit margin from the business segment of Powder and Solid System decreased from 41.0% in 2012 to 32.4% in 2013 that was primarily because we commenced producing instead of relying on others, the discharging machines, which although had a lower gross profit margin, they formed a key component in the provision of integrated engineering solutions.

GMP Compliance Service

Our gross profit from the business segment of GMP Compliance Service increased by approximately RMB11.5 million or 57.4% from approximately RMB20.0 million for the year ended 31 December 2012 to approximately RMB31.5 million for the year ended 31 December 2013. Our gross profit margin from the business segment of GMP Compliance Service increased from 63.4% for the year ended 31 December 2012 to 66.0% for the year ended 31 December 2013 mainly attributable to the increase in revenue per employee as a result of enhanced management efficiency in 2013.

Life Science Consumables

Our gross profit from the business segment of Life Science Consumables increased by approximately RMB6.3 million or 37.1% from approximately RMB16.9 million for the year ended 31 December 2012 to approximately RMB23.2 million for the year ended 31 December 2013. Our gross profit margin from the business segment of Life Science Consumables decreased from 48.9% for the year ended 31 December 2012 to 43.9% for the year ended 31 December 2013. Such decrease was mainly attributable to the increase in our distribution of life science consumables manufactured by PALL-AUSTAR WFOE in 2013 with a lower gross profit margin.

Distribution and Agency of Pharmaceutical Equipment

Our gross profit from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB4.3 million, or 42.5% from approximately RMB10.0 million for the year ended 31 December 2012 to approximately RMB14.3 million for the year ended 31 December 2013. Our gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment increased from 52.0% for the year ended 31 December 2012 to 53.4% for the year ended 31 December 2013 mainly attributable to the increased sales from agency of pharmaceutical equipment which contributed a higher gross profit margin under this business segment.

Other income

Other income slightly increased by approximately RMB0.7 million or 170.3% to approximately RMB1.1 million for the year ended 31 December 2013 from approximately RMB0.4 million for the year ended 31 December 2012. The increase in other income was mainly due to the subsidies granted by local government authorities in 2013.

Other gains/(losses)

Other losses slightly decreased by approximately RMB0.12 million to a loss of approximately RMB46,000 for the year ended 31 December 2013 from a loss of approximately RMB0.2 million for the year ended 31 December 2012. The decrease in the loss was mainly due to the dividends received from the investment in the available-for-sale financial assets in 2013.

Selling and marketing expenses

Selling and marketing expenses increased by approximately RMB35.3 million or 96.1% to RMB72.1 million for the year ended 31 December 2013 from RMB36.8 million for the year ended 31 December 2012. The increase was primarily due to: (i) the increase in staff costs by approximately RMB18.3 million in 2013, mainly resulting from the increase in number of our sales personnel in 2013 in connection with the increase in revenue and our efforts in expansion of our sales network, and our staff intensive mechanism to motivate sales personnel for better performance; (ii) the increase in travel, meeting and communication expenses by approximately RMB4.4 million or 84.6% in 2013 in line with our significant increase in sales orders received; (iii) the increase in warranty and after-sales service expenses of approximately RMB6.9 million primarily resulting from the increase in warranty expenses which was in line with the increase in total revenue in 2013.

Administrative expenses

Administrative expenses increased by approximately RMB12.5 million or 35.2% to approximately RMB47.8 million for the year ended 31 December 2013 from approximately RMB35.4 million for the year ended 31 December 2012. The increase was primarily due to: (i) the increase in staff costs by approximately RMB7.2 million or 51.2%, mainly attributable to additional senior staffs hired to cope with our enlarged scale of operation; (ii) the increase in legal and professional fees of approximately RMB6.0 million mainly resulting from the listing expenses incurred for services from professional parties in 2013; (iii) the increase in other administrative expenses, such as office expenses, of approximately RMB5.9 million to cope with our business development; and was partially offset by the decrease in impairment of receivables by RMB6.5 million as the balance of allowance for impairment of trade receivables was adequate, considering the mild increase in balance of trade receivables in 2013 as a result of the improvement in efficiency in collection of trade receivables.

Research and development expenses

Our research and development expenses increased by approximately RMB7.8 million or 48.7% from approximately RMB16.1 million in 2012 to approximately RMB23.9 million in 2013 mainly due to our continuous efforts to enhance our research and development effort.

Finance (expenses)/income – net

Finance expenses – net decreased by approximately RMB1.3 million from approximately RMB1.3 million for the year ended 31 December 2012 to approximately RMB42,000 for the year ended 31 December 2013. The decrease was mainly due to the increase in interest income of approximately RMB0.9 million primarily resulting from the increase in bank deposits as a result of affluent cash position in 2013. Meanwhile, finance expenses decreased by approximately RMB0.4 million, primarily resulting from the decrease in the average bank loan balance for the year ended 31 December 2013 compared to 2012 and the decrease in the average interest rate in 2013.

Share of profit of joint ventures

Our share of profit of joint ventures increased slightly by approximately RMB0.4 million, from approximately RMB4.1 million for the financial year ended 31 December 2012 to approximately RMB4.5 million for the financial year ended 31 December 2013, which was primarily due to the profit contribution of PALL-AUSTAR JV in 2013.

Income tax expense

Income tax expense increased by approximately RMB7.3 million or 46.3% to approximately RMB23.1 million for the year ended 31 December 2013 from RMB15.8 million for the year ended 31 December 2012. The increase was mainly due to the increase in our profit before income tax for the year ended 31 December 2013. Our effective income tax rate remained relatively stable at 30.8% and 30.1% for the year ended 31 December 2012 and 2013 respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by approximately RMB18.1 million or 50.9% to approximately RMB53.6 million for the year ended 31 December 2013 from approximately RMB35.5 million for the year ended 31 December 2012. Our net profit margin decreased slightly from 8.4% in 2012 to 7.6% in 2013 which was due to the listing expenses incurred in 2013.

Year ended 31 December 2012 compared to year ended 31 December 2011

Revenue

Our revenue increased by approximately RMB95.6 million or 29.4% to approximately RMB420.8 million for the year ended 31 December 2012 from approximately RMB325.2 million for the year ended 31 December 2011 primarily due to the promulgation of China New GMP in 2011 which enlarged our targeted customer base and was of great benefit to our Group as we were equipped with high level of technical expertise and well-positioned to offer high-end services and products. The need for integrated engineering solutions in the pharmaceutical industry was growing to fulfil the requirements of China New GMP, particularly for Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System and GMP Compliance Service. Other factors contributing to the growth in 2012 included increasing pharmaceutical exports in the PRC which drove pharmaceutical manufacturers to adopt more advanced equipment and systems, and growing market share of the bio-pharmaceutical sector in the PRC which created opportunities for market players. Our total number of contracts increased from 2,956 for the year ended 31 December 2011 to 3,421 for the year ended 31 December 2012. We also recorded an increase in the number our sales personnel from 86 as at 31 December 2011 to 106 as at 31 December 2012 in connection with our increased marketing efforts.

Liquid and Bioprocess System

Our revenue from the business segment of Liquid and Bioprocess System increased by approximately RMB50.9 million or 28.6% from approximately RMB177.9 million for the year ended 31 December 2011 to approximately RMB228.7 million for the year ended 31 December 2012. The increase was mainly due to the increase in the revenue derived from the provision of integrated engineering solutions in pharmaceutical water system resulting from the increased market demand resulting from promulgation of China New GMP in 2011. The number of contracts under the business segment of Liquid and Bioprocess System increased from 136 for the year ended 31 December 2011 to 144 for the year ended 31 December 2012.

Clean Room and Automation Control and Monitoring System

Our revenue from the business segment of Clean Room and Automation Control and Monitoring System increased by approximately RMB14.7 million or 21.6% from approximately RMB67.9 million for the year ended 31 December 2011 to approximately RMB82.6 million for the year ended 31 December 2012 which was attributable to the increase in the revenue generated from the provision of integrated engineering solutions in automation control and monitoring system by approximately RMB7.9 million and the increase in the revenue derived from clean room enclosures system by approximately RMB6.8 million, mainly due to the increased order intakes as a result of our increased market efforts and expansion of our distribution network. The number of contracts under the business segment of Clean Room and Automation Control and Monitoring System increased from 238 for the year ended 31 December 2011 to 281 for the year ended 31 December 2012.

Powder and Solid System

Our revenue from the business segment of Powder and Solid System increased by approximately RMB12.5 million or 108.8% from approximately RMB11.5 million for the year ended 31 December 2011 to approximately RMB24.1 million for the year ended 31 December 2012 which primarily resulted from our introduction of new types of services including offering of integrated engineering solutions in isolation and containment system and sterile containment handling system and our enhanced expertise in the provision of solutions in Powder and Solid System. The number of contracts under the business segment of Powder and Solid System increased from 39 for the year ended 31 December 2011 to 78 for the year ended 31 December 2012.

GMP Compliance Service

Our revenue from the business segment of GMP Compliance Service increased significantly by approximately RMB16.8 million or 113.9% from approximately RMB14.7 million for the year ended 31 December 2011 to approximately RMB31.5 million for the year ended 31 December 2012, which was mainly due to our increased type of service offerings including QMS consultancy services and GEP consultancy services in order to provide more tailored solutions to customers for them to comply with New China GMP. Due to our Group's leading position and experience in GMP validation and consultancy service market and our Group's capability to provide one-stop consultation services for GMP compliance, our revenue from GMP Compliance Service significantly increased for the year ended 31 December 2012. The number of contracts under the business segment of GMP Compliance Service increased from 46 for the year ended 31 December 2011 to 61 for the year ended 31 December 2012.

Life Science Consumables

Our revenue from the business segment of Life Science Consumables increased by approximately RMB7.2 million or 26.2% from approximately RMB27.4 million for the year ended 31 December 2011 to approximately RMB34.6 million for the year ended 31 December 2012 which was primarily attributable to the increase in types of product offerings in 2012 resulting from our customer-driven marketing strategy. The number of contracts under the business segment of Life Science Consumables increased from 1,926 for the year ended 31 December 2011 to 2,447 for the year ended 31 December 2012.

Distribution and Agency of Pharmaceutical Equipment

Our revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased by approximately RMB6.5 million or 25.1% from approximately RMB25.8 million for the year ended 31 December 2011 to approximately RMB19.3 million for the year ended 31 December 2012 which was primarily attributable to the decrease in the distribution of spare parts in 2012, because the supplier of certain spare parts did not engage us to act as their distributor. The number of contracts under the business segment of Distribution and Agency of Pharmaceutical Equipment decreased from 571 for the year ended 31 December 2011 to 410 for the year ended 31 December 2012.

Cost of sales

Cost of sales increased by approximately RMB59.6 million or 26.6% to approximately RMB284.3 million for the year ended 31 December 2012 from approximately RMB224.7 million for the year ended 31 December 2011. Such increase was mainly due to: (i) the increase in the cost of raw materials by approximately RMB34.0 million or 18.8% in 2012, primarily resulting from the increase in the purchase of materials, components and equipment for our provision of integrated engineering solutions and our distribution of products, which was in line with the increase of revenue in 2012; and (ii) the increase in staff costs by approximately RMB14.0 million or 71.6% primarily resulting from the increased staff number in 2012 to cope with our business development.

Liquid and Bioprocess System

Our cost of sales from the business segment of Liquid and Bioprocess System increased by approximately RMB40.9 million or 30.4% from approximately RMB134.4 million for the year ended 31 December 2011 to approximately RMB175.2 million for the year ended 31 December 2012. The increase was mainly due to: (i) the increase in the cost of raw materials of approximately RMB26.3 million resulting from the increase in the purchase of raw materials including steel components for the manufacture of equipment such as purified water generators and other products such as pipings and heat exchangers used in the system in 2012; (ii) the increase in staff costs of approximately RMB8.5 million primarily resulting from the increase in staff number from 199 as at 31 December 2011 to 216 as at 31 December 2012; and (iii) the increase in travelling expenses of approximately RMB4.4 million for our project managers and workers to provide on-site works in line with our increase in order intakes in 2012.

Clean Room and Automation Control and Monitoring System

Our cost of sales from the business segment of Clean Room and Automation Control and Monitoring System increased by approximately RMB10.0 million or 21.6% from approximately RMB46.4 million for the year ended 31 December 2011 to approximately RMB56.4 million for the year ended 31 December 2012 which was primarily attributable to: (i) the increase in the cost of raw materials of approximately RMB4.8 million primarily resulting from the increase in the purchase of materials including steel panels in the clean room enclosures and various materials such as electronic components used in the automation control and monitoring system in 2012; and (ii) the increase in staff costs of approximately RMB2.8 million primarily resulting from the increase in staff number from 118 as at 31 December 2011 to 146 as at 31 December 2012.

Powder and Solid System

Our cost of sales from the business segment of Powder and Solid System increased by approximately RMB7.3 million or 105.4% from approximately RMB6.9 million for the year ended 31 December 2011 to approximately RMB14.2 million for the year ended 31 December 2012 which was mainly attributable to the increase in the cost of raw materials of approximately RMB6.1 million, primarily resulting from the increase in the purchase of equipment including mills and mixing machines or materials and components for equipment manufactured by us used in the system in 2012.

GMP Compliance Service

Our cost of sales from the business segment of GMP Compliance Service increased by approximately RMB4.6 million or 67.0% from approximately RMB6.9 million for the year ended 31 December 2011 to approximately RMB11.5 million for the year ended 31 December 2012 which was primarily attributable to the increase in staff cost primarily resulting from the increase in staff numbers to cope with our increased demand for our GMP Compliance Service in 2012. The number of staff engaged in our GMP Compliance service rose from 82 as at 31 December 2011 to 87 as at 31 December 2012.

Life Science Consumables

Our cost of sales from the business segment of Life Science Consumables increased by approximately RMB5.8 million or 48.8% from approximately RMB11.9 million for the year ended 31 December 2011 to approximately RMB17.7 million for the year ended 31 December 2012 which was primarily attributable to the increase in the purchase of life science consumables in line with the increase in the revenue from distribution of life science consumables in 2012.

Distribution and Agency of Pharmaceutical Equipment

Our cost of sales from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased by approximately RMB9.0 million or 49.2% from approximately RMB18.2 million for the year ended 31 December 2011 to approximately RMB9.3 million for the year ended 31 December 2012 which was primarily attributable to the decrease in the cost of raw materials of approximately RMB8.9 million mainly due to the decrease in distribution of certain parts and components in 2012.

Gross profit and gross profit margin

As a result of our revenue growth, our gross profit rose by approximately RMB35.9 million or 35.7% from approximately RMB100.5 million for the year ended 31 December 2011 to approximately RMB136.4 million for the year ended 31 December 2012. Our gross profit margin improved from 30.9% for the year ended 31 December 2011 to 32.4% for the year ended 31 December 2012, which was mainly due to our strengthened cost control measures and improving project management efficiencies resulting in increase in gross profit margin in our business segment of GMP Compliance Service and increase in gross profit margin of Distribution and Agency of Pharmaceutical Equipment segment.

Liquid and Bioprocess System

Our gross profit from the business segment of Liquid and Bioprocess System increased by approximately RMB10.0 million or 22.9% from approximately RMB43.5 million for the year ended 31 December 2011 to approximately RMB53.5 million for the year ended 31 December 2012. Our gross profit margin from the business segment of Liquid and Bioprocess System decreased from 24.5% for the year ended 31 December 2011 to 23.4% for the year ended 31 December 2012 mainly due to the lower gross profit margin derived for the provision of integrated engineering solutions in liquid preparation and bioprocess system in 2012 in view of increasing our market share and competitiveness.

Clean Room and Automation Control and Monitoring System

Our gross profit from the business segment of Clean Room and Automation Control and Monitoring System increased by approximately RMB4.7 million or 21.8% from approximately RMB21.5 million for the year ended 31 December 2011 to approximately RMB26.2 million for the year ended 31 December 2012. Our gross profit margin from the business segment of Clean Room and Automation Control and Monitoring System remained relatively stable at 31.6% and 31.7% for each of the year ended 31 December 2011 and 2012 respectively.

Powder and Solid System

Our gross profit from the business segment of Powder and Solid System increased by approximately RMB5.3 million or 113.9% from approximately RMB4.6 million for the year ended 31 December 2011 to approximately RMB9.9 million for the year ended 31 December 2012. Our gross profit margin from Powder and Solid System segment remained relatively stable at 40.0% and 41.0% for each of the year ended 31 December 2011 and 2012 respectively.

GMP Compliance Service

Our gross profit from the business segment of GMP Compliance Service increased by approximately RMB12.2 million or 155.2% from approximately RMB7.8 million for the year ended 31 December 2011 to approximately RMB20.0 million for the year ended 31 December 2012. Our gross profit margin from GMP Compliance Service segment increased from 53.1% for the year ended 31 December 2011 to 63.4% for the year ended 31 December 2012 mainly attributable to enhanced efficiency in our provision of GMP Compliance Service resulting in the increase in the revenue per employee in 2012.

Life Science Consumables

Our gross profit from the business segment of Life Science Consumables increased by approximately RMB1.4 million or 8.8% from approximately RMB15.5 million for the year ended 31 December 2011 to approximately RMB16.9 million for the year ended 31 December 2012. Our gross profit margin from Life Science Consumables segment decreased from 56.7% for the year ended 31 December 2011 to 48.9% for the year ended 31 December 2012 mainly attributable to the increase in our distribution of life science consumables manufactured by PALL-AUSTAR WFOE in 2012 which had a lower gross profit margin.

Distribution and Agency of Pharmaceutical Equipment

Our gross profit from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB2.5 million or 33.0% from approximately RMB7.5 million for the year ended 31 December 2011 to approximately RMB10.0 million for the year ended 31 December 2012, mainly due to the increase in agency service of pharmaceutical equipment, despite of decrease in revenue under this segment. Our gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment increased from 29.3% for the year ended 31 December 2011 to 52.0% for the year ended 31 December 2012 mainly attributable to the increased agency service of pharmaceutical equipment which contributed a higher gross profit margin under this business segment as a result of the agency of certain new pharmaceutical equipment in 2012.

Selling and marketing expenses

Selling and marketing expenses increased by approximately RMB8.2 million or 28.9% to approximately RMB36.8 million for the year ended 31 December 2012 from RMB28.5 million for the year ended 31 December 2011. The increase was primarily due to the increase in staff costs by approximately RMB11.3 million or 159.9%, mainly resulting from the increase in number of our sales and marketing staff from 86 as at 31 December 2011 to 106 as at 31 December 2012 in connection with our increased marketing efforts. Selling and marketing expenses as a percentage of total revenue remained stable at approximately 8.8% and 8.7% for the year ended 31 December 2011 and 2012 respectively.

Administrative expenses

Administrative expenses increased by approximately RMB10.9 million or 44.4% to approximately RMB35.4 million for the year ended 31 December 2012 from approximately RMB24.5 million for the year ended 31 December 2011. As a percentage of total revenue, our administrative expenses increased from approximately 7.5% in 2011 to approximately 8.4% in 2012. The significant increase was primarily due to (i) the increase in staff costs by approximately RMB5.3 million or 60.7%, mainly attributable to the increase in staff number in 2012 and additional senior staffs hired to cope with our expansion of business operations; (ii) the increase in impairment of receivables of approximately RMB9.8 million mainly due to increase in our total trade receivable, which contained a portion of long outstanding receivables and thus leading to a higher amount of impairment.

Research and development expenses

Our research and development expenses increased by approximately RMB4.3 million or 36.3% from approximately RMB11.8 million in 2011 to approximately RMB16.1 million in 2012 mainly due to our efforts to enhance our research and development capabilities. As a percentage of total revenue, research and development expenses remained stable with approximately 3.6% and 3.8% for the year ended 31 December 2011 and 2012 respectively.

Other income

Other income increased by approximately RMB0.1 million from approximately RMB0.3 million for the year ended 31 December 2011 to approximately RMB0.4 million for the year ended 31 December 2012. The increase was mainly due to the increase in government grants for our business.

Other gains/(losses)

Our other gains/(losses) decreased from the gains of approximately RMB0.5 million for the year ended 31 December 2011 to the losses of approximately RMB0.2 million for the year ended 31 December 2012 mainly resulting from the exchange losses incurred for the year ended 31 December 2012.

Finance (expenses)/income – net

Finance expenses – net increased by approximately RMB0.6 million or 90.2% to approximately RMB1.3 million for the year ended 31 December 2012 from approximately RMB0.7 million for the year ended 31 December 2011. The increase was mainly due to the increase in interest expenses primarily resulting from bank loans with an aggregate amount of approximately RMB24.0 million drawn down near the end of the year ended 31 December 2011, and the increased average interest rate in 2012.

Share of profit of joint ventures

Our share of profit of joint ventures increased by approximately RMB1.5 million from approximately RMB2.6 million for the year ended 31 December 2011 to approximately RMB4.1 million for the year ended 31 December 2012. The increase was mainly due to the increase in the revenue and profit of STERIS-AUSTAR JV in 2012 as a result of the promulgation of China New GMP in 2011 and the quality of the products produced by STERIS-AUSTAR WFOE also attracted consistent increase in sales.

Income tax expense

Income tax expense increased significantly by approximately RMB4.7 million or 42.6% to approximately RMB15.8 million for the year ended 31 December 2012 from approximately RMB11.1 million for the year ended 31 December 2011. The increase was primarily attributable to increased taxable income as a result of increase in revenue. Our effective income tax rate increased from 28.8% in 2011 to 30.8% in 2012 that was primarily due to the increase in withholding tax from 2011 to 2012.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB8.2 million or 29.9% to RMB35.5 million for the year ended 31 December 2012 from RMB27.3 million for the year ended 31 December 2011. Our net profit margin remained stable at 8.4% for the year ended 31 December 2011 and 2012.

LIQUIDITY AND CAPITAL RESOURCES

Our operations are working capital intensive, and our primary uses of cash are for the payment of purchases from suppliers, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated from our operations and short-term bank borrowings.

General economic conditions may affect our ability to secure credit facilities to settle our payment obligations. In the event of any cancellation of purchase orders and/or default on payment obligations by our customers, our cash flow, business operations and profitability would be adversely affected.

The following table summarises, for the periods indicated, our statements of cash flows:

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Net cash generated from/(used in) operating activities	16,918	73,981	71,407	24,258	(84,571)
Net cash (used in)/generated from investing activities	(7,165)	(24,759)	(44,549)	(5,371)	17,589
Net cash generated from/(used in) financing activities	5,148	16,886	10,254	5,244	(20,373)
Net increase/(decrease) in cash and cash equivalents	14,901	66,108	37,112	24,131	(87,355)
Cash and cash equivalents at beginning of year/period	22,328	37,499	102,611	102,611	139,712
Exchange gains/(losses) on cash and cash equivalents	270	(996)	(11)	93	(11)
Cash and cash equivalents at end of year/period	37,499	102,611	139,712	126,835	52,346

Operating activities

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of cash for our products and our services. Our cash outflow used in operating activities was principally for purchases of raw materials.

For the six months ended 30 June 2014, our Group had net cash used in operating activities of approximately RMB84.6 million, mainly as a result of the profit before income tax of approximately RMB43.5 million generated this year, which was primarily adjusted for (i) the decrease in trade and other payables of approximately RMB72.2 million mainly due to the payment to suppliers and value-added tax; (ii) the increase in the trade and other receivables of approximately RMB47.4 million because certain customers have not settled their contract amount in accordance with the contract terms; and (iii) income tax paid in the amount of approximately RMB20.3 million during the six months ended 30 June 2014. This is partially offset by the decrease in the amount of inventories in the amount of approximately RMB9.0 million as at 30 June 2014 as compared to that as at 31 December 2013.

For the six months ended 30 June 2013, our Group had net cash generated from operating activities of approximately RMB24.3 million, mainly as a result of the profit before income tax of approximately RMB49.0 million generated this year, which was primarily adjusted for the increase in trade and other payables in the amount of approximately RMB55.8 million. This is partially offset by (i) the increase in trade and other receivables in the amount of approximately RMB68.2 million because certain customers have not settled their contract amount in accordance with the contract terms; and (ii) the increase in the amount of income tax paid of approximately RMB7.6 million for the six months ended 30 June 2013.

For the year ended 31 December 2013, our Group had net cash generated from operating activities of approximately RMB71.4 million, mainly as a result of the profit before income tax of approximately RMB76.7 million generated in this year, which was primarily adjusted for the increase in trade and other payables of approximately RMB99.7 million mainly due to the increase in the purchase of raw materials in 2013 compared to the previous year. This was partially offset by: (i) the increase in inventories of approximately RMB25.7 million primarily as a result of our increase in purchase of raw materials in 2013 compared to the previous year; (ii) the increase in trade and other receivables of RMB15.0 million as a result of increased sales orders intake for 2013 compared to the previous year; and (iii) the increase in contract work-in-progress of approximately RMB49.1 million mainly resulting from the increase in the expenditure for our project execution close to the year end in 2013 compared to the previous year.

For the year ended 31 December 2012, our Group had net cash generated from operating activities of approximately RMB74.0 million, mainly as a result of the profit before income tax of approximately RMB51.3 million generated in this year, which was primarily adjusted for (i) the increase in trade and other payables of approximately RMB53.7 million mainly due to our stronger bargaining power to negotiate with our suppliers for longer credit periods in view of improving our Group's liquidity position; and (ii) the decrease in contract work-in-progress of approximately RMB35.6 million primarily due to more settlement payments received from certain projects close to the year end in 2012 compared to the previous year. This was partially offset by the increase in trade and other receivables of approximately RMB82.4 million mainly as a result of increased sales orders intake for the year ended 31 December 2012 compared to the previous year.

For the year ended 31 December 2011, our Group had net cash generated from operating activities of approximately RMB16.9 million, mainly as a result of the profit before income tax of approximately RMB38.4 million generated in this year, which was primarily adjusted for the decrease in trade and other payables of approximately RMB49.3 million mainly due to the decrease in advances from customers in 2011 resulting from more project completed closing to the year end in 2011; and was partially offset by: (i) the decrease in inventories of approximately RMB17.2 million mainly due to the decrease in work-in-process resulting from the improved inventory control; and (ii) the decrease in trade and other receivables of approximately RMB13.1 million mainly resulting from the collection of repayment of amounts due from related parties in 2011.

Investing activities

During the Track Record Period, our cash inflow from investing activities was mainly proceeds from disposal of available-for-sales financial assets and dividends received from our joint ventures. Our cash outflow used in investing activities was principally for purchase of available-for-sales financial assets, purchases of property, plant and equipment and acquisition of subsidiaries under common control.

For the six months ended 30 June 2014, our Group had net cash generated from investing activities of approximately RMB17.6 million, which was mainly attributable to the net disposal of available-for-sale financial assets of approximately RMB35.0 million and is partially offset by purchase of property, plant and equipment of approximately RMB7.2 million which consisted of machinery and equipment purchased for various business segments.

For the six months ended 30 June 2013, our Group had net cash used investing activities of approximately RMB5.4 million, which was primarily attributable to the purchase of property, plant and equipment in the amount of approximately RMB5.4 million during the six months ended 30 June 2013.

For the year ended 31 December 2013, our Group had net cash used in investing activities of approximately RMB44.5 million primarily attributable to: (i) the investment in available-for-sale financial assets, which was fully disposed by February 2014, mainly for earning interest income in view of our affluent cash position for the year ended 31 December 2013; and (ii) the purchase of property, plant and equipment of approximately RMB11.0 million for machineries and office equipment to cope with our increased business volume and our future expansion plan.

For the year ended 31 December 2012, our Group had net cash used in investing activities of approximately RMB24.8 million primarily attributable to: (i) acquisition of subsidiaries under common control at an aggregate consideration of approximately RMB19.7 million as part of our Reorganisation; and (ii) the purchase of property, plant and equipment of RMB6.0 million for machineries and office equipment to cope with our increased business volume. This was partially offset by the dividends of approximately RMB1.2 million received resulted from investment in joint ventures.

For the year ended 31 December 2011, our Group had net cash used in investing activities of approximately RMB7.2 million primarily attributable to the purchase of property, plant and equipment of approximately RMB6.5 million for machineries and office equipment mainly for our provision of integrated engineering solutions.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from bank borrowings. Our cash outflow used in financing activities was principally for the repayment of borrowings.

For the six months ended 30 June 2014, our Group had net cash used in financing activities of approximately RMB20.4 million mainly attributable to (i) repayment of funds provided by the parent company before Reorganisation of RMB34.7 million, and (ii) repayment of borrowings of approximately RMB20.0 million during the six months ended 30 June 2014, and partially offset by the proceeds from borrowings of approximately RMB35.0 million.

For the six months ended 30 June 2013, our Group had net cash generated from financing activities of approximately RMB5.2 million, which was primarily attributable to proceeds from funds provided by the parent company before Reorganisation in the amount of approximately RMB6.0 million, this was partially offset by interest paid of RMB0.8 million.

For the year ended 31 December 2013, our Group had net cash generated from financing activities of RMB10.3 million primarily attributable to net proceeds from funds and repayments provided by our parent company before Reorganisation of approximately RMB15.6 million and was partially offset by the repayment of borrowing of approximately RMB4.0 million.

For the year ended 31 December 2012, our Group had net cash used in financing activities of approximately RMB16.9 million primarily attributable to net proceeds from funds and repayments provided by our parent company before Reorganisation of approximately RMB18.5 million, proceeds from new borrowings of approximately RMB24.0 million, and was offset by our repayment of borrowing of approximately RMB24.0 million.

For the year ended 31 December 2011, our Group had net cash generated from financing activities of approximately RMB5.1 million, primarily attributable to proceeds from new borrowings of approximately RMB29.0 million and partially offset by repayment of borrowing of approximately RMB23.0 million.

Future plan

We intend to use part of the net proceeds from the Global Offering as well as cash flows from our operations to fund the capital expenditure required for the development of our Shijiazhuang R&D and Production Centre and Songjiang Production Centre. As the expansion plan requires the funding of a portion of the development cost out of the cash flows from our operation, such requirement may affect our liquidity position. For further details, please refer to the section headed “Risk Factors” in this prospectus.

NET CURRENT ASSETS

We recorded net current assets of approximately RMB11.7 million, RMB20.4 million, RMB71.3 million, RMB144.0 million and RMB153.8 million as at 31 December 2011, 2012, 2013, 30 June and 31 August 2014, respectively. The table below sets out selected information for our current assets and current liabilities as at 31 December 2011, 2012 and 2013, 30 June and 31 August 2014, respectively:

	As at 31 December			As at 30 June	As at 31 August
	2011	**2012**	**2013**	**2014**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	54,586	49,008	74,550	65,197	58,761
Trade and notes receivables	122,348	174,618	201,507	241,557	268,873
Prepayments and other receivables	19,765	39,389	32,883	39,250	39,511
Amounts due from customers for contract work	15,294	10,178	59,270	75,439	67,237
Available-for-sale financial assets	–	–	25,018	–	–
Restricted cash	1,104	2,049	4,534	7,524	6,173
Cash and cash equivalents	37,499	102,611	139,712	52,346	88,149
Total current assets	250,596	377,853	537,474	481,313	528,704
Current liabilities					
Trade and other payables	183,398	256,340	369,907	216,555	227,124
Amounts due to customers for contract work	22,494	58,051	55,020	74,592	98,981
Short-term borrowings	24,000	24,000	20,000	35,000	35,000
Current income tax liabilities	8,986	19,055	21,272	11,215	13,798
Total current liabilities	238,878	357,446	466,199	337,362	374,903
Net current assets	11,718	20,407	71,275	143,951	153,801

Our Group's net current assets increased from approximately RMB11.7 million as at 31 December 2011 to approximately RMB20.4 million as at 31 December 2012. The increase was primarily due to: (i) the increase in notes and trade receivables of approximately RMB52.3 million as at 31 December 2012 compared to 2011 mainly resulted from the increase of our order intakes in 2012; and (ii) the increase in cash and cash equivalents of approximately RMB65.1 million mainly resulted from the increase in advance from customers in line with the increased order intakes in 2012. The amount was partially offset by (i) the increase in trade and other payables of approximately RMB72.9 million resulted from the increase in purchase of raw materials in line with our enlarged business volume in 2012; and (ii) the decrease in contract work-in-progress of approximately RMB40.7 million primarily resulting from more settlement payments received from certain projects close to the year end of 2012 compared to the previous year.

Our Group's net current assets increased from approximately RMB20.4 million as at 31 December 2012 to approximately RMB71.3 million as at 31 December 2013. The increase was primarily due to: (i) the increase in contract work-in-progress of approximately RMB52.1 million primarily resulting from the increase in the progress for project execution near the year end of 2013 compared to the previous year; and (ii) the increase in available-for-sale financial assets of RMB25.0 million in 2013 for the purpose of earning interest income. The amount was partially offset by the increase in trade and other payables of approximately RMB113.6 million resulted from the increase in purchase of raw materials to cope with our enlarged business volume and prolonged repayment to our suppliers in view of improving our liquidity position in 2013.

Our net current assets increased from approximately RMB71.3 million as at 31 December 2013 to approximately RMB144.0 million as at 30 June 2014. The increase was primarily due to: (i) the decrease in trade and other payables of approximately RMB153.4 million primarily resulting from (a) the decrease in trade payables in the amount of approximately RMB8.4 million mainly due to the repayment during the six months ended 30 June 2014, (b) the decrease in the amount due to parent company before Reorganisation; (ii) the increase in notes and trade receivables of RMB40.1 million because certain customers have not settled their contract amount in accordance with the contract terms. The aforesaid was partially offset by (i) the decrease in cash and cash equivalents of RMB87.4 million primarily resulting from the settlement of the amount due to the parent company before Reorganisation and the tax payments during the six months ended 30 June 2014; and (ii) decrease in the amount of available-for-sale financial assets in the amount of RMB25.0 million.

Our net current assets increased by approximately RMB9.9 million from RMB144.0 million as at 30 June 2014 to RMB153.8 million as at 31 August 2014. The increase was primarily due to: (i) The increase in the notes and trade receivables of approximately RMB27.3 million, primarily due to the increase in the amount of notes receivables; (ii) the increase in the amount of cash and cash equivalents in the amount of approximately RMB35.8 million as a result of collection of trade receivables from customers. The aforesaid amount was partially offset by (i) the increase in the trade and other payables of approximately RMB10.6 million primarily due to the declaration of dividend of approximately US$970,000 (equivalent to approximately RMB6,062,500) to SFH, HCV and TWG; (ii) the increase in the amount due to customers for contract work of approximately RMB24.4 million as a result of timing difference between the completion of site works and issuance of progress billings to our customers; and (iii) the decrease in inventory of approximately RMB6.4 million as a result of improved inventory control policy.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

The following table sets forth the components of our inventories as of the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	15,321	23,162	39,428	34,973
Work-in-progress	18,727	10,783	23,795	18,018
Finished goods	21,084	15,964	12,346	13,614
	55,132	49,909	75,569	66,605
Less: Provision for impairment	(546)	(901)	(1,019)	(1,408)
	54,586	49,008	74,550	65,197

Raw materials primarily consist of a variety of materials, components and equipment such as stainless steel, valves and mills. Work-in-progress mainly comprises semi-finished products manufactured by us mainly including purified water generators, pressure vessels and clean room enclosures. Finished goods represent products manufactured by us and ready to be sold and trading stocks such as spare parts and life science consumables.

We adopt stringent inventory control and endeavour to maintain low inventory levels required for our operations through effective inventory management. We also periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. Allowance is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete. We manage our inventory levels principally based on the anticipated demand.

Our balance of inventories decreased by approximately RMB5.6 million or 10.2% from approximately RMB54.6 million as at 31 December 2011 to approximately RMB49.0 million as at 31 December 2012 mainly attributable to the decrease in work-in-progress and finished goods resulting from our improved inventory management, and was partially offset by the increase in raw materials resulting from the increase in purchase of raw materials to cope with the enlarged business volume in 2012. Our balance of inventories increased by approximately RMB25.5 million or 52.1% from approximately RMB49.0 million as at 31 December 2012 to approximately RMB74.6 million as at 31 December 2013, primarily as a result of the increase in raw materials to cope with our climbed order intakes near the year end of 2013 compared to the previous year. Our balance of inventories decreased from approximately RMB74.6 million as at 31 December 2013 to approximately RMB65.2 million as at 30 June 2014, as a result of strengthened inventory measures, leading to a decreased level of raw materials.

The following table sets forth the turnover days of our inventories for the periods indicated.

	For year ended 31 December			For the six months ended 30 June
	2011	**2012**	**2013**	**2014**
Average inventory turnover days[(1)]	99	66	46	61

Note:

(1) Calculated by dividing average balances of inventories by cost of sales and multiplying the resulting value by 365/181 days for respective years/period; average balances of inventories equals inventories at the beginning of the year/period plus inventories as at the end of the year/period, divided by two.

Our average inventory turnover days decreased steadily from 99 days in 2011 to 66 days in 2012, and further decreased to 46 days in 2013, primarily due to our continuous efforts to improve our order-based policy during the three years ended 31 December 2013, resulting in shorter time required between when orders were received and when goods were delivered. Our average inventory turnover days increased from 46 days in 2013 to 61 days for the six months ended 30 June 2014, which was mainly due to the decrease in the amount of revenue during the six months ended 30 June 2014, therefore leading to a corresponding decrease in the cost of sales resulting in an increase in the average inventory turnover days.

As at 31 August 2014, approximately RMB24.2 million or 36.4% of our inventories as at 30 June 2014 had been sold or used.

Trade and notes receivables

Our trade and notes receivables primarily consist of trade receivables from customers and bank acceptance bills received in connection with the sales of products or provision of services. Our notes and trade receivables increased from approximately RMB122.3 million as at 31 December 2011 to approximately RMB174.6 million as at 31 December 2012, and further increased to approximately RMB201.5 million as at 31 December 2013 which was in line with our revenue trend during the three years ended 31 December 2013. Our notes and trade receivables increased from approximately RMB201.5 million as at 31 December 2013 to approximately RMB241.6 million as at 30 June 2014, because certain customers have not settled their contract amount in accordance with the contract terms.

The following table sets forth our trade and notes receivables as of the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	108,903	163,350	184,939	233,149
Less: provision for bad debt	(2,186)	(12,717)	(16,844)	(16,118)
Trade receivables – net	106,717	150,633	168,095	217,031
Notes receivables	15,631	23,985	33,412	24,526
	122,348	174,618	201,507	241,557

Our trade receivables include primarily of: (i) receivables related to the revenue from construction contracts for integrated engineering solutions; (ii) receivables related to the revenue from the provision of GMP Compliance Service; and (iii) receivables related to the revenue from our distributorship sales and commission from our agency sales. For the provision of integrated engineering solutions, we usually bill customers according to the payment timetable which depends on reaching certain milestones. For the provision of GMP Compliance Service, we usually bill customers in accordance with the progress of the service and subject to negotiation between us. For our distributorship and agency sales, we generally allow an average credit period ranging between 30 to 90 days to our customers. In most cases we provide our customers for a retention sum of approximately 5% to 10% of the contract value that is collectable one year after the completion of the sales for our provision of integrated engineering solutions and GMP Compliance Service. In some cases, the warranty period may last for 1 to 2 years and the retention sum is collectable after the end of the warranty period accordingly. We typically do not require any collateral as security. Our management works closely with our sales personnel to conduct regular reviews of customers with overdue payments. We usually pursue collection of delinquent payments through telephone calls and in person as deemed necessary. All our notes receivables are bank acceptance bills that are usually due with six months from the date of issue.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets.

The following table sets forth the aging analysis of our gross trade receivables, as at the dates indicated.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	69,557	77,789	97,595	98,892
3 to 6 months	23,971	46,670	24,436	43,781
6 months to 1 year	5,697	12,594	20,466	49,487
1 to 2 years	6,116	20,173	28,350	25,876
2 to 3 years	2,523	3,629	10,132	11,345
Over 3 years	1,039	2,495	3,960	3,768
	108,903	163,350	184,939	233,149

As at 31 December 2011, 2012, 2013 and 30 June 2014, our retention sum were approximately RMB9.2 million, RMB12.0 million, RMB20.1 million and RMB27.3 million respectively, of which approximately RMB6.3 million, RMB5.5 million, RMB10.1 million and RMB8.4 million aged within 3 months respectively; and RMB1.8 million, RMB5.2 million, RMB5.5 million and RMB7.4 million aged from 3 to 6 months respectively; and RMB0.8 million, RMB0.2 million, RMB4.0 million and RMB9.8 million aged from 6 months to 1 year respectively; and RMB0.3 million, RMB1.1 million, RMB0.5 million and RMB1.7 million aged from 1 to 2 years respectively.

As of 31 December 2011, 2012, 2013 and 30 June 2014, trade receivables due from external customers of approximately RMB92.7 million, RMB131.1 million, RMB137.4 million and RMB181.7 million, respectively, were past due but not impaired. Despite the amount of trade receivables which had been aged over 6 months, our trade receivables turnover days were relatively low since a considerable portion of the trade receivables were settled by the customers within 180 days. The aging analysis of trade receivables past due but not impaired is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	59,384	67,726	74,619	79,556
3 to 6 months	20,243	33,312	17,467	34,551
6 months to 1 year	4,915	12,112	15,941	38,239
1 to 2 years	5,567	13,508	22,501	18,163
2 to 3 years	1,583	2,649	4,540	9,324
Over 3 years	974	1,750	2,316	1,883
	92,666	131,057	137,384	181,716

The significant amount of overdue trade receivables balances during the Track Record Period was mainly due to the following reasons:

(1) it is common in the industry to have slower payment from pharmaceutical manufacturers, which is in line with the findings of Frost & Sullivan Report;

(2) some customers had not settled our bills pursuant to contractual payment terms. Our Directors believe that these customers delayed payment to us because they preferred to have more flexibility in their own cash flow arrangements. In addition, extended settlement period is allowed to some major customers who are reputable, financially healthy and have good on-going business relationship with the Group; and

(3) for those overdue trade receivables balance which were not long outstanding (i.e. past due within 6 months), it is mainly due to the fact that we intentionally offer a short credit period of only up to 10 days to our customers in integrated engineering solutions and consulting service business with a view to shortening our trade receivables collection period. Therefore, it resulted in the significant balance past due within 6 months. Whilst it is our usual practice to grant our customers in integrated engineering solutions and consulting service business a credit period of up to 10 days, our average trade receivables turnover days are 115 days, 118 days, 90 days and 118 days during the three years ended 31 December 2013 and the six months ended 30 June 2014.

According to the Frost & Sullivan Report, long outstanding receivables balance for integrated engineering solution providers in pharmaceutical industry is common in the market since the pharmaceutical manufacturers, major customers of integrated engineering solution providers, generally have stronger bargaining power than integrated engineering solution providers. The aforesaid reason, together with the fact that some customers had not settled our bills pursuant to the contractual payment terms as mentioned above, also contributed to the amount of trade receivables which were past due for more than one year. In addition, most of the customers with relatively longer outstanding balance not impaired are financially healthy, making continuous repayment and not in dispute with us. Based on the above, our Directors were of the view that no additional impairment allowance was necessary in respect of these overdue balances, including those which were past due for more than one year, as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable.

As at 31 December 2011, 2012, 2013 and 30 June 2014, our allowance for impairment of trade receivables amounted to approximately RMB2.2 million, RMB12.7 million, RMB16.8 million and RMB16.1 million respectively. The movements on our allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year	(1,424)	(2,186)	(12,717)	(16,844)
Addition	(1,036)	(10,628)	(4,127)	(513)
Reversal	–	–	–	740
Write-off	274	97	–	499
End of the year	(2,186)	(12,717)	(16,844)	(16,118)

For the year ended 31 December 2011, 2012, 2013 and 30 June 2014, our impairment of trade receivables amounted to approximately RMB1.0 million, RMB10.6 million, RMB4.1 million and RMB0.5 million, representing 0.3%, 2.5%, 0.6% and 0.2% of our total revenue in respective periods. Owing to significant increase in revenue as a result of our business expansion, our trade receivables balance increased significantly and additional impairment of trade receivables was made in 2012.

Our management seeks to maintain strict control over our outstanding receivables and closely monitor them to minimize credit risk. Our Directors analyse our trade receivable collection process from time to time. Our measures to ascertain collectability of our trade receivables include: (i) maintain short billing cycles to our customers once relevant works are completed and revenue recognised; and (ii) check and reconcile outstanding balance with customers at regular interval; and (iii) our Group's incentive policy which links the collectability of accounts receivables with the employees' remuneration.

As at 31 August 2014, the amount of trade receivables amounted to approximately RMB242.1 million, which represents a slight increase of RMB9.0 million from approximately RMB233.1 million as at 30 June 2014, which was mainly attributable to the increase in revenue for the two months ended 31 August 2014. Our average trade receivable turnover days for the eight months ended 31 August 2014 remained relatively stable at 116 days, as compared with that of 118 days for the six months ended 30 June 2014. The amount of trade receivable past due over 1 year but not impaired amounted to approximately RMB26.3 million as at 31 August 2014 (representing 17.2% of total trade receivable past due but not impaired of RMB153.1 million), as compared with that of approximately RMB29.4 million as at 30 June 2014 (representing 16.2% of total trade receivable past due but not impaired). As at 30 September 2014, approximately RMB72.2 million or 31.0% of trade receivables outstanding as at 30 June 2014 has been settled, while approximately RMB32.9 million or 13.6% of trade receivable outstanding as at 31 August 2014 has been settled.

The table below sets forth a summary of average turnover days of trade receivables as at for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
Average trade receivables turnover days[1]	115	118	90	118

Note:

(1) Calculated by dividing average gross trade receivables by revenue and multiplying the resulting value by 365/181 days for respective years/period; average gross trade receivables equals gross trade receivables at the beginning of the year/period plus gross trade receivables as at the end of the year/period, divided by two.

Our average trade receivables turnover days remained relatively stable at 115 days and 118 days for the year ended 31 December 2011 and 2012 respectively.

Our average turnover days of trade receivables decreased from 118 days for the year ended 31 December 2012 to 90 days for the year ended 31 December 2013. The reasons for the decrease in average trade receivables turnover days in 2013 despite the increase in overdue trade receivables were (i) the rate of increase in our turnover in 2013 was higher than that of our rate of increase in our trade receivable and overdue trade receivable in 2013, and (ii) increase in efficiency in collection of trade receivables for the year ended 31 December 2013 compared to the previous year, which was contributed by the enhancement in our internal control system in collection of trade receivables.

Our average trade receivables turnover days increased from 90 days in 2013 to 118 days for the six months ended 30 June 2014, which was mainly due to the increase in trade receivables since some customers have not settled according to the contractual payment terms, extended settlement period is allowed to some major customers who are reputable, financially healthy and have good on-going business relationship with the Group.

The amount of trade receivables arising from the integrated engineering solutions business as at the 31 December 2011, 2012, 2013 and 30 June 2014 was approximately RMB87.1 million, RMB134.2 million, RMB148.2 million and RMB184.5 million and the respective average trade receivables turnover days for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 was 122 days, 120 days, 89 days and 121 days. The average trade receivables turnover days for our integrated engineering solutions business remained relatively stable from 2011 to 2012. As integrated engineering solutions business forms the major source of our revenue and thus the trade receivables, the improvement in its average trade receivables turnover days from 2012 to 2013 was contributed by the enhancement in our internal control system in collection of trade receivables. The increase in the trade receivables turnover days for the six months ended 30 June 2014 is due to the fact that some customers have not settled according to the contractual payment terms, extended settlement period is allowed to some major customers who are reputable, financially healthy and have good on-going business relationship with the Group.

The amount of trade receivables arising from our consulting business as at 31 December 2011, 2012, 2013 and 30 June 2014 was approximately RMB8.0 million, RMB14.6 million, RMB20.3 million and RMB29.5 million and the respective average trade receivables turnover days for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 was 138 days, 131 days, 134 days and 181 days, respectively. The average trade receivables turnover days for our consulting services remained relatively stable for the three years ended 31 December 2013. Owing to the increase in trade receivable derived from certain large scale project with longer service duration, the slower repayment from such project resulted in the increase of average trade receivables turnover days for our consulting services for the six months ended 30 June 2014.

The amount of trade receivables arising from our distribution and agency business as at 31 December 2011, 2012 and 2013 was approximately RMB13.8 million, RMB14.5 million, RMB16.4 million and RMB19.2 million and the respective average trade receivables turnover days for the year ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 was 76 days, 96 days, 71 days and 68 days, respectively. The average trade receivables turnover days for our distribution and agency business increased from 2011 to 2012 mainly due to increase in trade receivables of distribution and agency business while revenue from such business remained relatively stable. The average trade receivables turnover days for our distribution and agency business decreased significantly from 2012 to 2013 mainly due to the enhancement in our internal control system in collection of trade receivables. The average trade receivables turnover days for the six months ended 30 June 2014 remained relatively stable as compared to that of 2013.

The below sets forth our internal control measures to assess the credit risks of our customers and monitor the risks related to overdue trade receivables:

I. Credit period

For integrated engineering solutions and consulting services which involve staged payments, the credit period is highly variable depending on negotiation with individual customers, and we usually offer a credit period of up to 10 days, and for the sale of life science consumables, a specified credit period of approximately 30 to 90 days is usually granted. And for the agency fees received from suppliers for agency sales, we generally allow up to 30 days. We grant credit period after taking into account a number of factors, including amongst others, the credit history and historical purchase amount of our customers. We may also extend a credit period based on individual circumstances and upon the approval of the general manager of the respective business segment. Whilst it is our usual practice to grant our customers in integrated engineering solutions and consulting service business a credit period of up to 10 days, our average trade receivables turnover days are 115 days, 118 days, 90 days and 118 days, respectively, for the three years ended 31 December 2013 and the six months ended 30 June 2014.

II. Credit limit

We may also offer a certain credit limit to customers for our distribution and agency sale. The credit limit is determined after taking into account a number of factors, including the customers' historical purchase amount, the scale and background as well as the credit history. Besides reassessing the credit limit of customers on an annual basis, the management may also adjust the credit limit based on individual circumstances and upon the approval of the general manager of the respective business segment.

III. Overdue balance collection and review

Sales person chases overdue balance on a weekly basis based on trade receivables aging report prepared by finance department. The chasing method includes e-mail reminder payment collection letter or visiting in person if necessary. The collection status and analysis is reported to management weekly, bases on which, the management reviews overdue balances to make appropriate assessment and determine whether or not provision for impairment of trade receivables should be made on a case-by-case basis, after taking into account a number of factors, including collectability and aging of the receivables, whether there are events or changes in circumstances which indicate that the balances may not be collectible. Our management works closely with our sales personnel to conduct regular reviews of customers with overdue trade receivables. We usually pursue collection of delinquent payments through telephone calls and in person as deemed necessary.

As regards the above internal control measures, our Group has laid down, in principle, a specified credit period to be offered to each type of customers (such as system integrators, distributors and agency sales). Each sales personnel, when negotiating payment terms with each type of customers, is required to take into account a number of factors such as credit history, historical purchase amounts, scale and individual background to ensure that the credit period and/or credit limit to be offered to such customer would cater to the type of customer and to be in line with the market practice. With respect to the overdue trade receivables, the aforementioned measures adopted by our Group to facilitate the collection of payment from the customers were considered effective as it had contributed to the decrease of average trade receivables turnover days. On the above basis, our Directors are of the view that our Group's internal control measures to monitor the customers' credit risk and risk associated with the overdue trade receivables are effective. Notwithstanding, as mentioned above, the increase in amount of the overdue trade receivables balances during the Track Record Period was mainly due to factors relating to the industry practice or other factors which our Group is unable to control. Our management will from time to time review, and if appropriate, revise and update our credit policy measures and internal control procedures in trade receivables collection.

Prepayments and other receivables

The following table sets forth the breakdown of our prepayments and other receivables as of the dates indicated.

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers	8,859	30,004	16,251	19,658
Other receivables	10,906	9,385	16,632	19,592
	19,765	39,389	32,883	39,250

Our prepayments to suppliers mainly comprise prepayments for purchase of raw materials. Our prepayments to suppliers increased from approximately RMB8.9 million as at 31 December 2011 to approximately RMB30.0 million as at 31 December 2012 mainly due to our anticipation of increased sale of product and services in 2013. Our prepayments to suppliers decreased from approximately RMB30.0 million as at 31 December 2012 to approximately RMB16.3 million as at 31 December 2013 because we held off on our purchases due to the earlier Chinese New Year holiday in 2014. Our prepayments to suppliers increased from approximately RMB16.3 million as at 31 December 2013 to approximately RMB19.7 million as at 30 June 2014 mainly due to increase in prepayment for raw materials and equipments.

Our other receivables mainly represent staff advances, deposits paid, loan to PALL-AUSTAR JV. The balance decreased from approximately RMB10.9 million as at 31 December 2011 to approximately RMB9.4 million as at 31 December 2012 which was mainly attributable decrease in other miscellaneous receivables, partially offset by increase in deposits paid. The balances increased from approximately RMB9.4 million as at 31 December 2012 to approximately RMB16.6 million as at 31 December 2013 which was primarily attributable to the loan to PALL-AUSTAR JV of approximately RMB7.3 million incurred in 2013 to support the business of its subsidiary in PRC. The amount of other receivables increased from approximately RMB16.6 million as at 31 December 2013 to approximately RMB19.6 million as at 30 June 2014 mainly attributable to the increase in deposits as guarantee for bidding and increase in the amount of staff advance.

Contract work-in-progress

The following table sets forth our contract work-in-progress as of the dates indicated:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract cost incurred plus recognised profit less recognised losses	92,377	119,545	269,610	331,620
Less: Progress billings	(99,577)	(167,418)	(265,360)	(330,773)
Contract work-in-progress	(7,200)	(47,873)	4,250	847
Representing:				
Amounts due from customers for contract work	15,294	10,178	59,270	75,439
Amounts due to customers for contract work	(22,494)	(58,051)	(55,020)	(74,592)
	(7,200)	(47,873)	4,250	847

Our contract revenue from construction projects is recognised based on the percentage of completion of the projects. There is normally a timing difference between the completion of site works and the issuance of progress billings to our customers. Amounts due from customers for contract work are recognised where the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, and amounts due to customers for contract work are recognised where the contract costs incurred to date plus recognised profits less recognised losses is less than the accumulated progress billings. As a result, the balance of the contract work-in-progress is determined case by case, and thus vary from period to period.

The balance of contract work-in-progress decreased from approximately RMB0.8 million as at 30 June 2014 (representing amounts due from customers for contract work of approximately RMB75.4 million offset by amounts due to customers for contract work of approximately RMB74.6 million) to a negative amount of approximately RMB31.7 million as at 31 August 2014 (representing amount due to customers for contract work of approximately RMB99.0 million offset by amounts due from customers for contract work of approximately RMB67.2 million), reflecting the timing difference between the completion of contract works and the issuance of progress billings. As at 31 August 2014, the balances of contract cost incurred plus recognised profit less recognised loss and progress billing were approximately RMB369.3 million and negative amount of approximately RMB401.0 million, respectively. For the one month ended 30 September 2014, progress billing of approximately RMB17.3 million was subsequently issued for those contract work-in-progress as at 31 August 2014.

Available-for-sale financial assets

The following table sets out the breakdown for available-for-sale financial assets as of the dates indicated:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion	60	60	60	60
Current portion	–	–	25,018	–

Non-current portion of available-for-sale financial assets represented 0.09% equity investment in a company which is held by Shanghai Austar, a wholly-owned subsidiary of our Group and principally engaged in manufacturing of pharmaceutical equipment.

Current portion of available-for-sale financial assets represented investment funds managed by banks we purchased in view of our affluent cash position and additional interest income during 2013 and the beginning of 2014. The investment funds mainly invested in government bonds, central bank notes and other money market instruments of relatively lower risk. Our Group had disposed all our investment funds by February 2014 and do not expect to invest in any available-for-sale financial assets in the future.

Trade and other payables

Trade and other payables as at 31 December 2011, 2012, 2013 and 30 June 2014 were approximately RMB183.4 million, RMB256.3 million, RMB369.9 million and RMB216.6 million, respectively, of which a breakdown is set out below:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	41,112	64,198	121,722	113,370
Other payables	142,286	192,142	248,185	103,185
	183,398	256,340	369,907	216,555

Our trade payables are derived primarily from payables relating to the purchase of raw materials for our provision of services and products.

Our trade payables increased from approximately RMB41.1 million as at 31 December 2011 to approximately RMB64.2 million as at 31 December 2012, and further increased to approximately RMB121.7 million as at 31 December 2013. Such increase was mainly due to the continuous increase in the purchase of raw materials in line with the increase in revenue during the three years ended 31 December 2013.

Our trade payables decreased from approximately RMB121.7 million as at 31 December 2013 to approximately RMB113.4 million as at 30 June 2014, which was mainly due to the decrease in purchase of raw materials during the six months ended 30 June 2014.

Our suppliers generally offer us trade credit periods from 30 to 90 days. The table below sets forth, as of the dates indicated, the aging analysis of our trade payables:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	39,052	61,189	118,010	93,745
6 months to 1 year	863	1,189	2,704	16,751
1 to 2 years	644	1,335	342	2,053
2 to 3 years	236	270	316	218
Over 3 years	317	215	350	603
	41,112	64,198	121,722	113,370

The following table sets out the average trade payables turnover days for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2011	**2012**	**2013**	**2014**
Average trade payables turnover days	71	68	69	103

Note: Calculated by dividing average trade payables by cost of sales and multiplying the resulting value by 365 days and 181 days for each of the three years ended 31 December 2013 and the six months ended 30 June 2014. Average trade payables are equal to the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

Our average trade payables turnover days remained relatively stable with 71 days, 68 days and 69 days respectively for each of the three years ended 31 December 2013. Our average trade payable turnover days increased from 69 days in 2013 to 103 days for the six months ended 30 June 2014 which was mainly due to the longer credit period granted by the suppliers.

As at 31 August 2014, approximately RMB28.6 million or 25.2% of trade payables outstanding as at 30 June 2014 had been settled. Our Group had no material defaults with regard to payments of trade payables during the Track Record Period.

The following table sets out the details of other payables of the dates indicated:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	40,814	54,013	54,240	36,861
Amounts due to the parent company before Reorganisation	52,506	71,115	84,395	3,997
Payroll and welfare payables	7,746	19,385	37,903	30,334
Other tax payables	25,261	30,944	48,911	4,909
Warranty provision	3,964	4,746	8,562	7,131
Others	11,995	11,939	14,174	19,953
	142,286	192,142	248,185	103,185

Our other payables mainly represent advances from customers, amounts due to parent company before Reorganisation, other tax payables, payroll and welfare payables, warranty provision and others.

Other payables increased by approximately RMB49.9 million or 35.0% from RMB142.3 million as at 31 December 2011 to approximately RMB192.1 million as at 31 December 2012, which was mainly attributable to (i) the increase in advances from customers by approximately RMB13.2 million from approximately RMB40.8 million as at 31 December 2011 to approximately RMB54.0 million as at 31 December 2012 in line with the increase in order intakes in 2012; (ii) the increase in amounts due to the parent company before Reorganisation of approximately RMB18.6 million in 2012; and (iii) the increase in payroll and welfare payables of approximately RMB11.6 million as a result of our strategy to recruit, develop and retain talented employees, resulting in the increase of staff number.

Other payables increased by approximately RMB56.0 million or 29.2% from approximately RMB192.1 million as at 31 December 2012 to approximately RMB248.2 million as at 31 December 2013, which was mainly attributable to (i) the increase in other tax payables of approximately RMB18.0 million from approximately RMB30.9 million to approximately RMB48.9 million, which was primarily attributable to the increase in VAT payables because of the revenue growth in 2013; (ii) the increase in payroll and welfare payables of approximately RMB18.5 million from approximately RMB19.4 million to approximately RMB37.9 million in line with the increase in staff cost resulting from the increase of staff number and senior staffs in 2013. The total number of employees increased from 603 as at 31 December 2012 to 847 as at 31 December 2013; (iii) the increase in amounts due to parent company before Reorganisation of approximately RMB13.3 million in 2013. For the amount due to the parent company before Reorganisation of approximately HK$107.3 million (which was recorded in the financial information set out in the Accountant's Report as approximately RMB84.4 million) as at 31 December 2013, the parent company before Reorganisation, AIHL, has waived our obligation to repay to it an amount of approximately HK$58.6 million out of such outstanding amount on 30 April 2014 and on 20 June 2014, we repaid a sum of approximately RMB34.7 million to AIHL. The remaining outstanding amount of approximately HK$5.0 million has been repaid by us to AIHL in full by internally generated funds in July 2014. Our Group had no material defaults with regard to payments of other payables during the Track Record Period.

Other payables decreased by approximately RMB145.0 million or 58.4% from approximately RMB248.2 million as at 31 December 2013 to approximately RMB103.2 million as at 30 June 2014, which was mainly due to: (i) the decrease in amounts due to the then parent company of approximately RMB80.4 million as a result of settlement as discussed above; (ii) the decrease in other tax payables of approximately RMB44.0 million primarily attributable to the decrease in VAT payables as a result of the settlement of the VAT payables as at 31 December 2013; and (iii) the decrease in advances from customers of approximately RMB17.4 million.

WORKING CAPITAL

Our Directors confirm that, and the Sole Sponsor concurs, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future plans and use of proceeds" in this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
				(Unaudited)	
Gross profit margin (%)[1]	30.9%	32.4%	30.5%	30.0%	35.5%
Net profit margin (%)[2]	8.4%	8.4%	7.6%	10.1%	10.2%
EBITDA margin (%)[3]	13.2%	13.6%	11.9%	14.8%	15.1%
Return on equity (%)[4]	64.5%	54.7%	53.3%	N/A	N/A
Return on total assets (%)[5]	9.4%	9.6%	10.3%	N/A	N/A
Interest coverage[6]	45.9	31.4	57.9	72.1	58.3

	As at 31 December			As at 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
Current ratio[7]	1.0	1.1	1.2	N/A	1.4
Gearing ratio (%)[8]	41.9%	33.1%	15.6%	N/A	16.9%
Net debt to equity ratio[9]	Net cash	Net cash	Net cash	N/A	Net cash

Notes:

(1) Gross profit margin is calculated on gross profit divided by revenue for the respective years/period. See the section headed "Review of historical results of operations" for more details on our gross profit margins.

(2) Net profit margin is calculated on profit for the year/period divided by revenue for the respective years/periods. See the section headed "Review of historical results of operations" for more details on our net profit margins.

(3) EBITDA is the result of profit before income tax adding back interest expense, depreciation and amortisation. EBITDA margin is calculated on EBITDA divided by revenue for the respective years/periods.

(4) Return on equity is calculated based on the profit for the respective years divided by the average total equity of the respective years (sum of opening and closing balances of the total equity of the respective years and then divided by two) and multiplied by 100%.

(5) Return on total assets is calculated based on the profit for the respective years divided by the average total assets of the respective years (sum of opening and closing balances of the total assets of the respective years and then divided by two) and multiplied by 100%.

(6) Interest coverage is calculated on profit before interest and tax divided by interest expenses arising from interest-bearing bank borrowings for the respective years/periods.

(7) Current ratios is calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.

(8) Gearing ratios is calculated based on the total debt as of the respective dates divided by total equity as of the respective dates and multiplied by 100%.

(9) Net debt to equity ratios is calculated based on net debts (being total borrowings net of cash and cash equivalents) as of the respective dates divided by equity attributable to the Shareholders as of the respective dates.

EBITDA margin

Our EBITDA margin was 13.2%, 13.6%, 11.9% and 15.1% for the years ended 31 December 2011, 2012, 2013 and for the six months ended 30 June 2014, respectively. Our EBITDA margin remained relatively stable in 2011 and 2012. Our EBITDA margin decreased from 13.6% in 2012 to 11.9% in 2013 which was mainly resulted from the listing expenses incurred in 2013. Our EBITDA margin slightly increased from 14.8% for the six months ended 30 June 2013 to 15.1% for the six months ended 30 June 2014.

Interest coverage

Our interest coverage was 45.9, 31.4, 57.9 and 58.3 for the years end 31 December 2011, 2012, 2013 and the six months ended 30 June 2014, respectively. The decrease in our interest coverage from 45.9 in 2011 to 31.4 in 2012 mainly due to increased interest expenses incurred in 2012 primarily resulting from the bank loans of approximately RMB24.0 million drawn down near to the end of 2011. The increase in our interest coverage from 31.4 in 2012 to 57.9 in 2013 mainly due to our improved financial performance with the decrease in bank borrowings on 2013. The decrease in the interest coverage from 72.1 for the six months ended 30 June 2013 to 58.3 for the six months ended 30 June 2014 because there was a decrease in the amount of profit due to the listing expenses incurred in the period.

Return on equity

Our return on equity was 64.5%, 54.7% and 53.3% for the years ended 31 December 2011, 2012 and 2013, respectively. The decrease in our return on equity in the Track Record Period was mainly due to our total equity increase with our profit accumulation.

Return on total assets

Our return on total assets was 9.4%, 9.6% and 10.3% for the years ended 31 December 2011, 2012 and 2013, respectively. The continuous increase was primarily attributable to the our improving financial performance during the three years ended 31 December 2013.

Current ratio

Our current ratio remained generally healthy at 1.0, 1.1, 1.2 and 1.4 as of 31 December 2011, 2012, 2013 and 30 June 2014, respectively.

Gearing ratio

Our gearing ratio was 41.9%, 33.1%, 15.6% and 16.9% as of 31 December 2011, 2012, 2013 and 30 June 2014, respectively. The fall in our gearing ratio during the three years ended 31 December 2013 was mainly due to the continuous increase in our total equity as a result of profit accumulation during the Track Record Period. The increase in our gearing ratio from 15.6% in 2013 to 16.9% for the six months ended 30 June 2014 was mainly due to our increase in our bank borrowings as at 30 June 2014 mainly for our future business expansion.

Net debt to equity ratio

Our net debt to equity ratio was in net cash position as at 31 December 2011, 2012, 2013 and 30 June 2014.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of offices and warehouses under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December			**As at 30 June**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,392	2,391	2,033	4,367
Between two to five years	2,491	3,200	1,433	4,911
	3,883	5,591	3,466	9,278

Capital commitments

Our Group did not have any material capital commitments during the Track Record Period.

Capital expenditures during the Track Record Period

The following table sets out our capital expenditures for the periods indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure				
Property, plant and equipment	6,548	5,950	11,049	7,159
Intangible assets	728	399	735	388
Total	7,276	6,349	11,784	7,547

Our Group's capital expenditures have principally consisted of expenditures on acquisitions of property, plant and equipment and purchase of software used in our operations. During the Track Record Period, our Group incurred capital expenditures of approximately RMB7.3 million, RMB6.3 million, RMB11.8 million and RMB7.5 million, respectively, majority of which came from the acquisition of machineries and equipment primarily used for our expansion of operations. Between 30 June 2014 and the Latest Practicable Date, we did not make any material capital expenditures.

Planned capital expenditures

For the year ending 31 December 2014 and 2015, we estimate that the capital expenditures will amount to approximately RMB10.0 million and RMB70.8 million primarily for the development plan of our Shijiazhuang R&D Production Centre and Songjiang Production Centre. Please refer to the section headed "Business – Business strategies" in this prospectus.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally though the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

INDEBTEDNESS

The following table sets out our total debts as at 31 December 2011, 2012, 2013, 30 June 2014 and 31 August 2014:

	As at 31 December			As at 30 June	As at 31 August
	2011	2012	2013	2014	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
Short-term bank borrowings	24,000	24,000	20,000	35,000	35,000
Total indebtedness	24,000	24,000	20,000	35,000	35,000

As at 31 August 2014, being the latest practicable date for the purpose of this indebtedness statement, our material sources of liquidity were cash and cash equivalents of approximately RMB88.1 million and restricted cash of RMB6.2 million.

The following table sets out the range of interest rates for our borrowings as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 June	As at 31 August
	2011	2012	2013	2014	2014
Bank borrowings	5.56% – 7.22%	6.30% – 7.22%	6.30%	6.30%	6.30%

The bank borrowings of our Group were guaranteed by our Group's certain subsidiaries and pledged by certain assets of our Group. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our bank borrowings were secured by buildings with net book value of approximately RMB12.3 million, RMB11.5 million, RMB10.8 million and RMB10.4 million, respectively, and land use rights amounting to approximately RMB6.6 million, RMB6.4 million, RMB6.3 million and RMB6.2 million, respectively. At the close of business on 31 August 2014, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding bank borrowings of approximately RMB35.0 million which was guaranteed by our certain subsidiary and secured by building with net book value of approximately RMB10.3 million and land use rights amounting to approximately RMB6.2 million. As at 31 August 2014, we had no unutilised bank borrowing facility.

Our balances of borrowings remained stable, with the amount of approximately RMB24.0 million as at 31 December 2011 and 2012 respectively. This was mainly due to the increase and repayment of bank borrowings of approximately RMB24.0 million respectively during the year ended 31 December 2012.

Our borrowings decreased from approximately RMB24.0 million as at 31 December 2012 to approximately RMB20.0 million as at 31 December 2013. This was primarily attributable to the repayment of bank borrowing during the year ended 31 December 2013.

Our borrowings increased from approximately RMB20.0 million as at 31 December 2013 to approximately RMB35.0 million as at 30 June 2014. This was mainly due to our increase of bank borrowings of approximately RMB35.0 million mainly for our future business expansion and repayment of bank borrowings of approximately RMB20.0 million during the six months ended 30 June 2014.

Our borrowings remained stable at approximately RMB35.0 million as at 30 June 2014 and 31 August 2014, and our Directors confirm that our bank borrowing facility were unrestricted and we had no material covenants relating to any of our outstanding debts, and during the Track Record Period, we had no breach of such covenants.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 August 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

Contingent liabilities

As at 31 August 2014, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

TRANSACTIONS WITH RELATED PARTIES DURING THE TRACK RECORD PERIOD

The following companies and persons are related parties of the Group during the Track Record Period:

Names of the related parties	Nature of relationship	Current principal business
AIHL *(Note 1)*	Parent of Austar BVI before the Reorganisation	Investment holding
PALL-AUSTAR JV *(Note 2)*	Joint venture of the Group	Investment holding

Names of the related parties	Nature of relationship	Current principal business
PALL-AUSTAR WFOE *(Note 2)*	Subsidiary of PALL-AUSTAR JV	Production and sale of life science consumables
STERIS-AUSTAR WFOE *(Note 2)*	Subsidiary of STERIS-AUSTAR JV	Development, production and distribution of equipment and related services for pharmaceutical manufacturers
Angelantoni-Austar Limited *(Note 6)*	Joint venture of the Group, which was deregistered in 2012	Investment holding
Austar Limited *(Note 1)*	Under common control of the Controlling Shareholder	Investment holding
AIEL *(Note 4)*	Under common control of the Controlling Shareholder till 30 December 2013	Investment holding
AIL *(Note 1)*	Under common control of the Controlling Shareholder	Investment holding
Austar Management (BJ) Co., Ltd. ("AMBJ") *(Note 1)*	Under common control of the Controlling Shareholder	Management consultancy
Austar PharmMed Consumable Limited ("Austar PMC (BVI)") *(Note 1)*	Under common control of the Controlling Shareholder	Investment holding
AustarPharma (Beijing) Ltd. ("AustarPharma Beijing") *(Note 1)*	Under significant influence of the Controlling Shareholder	Research and development of drugs
Shanghai Austar Hengjie Cleanser Ltd. ("Austar Hengjie") *(Note 7)*	Under significant influence of the Controlling Shareholder, which was deregistered in 2012	Production of cleansing products
Austar PMC (HK) Ltd. ("Austar PMC HK") *(Note 5)*	Under significant influence of the Controlling Shareholder till 31 December 2013	Investment holding and export of pharmaceutical consumables

Names of the related parties	Nature of relationship	Current principal business
Brightwood PharmMed Consumable (Beijing) Ltd. ("Brightwood Beijing") *(Note 5)*	Under significant influence of the Controlling Shareholder till 31 December 2013	Production of pharmaceutical packaging components
Senxing Pharmaceutical Consumable (Beijing) Ltd. ("Senxing Beijing") *(Note 5)*	Under significant influence of the Controlling Shareholder till 13 December 2013	Production of pharmaceutical packaging components
Beijing Austar Hansen Packaging Technology Ltd. ("Beijing Hansen Packaging") *(Note 5)*	Under significant influence of the Controlling Shareholder till 13 December 2013	Production of pharmaceutical consumables
CEFOC-Austar Pharmaceutical Engineering (Shanghai) Co., Ltd. ("CEFOC-Austar") *(Note 3)*	Under significant influence of the Controlling Shareholder till 28 February 2014	Engineering services
Madam Gu *(Note 8)*	Close family member of the Controlling Shareholder	–

Notes:

1. Each of AIHL, Austar Limited, AIL, AMBJ, Austar PMC (BVI) and AustarPharma Beijing is a company controlled by our Controlling Shareholders or associates of our Controlling Shareholders.

2. PALL-AUSTAR JV is a joint venture of our Group and each of PALL-AUSTAR WFOE and STERIS-AUSTAR WFOE is a wholly-owned subsidiary of our joint venture companies and for accounting purposes, each of such companies is a related party of our Group.

3. CEFOC-Austar was originally established by Mr. Gu Lugong, the father-in-law of Mr. Mars Ho, and Mr. Gu Lugong's equity interest was decreased to 35% in 2009, to 21.08% in 2011, to 15.81% in 2012 and Mr. Gu Lugong transferred his remaining interest to an Independent Third Party on 28 February 2014.

4. AIEL was a former subsidiary of AIHL, the predecessor holding company of the Group before the Reorganisation, and was disposed of by AIHL to an Independent Third Party in December 2013 and subsequently changed its name to Real International Engineering Limited on 20 January 2014.

5. Each of Austar PMC (HK), Brightwood Beijing, Senxing Beijing and Beijing Hansen Packaging was a subsidiary of Austar PMC (BVI) and was disposed of in April 2012 to an Independent Third Party and Mr. Mars Ho, our Controlling Shareholder, remained as a director for these four companies until December 2013. Each of these four companies is currently an Independent Third Party.

6. Angelantoni-Austar Limited was a joint venture between Austar BVI and Angelantoni S.p.A. and was dissolved on 5 October 2012 by voluntary deregistration under section 291AA of the predecessor Companies Ordinance.

7. Austar Hanjie was a subsidiary of Austar PMC (BVI) and was deregistered on 25 December 2012.

8. Madam Gu is the spouse of Mr. Mars Ho.

Transactions with related parties of the Group during the Track Record Period

The below set forth the related party transactions of the Group during the Track Record Period extracted from note 32 to the Accountant's Report in Appendix I to this prospectus:

(i) Goods purchased and services received

	For the year ended 31 December			**For the six months ended 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
PALL-AUSTAR WFOE *(Note 1)*	367	3,361	9,222	4,297	6,715
Beijing Hansen Packaging *(Note 3)*	527	–	–	–	–
Brightwood Beijing *(Note 3)*	–	–	21	21	–
STERIS-AUSTAR WFOE *(Note 1)*	18,024	19,670	38,882	26,813	7,714
AustarPharma Beijing *(Note 3)*	–	–	300	150	–
	18,918	23,031	48,425	31,281	14,429

(ii) Sales of goods and services provided

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
AIL *(Note 3)*	–	–	185	–	–
PALL-AUSTAR WFOE *(Note 1)*	23	149	1,636	171	731
AIEL *(Note 2)*	12,150	13,062	182	182	–
Beijing Hansen Packaging *(Note 3)*	635	138	282	92	–
Brightwood Beijing *(Note 3)*	816	248	1,945	31	–
Senxing Beijing *(Note 3)*	137	292	274	187	–
STERIS-AUSTAR WFOE *(Note 1)*	10,384	14,172	15,001	9,346	6,017
CEFOC-Austar *(Note 3)*	3,103	2,841	848	–	–
	27,248	30,902	20,353	10,009	6,748

(iii) Consulting fee paid

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
AMBJ *(Note 4)*	2,110	–	–	–	–

(iv) Rental fee paid

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Austar Limited	–	–	–	–	12
Madam Gu *(Note 5)*	155	155	935	468	468
	155	155	935	468	480

(v) Rental fee and miscellaneous charges received

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
STERIS-AUSTAR WFOE	456	493	533	250	246

(vi) Shareholder loan provided to and interest income from a joint venture

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PALL-AUSTAR JV *(Note 6)*					
Loan	–	–	7,253	–	–
Interest income	–	–	–	–	214

(vii) Purchase of a joint venture

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Austar PMC (BVI) *(Note 7)*	–	1,708	–	–	–

(viii) Expense payments on behalf

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Brightwood Beijing	–	–	220	121	–
AIHL	–	94	41	–	–
	–	94	261	121	–

(ix) Funds received from parent company

	For the year ended 31 December			For the six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
AIHL *(Note 8)*	–	22,156	17,556	6,009	–

Notes:

1. Please refer to the section headed "Business – Suppliers and Procurement – Top Suppliers – Our major supplier who is also our major customer" for the details of goods purchased and serviced from and sales of goods and services provided to STERIS-AUSTAR WFOE and PALL-AUSTAR WFOE.

2. During the Track Record Period, we sold clean room enclosure to AIEL, a former subsidiary of AIHL and became an Independent Third Party in December 2013, for its trading to its overseas customers. The amount of sales of goods to AIEL decreased significantly in 2013 since we sold our clean room enclosure to overseas customers directly since 2013.

3. For the goods purchased and serviced from and sales of goods and services provided to other related parties, they were mainly sales and purchase made during our ordinary course of business.

4. The consulting fee paid to AMBJ, a subsidiary of AIHL, in 2011 represented payment for one-off administrative service received from AMBJ.

5. For more details of the rental fee paid to Madam Gu and Austar Limited, please refer to the section headed "Continuing Connected Transactions – Continuing connected transactions which are exempted from the reporting, announcement and independent shareholders' approval requirements – A. Leasing of property from Madam Gu and B. Leasing of property from Austar Limited", respectively.

6. The shareholder's loan provided to PALL-AUSTAR JV in 2013 represented unsecured and interest-bearing loan to PALL-AUSTAR JV as a shareholder loan to our joint venture on a pro-rata basis together with joint venture partner according to the percentage of shareholding.

7. Purchase of a joint venture from Austar PMC (BVI), a company controlled by the Controlling Shareholder, represented acquisition of PALL-AUSTAR JV at the end of 2012 with a cash consideration of US$270,000 (equivalent to approximately RMB1.7 million).

8. Funds received from AIHL, the parent company of the Group before the Reorganisation, in 2012 and 2013 represented unsecured and interest-free funds from AIHL. Repayment of the outstanding funds due to AIHL has been partially waived by AIHL in April 2014 and partially repaid in June 2014. The remaining outstanding amount of approximately HK$5.0 million has been repaid by us in full by internally generated funds in July 2014.

General

Our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. For more details of our continuing related party transactions after the Listing, please refer to the section headed "Continuing connected transactions".

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as currency risk, credit risk and liquidity risk.

Foreign exchange risk

We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

We have certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

As at 31 December 2011, 2012, 2013 and 30 June 2014, if Hong Kong dollar had weakened/strengthened by 1% against the US dollar with all other variables held constant, profit before tax for the years would have been approximately RMB541,000, RMB715,000, RMB771,000 and RMB106,000 lower/higher, respectively, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated receivables and payables held by the Group entities with their functional currency as Hong Kong dollar. As at 31 December 2011, 2012, 2013 and 30 June 2014, the amounts of assets denominated in a currency other than the functional currency were approximately RMB3,930,000, RMB8,801,000, RMB15,661,000 and RMB14,894,000, respectively, and the amounts of liabilities denominated in a currency other than the functional currency were approximately RMB63,329,000, RMB79,452,000, RMB87,510,000 and RMB16,336,000, respectively.

Credit risk

As the majority of the cash at bank balance and restricted cash are placed with state-owned banks and financial institutions, the corresponding credit risk is relatively low. Therefore, our Group's credit risk arises primarily from note and trade receivables. Our Group has no significant concentrations of credit risk. Our Group assesses the credit quality of our customers by taking into account various factors including their financial position, past experience and other factors. Management does not expect any losses from non-performance by these counterparties except for those recognised.

Counterparty risk related to trade receivables is limited due to the large number of customers in our Group's customer portfolio and their diversification throughout various business sectors.

Liquidity risk

The liquidity risk of the Group is mainly controlled by maintaining sufficient cash and cash equivalents through funds from shareholders. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**1-2 years**	**2-5 years**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2011			
Trade payables	41,112	–	–
Other payable	64,501	–	–
Short-term borrowings	25,597	–	–
Total	131,210	–	–

	Less than 1 year	1-2 years	2-5 years
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2012			
Trade payables	64,198	–	–
Other payables	83,055	–	–
Short-term borrowings	25,404	–	–
Total	172,657	–	–

	Less than 1 year	1-2 years	2-5 years
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2013			
Trade payables	121,722	–	–
Other payables	98,569	–	–
Short-term borrowings	20,677	–	–
Total	240,968	–	–

	Less than 1 year	1-2 years	2-5 years
	RMB'000	*RMB'000*	*RMB'000*
As at 30 June 2014			
Trade payable	113,370	–	–
Other payables	23,950	–	–
Short-term borrowings	36,903	–	–
	174,223	–	–

DISCLOSURE REQUIRED UNDER RULE 13.13 TO RULE 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

During the Track Record Period, our Group incurred listing expenses of approximately RMB14.6 million, which was recognised as administrative expenses in our consolidated statements of comprehensive income for the year ended 31 December 2013 and the six months ended 30 June 2014. We expect to incur additional listing expenses (excluding underwriting commission which is estimated to be approximately RMB9.5 million to be paid to the Underwriters) of approximately RMB15.1 million, of which RMB7.6 million is expected to be recognised as administrative expenses for the six months ending 31 December 2014 and RMB7.5 million is expected to be recognised as a deduction in equity directly.

DIVIDEND POLICY

During the Track Record Period, we have not declared any dividends. In July 2014, our Company declared dividend in the aggregate amount of approximately US$970,000 (equivalent to approximately RMB6,062,500) to SFH, HCV and TWG and such dividends were paid on 21 October 2014. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders.

In the future, we expect to distribute approximately 30% of our annual distributable profit as dividends. There is, however, no assurance that we will be able to distribute dividends of such amount or any amount each year or in any year. Our future dividend policy will be determined by our Board based on our results of operations, cash flows, financial position, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us, and other factors that our Board may consider relevant.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 9 January 2014 and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Global Offering on our net tangible assets as of 30 June 2014 as if it had taken place on 30 June 2014 assuming the Over-allotment Option is not exercised. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as of 30 June 2014 or any future date following the Global Offering. It is prepared based on our net assets as of 30 June 2014 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report in Appendix I to this prospectus.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2014	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2014**	**Unaudited pro forma adjusted net tangible assets per Share**	**Unaudited pro forma adjusted net tangible assets per Share**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$2.29 per Share	205,021	206,760	411,781	0.82	1.03
Based on an Offer Price of HK$3.12 per Share	205,021	287,177	492,198	0.98	1.23

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2014 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2014 of RMB206,636,000 with adjustments for intangible assets of RMB1,615,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$2.29 and HK$3.12 per share after deduction of the estimated underwriting fees and other related expenses payable by us subsequent to 30 June 2014 and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 500,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 30 June 2014 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any Share which may be issued or repurchased by the Company pursuant to the Issuing Mandate or the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2014. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for dividends of US$0.97 million (or approximately RMB6,062,500) declared by the Company subsequent to 30 June 2014. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible asset per Share would have been reduced to HK$1.01 and HK$1.21 based on the Offer Price of HK$2.29 per Share and HK$3.12 per Share respectively.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted in to Hong Kong dollars at the rate of RMB1 to HK$1.245.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the paragraphs headed "Contractual and capital commitments" and "Indebtedness" in this section.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 June 2014, the end of the period reported in the Accountant's Report set out in Appendix I to this prospectus, and there has been no event since 30 June 2014 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

FUTURE PLANS AND PROSPECTS

Please refer to the paragraph headed "Business – Business strategies" in this prospectus for a detailed description of our future plans.

PROPOSED USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering which we will receive, assuming an Offer Price of HK$2.705 per Offer Share (being the mid-point of the indicative Offer Price range), will be approximately HK$289.3 million (equivalent to approximately RMB232.3 million), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use these net proceeds of the Global Offering for the following purposes (assuming that an Offer Price of HK$2.705 per Offer Share):

- approximately 39.6% or HK$114.5 million (approximately RMB92.0 million) will be used for establishment of the Shijiazhuang R&D and Production Centre, of which:

  - approximately 10.8% or HK$31.1 million (approximately RMB25.0 million) will be used for acquisition of land;

  - approximately 19.4% or HK$56.0 million (approximately RMB45.0 million) will be used to finance the development and construction costs of the production facilities;

  - approximately 8.6% or HK$24.9 million (approximately RMB20.0 million) will be used to finance the development and construction costs and equipment purchase costs of the powder and solid system application centre, and liquid process application centre; and

  - approximately 0.9% or HK$2.5 million (approximately RMB2.0 million) will be used for purchase of equipment for production plant.

  For further details of the development of our Shijiazhuang R&D and Production Centre, please refer to the section headed "Business – Business strategies – To establish R&D centre and consolidate production workshops – Shijiazhuang R&D and Production Centre" in this prospectus;

- approximately 14.2% or HK$41.1 million (approximately RMB33.0 million) will be used to finance the development of the Songjiang Production Centre, of which:

  - approximately 13.8% or HK$39.8 million (approximately RMB32.0 million) will be used to finance the construction of production facilities; and

– approximately 0.4% or HK$1.3 million (approximately RMB1.0 million) will be used for purchase of equipment.

For further details of the development of our Songjiang Production Centre, please refer to the section headed "Business – Business strategies – To establish R&D centre and consolidate production workshops – Songjiang Production Centre" in this prospectus;

- approximately 6.8% or HK$19.7 million (approximately RMB15.8 million) will be used for expansion of our sales and marketing network, by hiring additional headcount for our sales and marketing team, establishing additional representative offices in order to deepen market penetration, and conducting marketing activities such as organization and attendance of seminars, exhibitions and conferences;

- approximately 9.5% or HK$27.4 million (approximately RMB22.0 million) will be used to fund R&D activities, including cost for increase in headcount of our R&D team, and investment in R&D projects;

- approximately 20.0% or HK$57.9 million (approximately RMB46.5 million) will be used for potential acquisition of interests in companies possessing critical product technologies in the pharmaceutical equipment, process system and service market, which we may identify in the PRC, North America or Europe in the future. As at the Latest Practicable Date, we were not in negotiation with any specific acquisition targets and had not identified any such targets; and

- approximately 9.9% or HK$28.7 million (approximately RMB23.1 million) will be used for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range.

If the Offer Price is finally determined at the low-end of the indicative Offer Price range, being HK$2.29 per Offer Share, the net proceeds from the Global Offering will be decreased by approximately HK$50.1 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). In such case, internally generated funds shall be applied to cover any shortfall in funds for the above purposes.

If the Offer Price is finally determined at the high-end of the indicative Offer Price range, being HK$3.12 per Offer Share, the net proceeds of the Global Offering will be increased by approximately HK$50.1 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised. In such case, we will increase the allocation of net proceeds towards the above purposes on a pro-rata basis, save for acquisition costs of the land use rights in respect of the Shijiazhuang R&D and Production Centre.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering Offer will increase by approximately HK$48.9 million (equivalent to approximately RMB39.3 million), assuming an Offer Price of HK$2.705 per Offer Share, being the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$7.5 million (equivalent to approximately RMB6.0 million), respectively. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated in the proportion as set out above, save for acquisition costs of the land use rights in respect of the Shijiazhuang R&D and Production Centre.

Pending the use of the net proceeds from the Global Offering for the purposes set out above and/or if we are unable to effect any part of our future development plans as intended, we intend to hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC for so long as we consider that it would be in our best interests to do so. We will disclose the same in the relevant annual report.

HONG KONG UNDERWRITERS

Joint Lead Managers

Haitong International Securities Company Limited
BOCOM International Securities Limited
KGI Capital Asia Limited

Co-Lead Managers

RHB OSK Securities Hong Kong Limited
SBI China Capital Financial Services Limited
Bright Smart Securities International (H.K.) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting or agreeing to grant the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the execution of the Price Determination Agreement between the Company and the Sole Global Coordinator on the Price Determination Date and such agreement not subsequently terminated in accordance with its terms or otherwise), the Hong Kong Underwriters have severally agreed to apply or procure applications subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Placing Agreement having been signed, becoming and continue to be unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise, prior to 8:00 am of the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to apply or procure applications for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement if they see fit upon the occurrence of any of the following events:

(a) there has come to the notice or attention of the Sole Global Coordinator that:

(i) any breach of any of the obligations imposed or to be imposed upon any party (other than the Sole Global Coordinator or any of the Underwriters) to any of the Underwriting Agreements; or

(ii) any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be published in connection with the Hong Kong Public Offer, the roadshow materials and any other notices, advertisements, communications or documents published or issued by or on behalf of the Company, or the International Underwriters for the purposes of or in connection with the Global Offering ("Offer Documents") considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was or has become or been discovered to be untrue, incorrect or misleading or deceptive in any respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Sole Global Coordinator, fair and honest and based on reasonable assumptions, when taken as a whole; or

(iii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(iv) the Company withdraws any of the Offer Documents or the Global Offering; or

(v) any event, act or omission which gives or is likely to give rise to any liability of the warrantors under the Hong Kong Underwriting Agreement pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or

(vi) any change or development involving a prospective change in the assets, liabilities, general affairs, management, business prospectus, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of the Group; or

(vii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Offer Documents, constitute a material omission therefrom; or

(viii) the grant of the approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) that a petition or an order is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(x) a portion of the orders in the bookbuilding process, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) in its absolute opinion to be material, at the time the International Underwriting Agreement is entered into, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xi) any breach of, or any event or circumstances rending untrue or incorrect in any respect, any of the warranties in the Hong Kong Underwriting Agreement; or

(xii) an authority or a political body or organization in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of the Group as set out in the "Directors and Senior Management and Staff" section of this prospectus; or

(xiii) any loss or damage has been sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) in its sole absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

(i) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, military, industrial, fiscal, legal regulatory, currency, credit, or market conditions (including, without limitation conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(ii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, NYSE, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange; or

(iii) any new laws or change or development involving a prospective change in existing laws or any event or circumstance or series of events or circumstance likely to result in, any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the European Union and the Cayman Islands or any other jurisdictions relevant to any member of the Group or the Global Offering (the "Specific Jurisdictions"); or

(iv) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation); or

(v) any general moratorium on commercial banking activities foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) the chairman or chief executive officer of the Company vacating his office; or

(x) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xi) a prohibition on the Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xii) non-compliance with this prospectus and the other Offer Documents or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or

(xiii) a valid demand by any creditor for repayment or payment of any indebtedness, in each case, of a material amount, of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xiv) any litigation or claim of any third party involving a material amount being threatened or instigated against any member of the Group or any of the warrantors under the Hong Kong Underwriting Agreement; or

(xv) any of the Directors, any senior management members of the Company as set out in the "Directors, Senior Management and Staff" section of this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;

(xvi) a contravention by any member of the Group or any Director of the Listing Rules, the Companies Ordinance or any other laws applicable to the Global Offering;

(xvii) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (WUMP) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or SFC,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity profits, losses, results of operation, financial, trading other condition or prospects or risks of the Company or the Group or any member of the Group or on any present prospective shareholder of the Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement, the International Placing or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Capitalisation Issue and the Over-allotment Option as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, the Global Offering and the Over-allotment Option as described and contained in this prospectus, it/he/she shall not and shall procure that the relevant registered shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owners; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a controlling shareholder (as defined in the Listing Rules).

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

(a) when it/he/she pledges or charges any securities beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

(b) when it/he/her receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Capitalization Issue, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the

Listing Date (the "First Six-Month Period"), the Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirement of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company, or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any Shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other members of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such members of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period);

By our Controlling Shareholders

Mr. Mars Ho, our executive Director and SFH, both being our Controlling Shareholders, have jointly and severally undertaken to each of the Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, it/he shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/him (together, the "Controlled Entities") shall not, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him directly or indirectly through its Controlled Entitles (the "Relevant Securities"), or deposit any depositary receipts; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b), (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it/he shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he would cease to be a "controlling shareholder" (as defined in the Listing Rules) of the Company or would together with the other Controlling Shareholders cease to be "controlling shareholders" (as defined in the Listing Rules) of the Company;

(iii) in the event that it/he enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he shall take all reasonable steps to ensure that it/he will not create a disorderly or false market for any Shares or other securities of the Company; and

(iv) it/he shall, and shall procure that the relevant registered holder(s) and other Controlled Entitles shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he or by the registered holder(s) and/or other Controlled Entitles of any Shares or other securities of the Company.

Mr. Mars Ho, our executive Director and SFH, both being our Controlling Shareholders, have further undertaken to each of the Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in the Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he will:

(i) when it/he pledges or charges any securities or interests in the Relevant Securities in favour or an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it/he receives indications, either verbal or written, from any pledgee or charge that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company and the Sole Sponsor in writing of such indications.

International Placing

In connection with the International Placing, it is expected that our Company, will enter into the International Placing Agreement with, inter alia, the International Underwriters. Under the International Placing Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the Price Determination Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offer to require our Company to allot and issue up to an aggregate of 18,750,000 additional Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Placing to cover over-allocations (if any) in the International Placing.

Commission and expenses

The Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission of 3% on the aggregate Offer Price of all the Hong Kong Offer Shares (excluding any Offer Shares reallocated from the International Placing to the Hong Kong Public Offer pursuant to the clawback from International Placing to Hong Kong Public Offer and any Offer Shares reallocated from Hong Kong Public Offer to the International Placing under the clawforward from Hong Kong Public Offer under-subscription to international placing), out of which any sub-underwriting commission will be paid. Each of the Joint Bookrunners may, at our Company's discretion, receive an additional incentive fee of up to 0.5% of the aggregate sale proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in our Company

Save for their obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

Sponsor's Independence

Haitong International Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer which forms part of the Global Offering. Haitong International Capital Limited is the sole sponsor for the listing of the Shares on the Stock Exchange and Haitong International Securities Company Limited is the sole global coordinator, one of the joint bookrunners and joint lead managers of the Global Offering. BOCOM International Securities Limited is also a joint Bookrunner and one of the joint lead managers of the Global Offering.

The Global Offering initially consists of:

(i) the Hong Kong Public Offer of 12,500,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed "Hong Kong Public Offer" in this section below; and

(ii) the International Placing of 112,500,000 Offer Shares (subject to adjustment as mentioned below and the Over-allotment Option).

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received the Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for the Hong Kong Offer Shares in the Hong Kong Public Offer. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of the Offer Shares to be offered under the Hong Kong Public Offer and International Placing respectively may be subject to reallocation and, in the case of the International Placing only, the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" in this section of this prospectus.

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, our Company and the Sole Global Coordinator executing the Price Determination Agreement on the Price Determination Date and the Hong Kong Underwriting Agreement not subsequently terminated in accordance with its terms or otherwise. Our Company expects to enter into the International Placing Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on, among others:

(i) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option (either unconditionally or subject to allotment and issue of the relevant Offer Shares, despatch or availability for collection of share certificates in respect of the Offer Shares and/or such other conditions as may be acceptable to the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters)) not later than one Business Day before the Listing Date (or such later date as the Company and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) may agree) and such listing of and permission to deal in the Shares not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Price Determination Agreement having been executed by the Company (for itself) and the Sole Global Coordinator (on itself and on behalf of the Underwriters) on the Price Determination Date and such agreement not subsequently having been terminated in accordince to its terms or otherwise;

(iii) the execution and delivery of the International Placing Agreement by the parties on or before the Price Determination Date; and

(iv) the Hong Kong Underwriting Agreement and International Underwriting Agreement becoming, and continuing to be, unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise, prior to 8:00 am on the Listing Date.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.austar.com.hk** on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on 6 November 2014 but will only become valid certificates of title at 8:00 a.m. on 7 November 2014 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offer – Hong Kong Underwriting Agreement – Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 12,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Placing and (ii) the Hong Kong Public Offer as mentioned below, the number of the Hong Kong Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account the Over-allotment Option).

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" in this section of this prospectus.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Offer Shares available under the Hong Kong Public Offer (after taking into account of any reallocation of the Offer Shares between the Hong Kong Public Offer and the International Placing) is to be divided into two pools (subject to adjustment of odd lot size (where applicable)) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK$5 million or below (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus the Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for the Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 6,250,000 Hong Kong Offer Shares (being 50% of the initial number of the Hong Kong Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of the Offer Shares initially available under the Hong Kong Public Offer, then the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 37,500,000 Offer Shares (in the case of (i)), 50,000,000 Offer Shares (in the case of (ii)) and 62,500,000 Offer Shares (in the case of (iii)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering respectively (before any exercise of the Over-allotment Option) and in each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of the Offer Shares allocated to the International Placing will be reduced correspondingly, in such manner as the Sole Global Coordinator may, in its sole and absolute discretion, determine. In addition, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate the Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy in whole or in part the valid applications in the Hong Kong Public Offer.

If the Hong Kong Offer Shares are not fully subscribed for, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Sole Global Coordinator deems appropriate.

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for the Shares under the Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK$3.12 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% amounting to a total of HK$3,151.44 per board lot of 1,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price determination of the Global Offering" in this section of this prospectus, is less than the maximum price of HK$3.12 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the paragraph headed "13. Refund of application monies" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offer.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 112,500,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option).

The International Placing is subject to the Hong Kong Public Offer being unconditional.

Allocation

Allocation of the Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) that exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Placing Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offer, to require our Company to allot and issue up to 18,750,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 31 October 2014, and in any event on or before Tuesday, 4 November 2014, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder). If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves) by Tuesday, 4 November 2014, the Global Offering will not proceed and will lapse.

The Offer Price will be not more than HK$3.12 per Offer Share and is expected to be not less than HK$2.29 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with our consent, reduce the number of the Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.austar.com.hk** notices of the reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Sole Global Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of the Offer Shares under the Hong Kong Public Offer, are expected to be announced on Thursday, 6 November 2014 in the manner set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

The Sole Global Coordinator has been appointed by us as the stabilising manager ("Stabilising Manager") for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate, make purchases and/or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on 30 November 2014, being the 30th day after the last day for lodging of applications under the Hong Kong Public Offer. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Sole Global Coordinator and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 18,750,000 Shares in aggregate, which is 15% of the Offer Shares initially available under the Global Offering.

Subject to and under the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), the Stabilising Manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(ii) in connection with any action described in paragraph (i) above:

(a) (1) over-allocate the Shares; or

(2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;

(c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and

(d) offer or attempt to do anything described in (a)(2), (b) and (c) above.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;

- liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;

- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on 30 November 2014, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the market price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Stabilising Manager may choose to borrow up to 18,750,000 Shares from SFH, being the Controlling Shareholder, equivalent to the maximum number of additional Shares to be issued upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement on the following conditions in compliance with Rule 10.07(3) of the Listing Rules:

- the Stock Borrowing Agreement will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to SFH or its nominees (as the case may be) within three business days (being days on which the Stock Exchange is open for the business of dealing in securities) after the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the date on which the Over-allotment Option is exercised in full;

- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to SFH by the Stabilising Manager in relation to the Stock Borrowing Agreement.

COMMENCEMENT OF DEALING IN THE SHARES

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 7 November 2014, it is expected that dealings in the Offer Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Friday, 7 November 2014, and will be traded in board lots of 1,000 Shares.

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Placing Shares.

To apply for the Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your applications.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Global Coordinator may accept or reject the application at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For the Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Tuesday, 28 October 2014 to Thursday, 30 October 2014 and between 9:00 a.m. to 12:00 noon on Friday, 31 October 2014 from:

(i) the following addresses of the Hong Kong Underwriters:

Haitong International Securities Company Limited	22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building, 68 Des Voeux Road, Central, Hong Kong
KGI Capital Asia Limited	41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
RHB OSK Securities Hong Kong Limited	12/F World-wide House, 19 Des Voeux Road Central, Hong Kong
SBI China Capital Financial Services Limited	Unit A2, 32/F, United Centre, 95 Queensway, Hong Kong
Bright Smart Securities International (H.K.) Limited	10/F Wing On House, 71 Des Voeux Road Central, Hong Kong

(ii) any of the branches of the following receiving bank:

The Bank of East Asia, Limited

District	Branch	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Shaukiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road, Shau Kei Wan
Kowloon	Prince Edward Branch	G/F, Hanley House, 776-778 Nathan Road, Prince Edward
	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
	East Tsim Sha Tsui Branch	Shop G3-G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
	Wong Tai Sin Branch	Shop UG15, Upper Ground Floor, Wong Tai Sin Plaza, Wong Tai Sin
New Territories	Shatin Plaza Branch	Shop 3-4, Level 1, Shatin Plaza, Shatin
	Tai Po Branch	62-66 Po Heung Street, Tai Po Market, Tai Po
	Tsuen Wan Branch	239-243 Sha Tsui Road, Tsuen Wan
	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza I, 1 Wan Hang Road, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 28 October 2014 until 12:00 noon on Friday, 31 October 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – Austar Lifesciences Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, 28 October 2014 – 9:00 a.m. to 5:00 p.m.
Wednesday, 29 October 2014 – 9:00 a.m. to 5:00 p.m.
Thursday, 30 October 2014 – 9:00 a.m. to 5:00 p.m.
Friday, 31 October 2014 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 31 October 2014, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "2. Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 28 October 2014 until 11:30 a.m. on Friday, 31 October 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 31 October 2014 or such later time under the "10. Effect of bad weather on the opening of the application lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 28 October 2014	**–**	**9:00 a.m. to 8:30 p.m.(1)**
Wednesday, 29 October 2014	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Thursday, 30 October 2014	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Friday, 31 October 2014	**–**	**8:00 a.m.(1) to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 28 October 2014 until 12:00 noon on Friday, 31 October 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 31 October 2014, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 31 October 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed "Price determination of the Global Offering" in the section headed "Structure and conditions of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 31 October 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 31 October 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 6 November 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our Company's website at **www.austar.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.austar.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Thursday, 6 November 2014;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 6 November 2014 to midnight on Wednesday, 12 November 2014;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 6 November 2014 to Tuesday, 11 November 2014 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 6 November 2014 to Monday, 10 November 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

– within three weeks from the closing date of the application lists; or

– within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

– you make multiple applications or suspected multiple applications;

– you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;

– your Application Form is not completed in accordance with the stated instructions;

– your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

– your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

– the Underwriting Agreements do not become unconditional or are terminated;

– our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

– your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$3.12 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Global Offering" in the section headed "Structure of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 6 November 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangements on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 6 November 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 7 November 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 6 November 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 6 November 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 6 November 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 6 November 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on, Thursday, 6 November 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 6 November 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 6 November 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 6 November 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of results" above on Thursday, 6 November 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 6 November 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 6 November 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 6 November 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the sole sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

28 October 2014

The Directors
Austar Lifesciences Limited

Haitong International Capital Limited

Dear Sirs,

We report on the financial information of Austar Lifesciences Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2011, 2012 and 2013 and 30 June 2014, the balance sheet of the Company as at 30 June 2014, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 28 October 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 9 January 2014 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation and changes in group structure" below, which was completed on 20 June 2014, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and joint ventures as set out in Note 1(b), Note 9 and Note 10, respectively, of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 30 June 2014 and of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 and of the Group's results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2013 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2011, 2012 and 2013 and 30 June 2014 and for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 (the "Financial Information"), presented on the basis set out in Note 1(c) of Section II:

(a) Consolidated balance sheets

		As at 31 December			As at 30 June
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	26,106	27,911	33,103	36,255
Land use rights	*7*	6,550	6,400	6,250	6,175
Intangible assets	*8*	727	929	1,423	1,615
Investments in joint ventures	*10*	11,981	15,918	19,706	22,447
Available-for-sale financial assets	*11*	60	60	60	60
Deferred income tax assets	*12*	3,873	7,982	8,837	7,842
Total non-current assets		49,297	59,200	69,379	74,394
Current assets					
Inventories	*13*	54,586	49,008	74,550	65,197
Trade and notes receivables	*15*	122,348	174,618	201,507	241,557
Prepayments and other receivables	*16*	19,765	39,389	32,883	39,250
Amounts due from customers for contract work	*14*	15,294	10,178	59,270	75,439
Available-for-sale financial assets	*11*	–	–	25,018	–
Restricted cash	*17*	1,104	2,049	4,534	7,524
Cash and cash equivalents	*17*	37,499	102,611	139,712	52,346
Total current assets		250,596	377,853	537,474	481,313
Total assets		299,893	437,053	606,853	555,707

		As at 31 December			As at 30 June
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attribute to owners of the Company					
Share capital	*18*	–	–	–	8
Reserves	*19*	19,888	23	2,239	47,743
Retained earnings		37,088	72,564	126,135	158,885
		56,976	72,587	128,374	206,636
Non-controlling interests		294	2	1	1
Total equity		57,270	72,589	128,375	206,637
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	*12*	3,745	7,018	12,279	11,708
Total non-current liabilities		3,745	7,018	12,279	11,708
Current liabilities					
Trade and other payables	*21*	183,398	256,340	369,907	216,555
Amounts due to customers for contract work	*14*	22,494	58,051	55,020	74,592
Short-term borrowings	*20*	24,000	24,000	20,000	35,000
Current income tax liabilities		8,986	19,055	21,272	11,215
Total current liabilities		238,878	357,446	466,199	337,362
Total liabilities		242,623	364,464	478,478	349,070
Total equity and liabilities		299,893	437,053	606,853	555,707
Net current assets		11,718	20,407	71,275	143,951
Total assets less current liabilities		61,015	79,607	140,654	218,345

(b) Balance sheet

	Note	As at 30 June 2014 RMB'000
ASSETS		
Non-current assets		
Investment in a subsidiary	*9*	97,870
Current assets		
Amount due from shareholders	*16*	7
Total assets		97,877
EQUITY		
Share capital	*18*	8
Capital surplus	*19*	97,869
		97,877
Total liabilities		–
Total equity and liabilities		97,877
Net current assets		7
Total assets less current liabilities		97,877

(c) Consolidated statements of comprehensive income

		Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*5*	325,178	420,753	705,153	354,070	320,823
Cost of sales	*22*	(224,657)	(284,304)	(490,187)	(247,950)	(207,086)
Gross profit		100,521	136,449	214,966	106,120	113,737
Selling and marketing expenses	*22*	(28,528)	(36,760)	(72,104)	(30,628)	(32,374)
Administrative expenses	*22*	(24,502)	(35,383)	(47,849)	(19,729)	(30,568)
Research and development expenses	*22*	(11,795)	(16,076)	(23,897)	(9,912)	(10,191)
Other income	*23*	305	418	1,130	116	590
Other gains/(losses)	*24*	450	(163)	(46)	225	(622)
Operating Profit		36,451	48,485	72,200	46,192	40,572
Interest income	*26*	173	392	1,256	474	756
Finance expenses	*26*	(857)	(1,693)	(1,298)	(816)	(453)
Finance (expenses)/income – net		(684)	(1,301)	(42)	(342)	303
Share of profit of joint ventures	*10*	2,631	4,102	4,495	3,149	2,579
Profit before income tax		38,398	51,286	76,653	48,999	43,454
Income tax expense	*27*	(11,061)	(15,777)	(23,082)	(13,386)	(10,705)
Profit for the year/period		27,337	35,509	53,571	35,613	32,749
Profit attributable to:						
Owners of the Company		27,258	35,476	53,571	35,613	32,750
Non-controlling interests		79	33	–	–	(1)
		27,337	35,509	53,571	35,613	32,749
Other comprehensive income/(loss)						
Items that may be reclassified subsequently to profit or loss						
Currency translation differences		2,234	105	1,871	1,508	(991)
Share of other comprehensive income of joint ventures		227	41	326	254	(47)
Revaluation of available-for-sale financial assets		–	–	18	–	–
Reclassification to net income of net gains on available-for-sale financial assets		–	–	–	–	(18)
Other comprehensive income/(loss) for the year/period, net of tax		2,461	146	2,215	1,762	(1,056)
Total comprehensive income for the year/period		29,798	35,655	55,786	37,375	31,693
Total comprehensive income attributable to:						
Owners of the Company		29,719	35,622	55,787	37,375	31,693
Non-controlling interests		79	33	(1)	–	–
		29,798	35,655	55,786	37,375	31,693
Earnings per share for profit attributable to owners of the Company – basic and diluted (RMB)	*28*	27.3	35.5	53.6	35.6	32.8
Dividends	*29*	–	–	–	–	–

(d) Consolidated statements of changes in equity

	Note	Attributable to owners of the Company						
		Share capital RMB'000	Capital surplus RMB'000	Retained earnings RMB'000	Currency translation differences RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011		–	3,600	9,830	13,827	27,257	215	27,472
Comprehensive income								
Profit for the year		–	–	27,258	–	27,258	79	27,337
Other comprehensive income								
Currency translation differences		–	–	–	2,234	2,234	–	2,234
Share of other comprehensive income of joint ventures	*10*	–	–	–	227	227	–	227
Total comprehensive income		–	–	27,258	2,461	29,719	79	29,798
Balance at 31 December 2011		–	3,600	37,088	16,288	56,976	294	57,270
Balance at 1 January 2012		–	3,600	37,088	16,288	56,976	294	57,270
Comprehensive income								
Profit for the year		–	–	35,476	–	35,476	33	35,509
Other comprehensive income								
Currency translation differences		–	–	–	105	105	–	105
Share of other comprehensive income of joint ventures	*10*	–	–	–	41	41	–	41
Total comprehensive income		–	–	35,476	146	35,622	33	35,655
Transaction with owners								
Contribution by owners		–	–	–	–	–	2	2
Amount paid for common control acquisitions	*19(i)*	–	(19,345)	–	–	(19,345)	(327)	(19,672)
Distribution to owners	*10(b)*	–	(666)	–	–	(666)	–	(666)
Total transaction with owners, recognised directly in equity		–	(20,011)	–	–	(20,011)	(325)	(20,336)
Balance at 31 December 2012		–	(16,411)	72,564	16,434	72,587	2	72,589

	Note	Attributable to owners of the Company							
		Share capital	Capital surplus	Other reserve	Retained earnings	Currency translation differences	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2013		–	(16,411)	–	72,564	16,434	72,587	2	72,589
Comprehensive income									
Profit for the year		–	–	–	53,571	–	53,571	–	53,571
Other comprehensive income									
Currency translation differences		–	–	–	–	1,872	1,872	(1)	1,871
Share of other comprehensive income of joint ventures	*10*	–	–	–	–	326	326	–	326
Revaluation of available-for-sale financial assets	*11*	–	–	18	–	–	18	–	18
Total comprehensive income/(loss)		–	–	18	53,571	2,198	55,787	(1)	55,786
Balance at 31 December 2013		–	(16,411)	18	126,135	18,632	128,374	1	128,375
Balance at 1 January 2014		–	(16,411)	18	126,135	18,632	128,374	1	128,375
Comprehensive income									
Profit for the period		–	–	–	32,750	–	32,750	(1)	32,749
Other comprehensive income									
Currency translation differences		–	–	–	–	(992)	(992)	1	(991)
Share of other comprehensive income of joint ventures	*10*	–	–	–	–	(47)	(47)	–	(47)
Reclassification to net income of net gain on available-for-sale financial assets	*11*	–	–	(18)	–	–	(18)	–	(18)
Total comprehensive income/(loss)		–	–	(18)	32,750	(1,039)	31,693	–	31,693
Transaction with owners									
Issue of shares	*18(a)*	8	–	–	–	–	8	–	8
Liability waived by shareholder	*19(ii)*	–	46,561	–	–	–	46,561	–	46,561
Total transaction with owners, recognised directly in equity		8	46,561	–	–	–	46,569	–	46,569
Balance at 30 June 2014		8	30,150	–	158,885	17,593	206,636	1	206,637

	Note	Share capital	Capital surplus	Retained earnings	Currency translation differences	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company						
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)								
Balance at 1 January 2013		–	(16,411)	72,564	16,434	72,587	2	72,589
Comprehensive income								
Profit for the period		–	–	35,613	–	35,613	–	35,613
Other comprehensive income								
Currency translation differences		–	–	–	1,508	1,508	–	1,508
Share of other comprehensive income of joint ventures	*10*	–	–	–	254	254	–	254
Total comprehensive income		–	–	35,613	1,762	37,375	–	37,375
Balance at 30 June 2013		–	(16,411)	108,177	18,196	109,962	2	109,964

(e) Consolidated statements of cash flows

		Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	*30*	22,860	80,113	86,673	31,347	(64,989)
Income tax paid		(6,097)	(6,542)	(16,459)	(7,563)	(20,338)
Interest received		155	410	1,193	474	756
Net cash generated from/(used in) operating activities		16,918	73,981	71,407	24,258	(84,571)
Cash flows from investing activities						
Investment in a joint venture		–	–	(1,708)	–	–
Dividend received from joint ventures	*10*	–	1,248	716	–	–
Amount paid for acquisitions under common control		–	(19,672)	–	–	–
Purchases of property, plant and equipment		(6,548)	(5,950)	(11,049)	(5,448)	(7,159)
Purchases of intangible assets		(728)	(399)	(735)	(42)	(388)
Proceeds from disposal of property, plant and equipment		111	14	37	20	42
Purchase of available-for-sale financial assets	*11*	–	–	(75,000)	(25,000)	(10,000)
Disposal of available-for-sale financial assets	*11*	–	–	50,000	25,000	35,000
Investment income received from available-for-sale financial assets	*11*	–	–	443	99	94
Loan to a joint venture	*32(b)(vi)*	–	–	(7,253)	–	–
Net cash (used in)/generated from investing activities		(7,165)	(24,759)	(44,549)	(5,371)	17,589
Cash flows from financing activities						
Interest paid		(833)	(1,629)	(1,373)	(765)	(729)
Proceeds from funds provided by the parent company before Reorganisation	*32(b)(ix)*	–	22,156	17,556	6,009	–
Repayments of funds provided by the parent company before Reorganisation	*32(b)(ix)*	(19)	(3,643)	(1,929)	–	(34,651)
Proceeds from borrowings		29,000	24,000	–	–	35,000
Repayments of borrowings		(23,000)	(24,000)	(4,000)	–	(20,000)
Capital injection from shareholders		–	–	–	–	8
Cash paid to repurchase shares from the then parent company		–	–	–	–	(1)
Capital injection by non-controlling interests		–	2	–	–	–
Net cash generated from/(used in) financing activities		5,148	16,886	10,254	5,244	(20,373)
Net increase/(decrease) in cash and cash equivalents		14,901	66,108	37,112	24,131	(87,355)
Cash and cash equivalents at beginning of year/period		22,328	37,499	102,611	102,611	139,712
Exchange gains/(losses) on cash and cash equivalents		270	(996)	(11)	93	(11)
Cash and cash equivalents at end of year/period		37,499	102,611	139,712	126,835	52,346

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) 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, Cap. 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 (the "PRC") (the "Listing Business"). The ultimate holding company of the Company is Standard Fortune Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Ho Kwok Keung (the "Controlling Shareholder").

(b) Reorganisation and changes in group structure

The Listing Business were controlled by the Controlling Shareholder at the beginning of the Relevant Periods, or since the date when the companies first came under the common control by the Controlling Shareholder, whichever is a shorter period.

Prior to the incorporation of the Company and the completion of the Reorganisation as described below (the "Reorganisation"), the Listing Business were carried out by Austar Equipment Limited ("Austar BVI") and its subsidiaries now comprising the Group. In preparation of the initial listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Reorganisation was undertaken pursuant to which the group companies engaged in the Listing Business controlled by the Controlling Shareholder were transferred to the Company.

The Reorganisation involved the followings:

(1) The Company was incorporated on 9 January 2014 in the Cayman Islands with limited liability. On the same date, (i) the one subscriber share, allotted and issued as fully paid at par, was transferred to Standard Fortune Holdings Limited ("SFH"), a company incorporated in BVI with limited liability and wholly owned by Mr. Ho Kwok Keung; (ii) 889,999 shares were allotted and issued to SFH for cash at par; (iii) 10,000 shares were allotted and issued to Honour Choice Ventures Limited ("HCV"), a company incorporated in BVI with limited liability and wholly owned by Madam Gu Xun, for cash at par; and (iv) 100,000 shares were allotted and issued to True Worth Global Limited ("TWG"), a company incorporated in BVI with limited liability and wholly owned by Mr. Ho Kin Hung, for cash at par.

(2) On 16 June 2014, the Company subscribed for 100 shares of US$1.00 par value each in Austar BVI, representing 50% of the issued share capital of Austar BVI as enlarged by the subscription of such new shares for cash at par. After completion of the subscription, Austar BVI was owned as to 50% by Austar International Holdings Limited ("AIHL"), a company incorporated in BVI and controlled by the Controlling Shareholder, and as to 50% by the Company.

(3) On 20 June 2014, Austar BVI repurchased and cancelled all the 100 shares of US$1.00 par value each in Austar BVI held by AIHL, representing 50% of the issued share capital of Austar BVI and the entire equity interest owned by AIHL in Austar BVI, at the consideration of US$100 which is based on the par value of such shares. Upon completion of the share repurchase, the Company became the sole shareholder of Austar BVI.

Upon completion of the Reorganisation, the Group had direct or indirect interests in the following major subsidiaries as at the date of this report:

Company name	Country/ place and date of incorporation/ establishment	Issued and paid-up capital	Attributable equity interest of the Group					Principal activities/ place of operation	*Note*
			31 December			30 June	As at the date of		
			2011	2012	2013	2014	this report		
Directly owned:									
Austar BVI	BVI/ 25 January 2005	US$100	100%	100%	100%	100%	100%	Investment holding/BVI	*(a)*
Indirectly owned:									
Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd. (上海奧星製藥技術裝備有限公司, "Shanghai Austar")	Shanghai, the PRC/ 20 August 2003	US$11,490,000	100%	100%	100%	100%	100%	Provision of integrated engineering solutions, pharmaceutical equipment manufacturing/the PRC	*(b)(i), (c),(g)*
Austar Pharmaceutical Equipment (Shijiazhuang) Co., Ltd. (奧星製藥設備(石家莊)有限公司, "Austar SJZ")	Shijiazhuang, the PRC/ 9 July 2004	RMB20,060,000	100%	100%	100%	100%	100%	Provision of integrated engineering solutions, pharmaceutical equipment manufacturing, maintenance, and GMP compliance service/the PRC	*(b)(i), (d),(g)*
Austar Hansen Lifesciences (Shanghai) Co., Ltd. (奧星衡迅生命科技(上海)有限公司, "Austar Hansen")	Shanghai, the PRC/ 29 March 2001	RMB1,660,000	100%	100%	100%	100%	100%	Distribution and agency/the PRC	*(b)(i), (e),(g)*
Austar Clean Equipment (Shanghai) Co., Ltd. (奧星潔淨設備(上海)有限公司, "Austar CE")	Shanghai, the PRC/ 12 November 2007	RMB2,155,446	90%	100%	100%	100%	100%	Provision of integrated solution of clean room enclosure system/the PRC	*(b)(i), (f),(g)*
Austar Pharmaceutical Process Systems Limited ("APPS")	Hong Kong/ 20 April 2012	HK$12,271,200	N/A	100%	100%	100%	100%	Distribution and agency/ Hong Kong	*(b)(ii)*
Austar Europe S.r.l ("Austar Europe")	Italy/ 27 July 2012	EUR20,000	N/A	99%	99%	99%	99%	Provision of consulting services/Italy	*(b)(iii)*

Company name	Country/ place and date of incorporation/ establishment	Issued and paid-up capital	Attributable equity interest of the Group					Principal activities/ place of operation	*Note*
			31 December 2011	2012	2013	30 June 2014	As at the date of this report		
Austar Pharmaceutical Process System (Shijiazhuang) Co., Ltd. (奥星製藥工藝系統(石家莊)有限公司, "APPS (SJZ)")	Shijiazhuang, the PRC/ 6 May 2014	–	N/A	N/A	N/A	100%	100%	Pre-operation/the PRC	*(g)*

Notes:

(a) No audited financial statements were issued for these companies as they are not subject to statutory audit requirements.

(b) The statutory auditors of these companies for the Relevant Periods were as follows:

(i) 立信會計師事務所(特殊普通合夥) (BDO China Shu Lun Pan Certified Public Accountants LLP) for the years ended 31 December 2011, 2012 and 2013.

(ii) APPS was incorporated in 2012 and its statutory auditor for the years ended 31 December 2012 and 2013 was CCIF CPA Limited.

(iii) Austar Europe was incorporated in 2012 and its statutory auditor for the years ended 31 December 2012 and 2013 was PKF Italia S.p.A..

(c) Shanghai Austar was acquired by Austar BVI from Austar International Limited ("AIL"), a company registered in Hong Kong and controlled by the Controlling Shareholder, in 2005 and became a wholly-owned subsidiary of Austar BVI.

(d) Austar SJZ was acquired by Austar BVI from AIL in 2005 and transferred to Shanghai Austar in 2011 and became a wholly-owned subsidiary of Shanghai Austar.

(e) Austar Hansen was acquired by Shanghai Austar from Austar PMC (SH) Limited, a company incorporated in BVI and wholly owned by AIHL, in 2012 and became a wholly-owned subsidiary of Shanghai Austar.

(f) Austar CE was established by Austar International Engineering Limited ("AIEL"), a subsidiary of AIHL, and Shanghai Austar Cleanroom System Engineering Co., Ltd. (上海奧星潔淨室系統工程有限公司, "SACSE", which later changed its name to CEFOC-Austar Pharmaceutical Engineering (Shanghai) Co., Ltd.) in 2007, with AIEL and SACSE holding 90% and 10% equity interest in Austar CE respectively. Shanghai Austar acquired all the equity interest of Austar CE from AIEL and SACSE in 2012 and Austar CE became a wholly owned subsidiary of Shanghai Austar.

(g) The English names of certain subsidiaries referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

(c) Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is held by Austar BVI. The Listing Business is mainly conducted through Austar BVI and its subsidiaries. Pursuant to the Reorganisation, Austar BVI and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business under Austar BVI for all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information of the Company has been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

Changes in accounting policy and disclosures

(a) New standard, amendment to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing the Financial Information. None of these is expected to have a significant effect on the Financial Information, except the following set out below:

- IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. Changes will be effective for annual periods beginning on or after 1 January 2017. The Group is yet to assess IFRS 15's full impact.

- IFRS 9 (2014), "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss.IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach. IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS 39. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group is yet to assess IFRS 9's full impact.

(b) Annual improvements to IFRSs during 2010-2012

These amendments include changes from the 2010-2012 cycle of the annual improvements that affect the standards as follows:

- IFRS 3, 'Business combinations' and consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, 'Financial instruments – Recognition and measurement'

  The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

- IFRS 8, 'Operating segments', the standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

- IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

- IAS 24, 'Related party disclosures', the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

(c) Annual improvements to IFRSs during 2011-2013

These amendments include changes from the 2011-2013 cycle of the annual improvements that affect the standards as follows:

- IFRS 3, 'Business combinations', it clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 in the financial statements of the joint arrangement.

- IFRS 13, 'Fair value measurement', it clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are removed from the date that control ceases.

(a) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amounts of the net assets obtained and the carrying amount of the consideration paid is recorded in reserve. Any direct transaction cost attributable to the business combination is recorded in the income statements in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

(b) Business combinations not under common control

The cost of a combination is measured as the fair value of the assets given and liabilities incurred or assumed at the date of acquisition.

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangement

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer, vice presidents and directors of the Company.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency").

The Financial Information is presented in Renminbi (RMB).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance expenses, net'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses)'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	20 years
Machinery	10 years
Vehicles	5 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses)' in the statement of comprehensive income.

2.7 Land use rights

Land use rights represent upfront prepayments made for the land use rights and are expensed in the profit or loss on a straight-line basis over the periods of the leases or when there is impairment, the impairment is expensed in the profit or loss.

2.8 Intangible assets

Intangible assets mainly represent computer software. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

2.9 Research and development

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over its useful life.

2.10 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise: 'trade and notes receivables', 'other receivables', 'restricted cash', and 'cash and cash equivalents' in the balance sheet (Notes 2.15 and 2.16).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other gains when the Group's right to receive payments is established.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a contractual or an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

Pension and social obligations

The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The contributions are recognised and allocated to related cost of assets and expenses based on different beneficiaries.

All Chinese employees of the Group participate in other employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are recorded as production costs or expensed as incurred.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

2.23 Provisions

Provisions for product and service warranty are recognised when: the Group has a present contractual or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.24 Construction contracts

A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. The respective balance items are "amounts due from customers for contract work" and "amounts due to customers for contract work".

Contract work-in-progress is valued at the cost of the work done, plus the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, which consist of direct payroll costs, materials, costs of subcontracted work, maintenance costs for the equipment used and other direct costs.

Profits are not recognised unless a reliable estimate can be made of the result of completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project-by-project basis.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for construction contracts, sale of goods and rendering of services, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Construction contracts

When the outcome of a contract can be estimated reliably, revenue from construction contracts is recognised under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that the recoverability is probable and such contract costs is recognised as an expense when incurred.

(b) Sales of goods

Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the projects and collectability of the related receivables is reasonably assured.

(c) Rendering of services

Services rendered mainly include technique development, design, consultation and supervision services. Service revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total services to be provided.

2.26 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.27 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.28 Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, if Hong Kong dollar had weakened/strengthened by 1% against the US$ with all other variables held constant, profit before tax for the years/period would have been RMB541,000, RMB715,000, RMB771,000 and RMB106,000 lower/higher, respectively, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated receivables and payable held by the Group entities with their functional currency as Hong Kong dollar.

(b) Credit risk

As the majority of the cash at bank balance and restricted cash are placed with state-owned banks which management believes are of high credit quality. The corresponding credit risk is relatively low. Therefore, the Group's credit risk arises primarily from trade and note receivables. The Group has no significant concentrations of credit risk. Aging analysis of the Group's trade receivables is disclosed in Note 15. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. Management does not expect any losses from non-performance by these counterparties except for those recognised.

Counterparty risk related to trade receivables is limited due to the large number of customers in the Group's customer portfolio and their diversification throughout various business sectors.

(c) Liquidity risk

The liquidity risk of the Group is mainly controlled by maintaining sufficient cash and cash equivalents through funds from shareholders. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*
As at 31 December 2011	
Trade payables	41,112
Other payable	64,501
Short-term borrowings	25,597
	131,210

	Less than 1 year *RMB'000*
As at 31 December 2012	
Trade payable	64,198
Other payables	83,054
Short-term borrowings	25,404
	172,657

	Less than 1 year *RMB'000*
As at 31 December 2013	
Trade payable	121,722
Other payables	98,569
Short-term borrowings	20,677
	240,968

	Less than 1 year *RMB'000*
As at 30 June 2014	
Trade payable	113,370
Other payables	23,950
Short-term borrowings	36,903
	174,223

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings, including current and non-current borrowings as shown in the consolidated balance sheets.

The gearing ratio as at 31 December 2011, 2012 and 2013 and 30 June 2014 are as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debt	24,000	24,000	20,000	35,000
Total equity	57,270	72,589	128,375	206,637
Gearing ratio	42%	33%	16%	17%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2011, 2012 and 2013 and 30 June 2014.

	Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
As at 31 December 2011			
Available-for-sale financial assets	–	–	60
As at 31 December 2012			
Available-for-sale financial assets	–	–	60
As at 31 December 2013			
Available-for-sale financial assets	–	–	25,078
As at 30 June 2014			
Available-for-sale financial assets	–	–	60

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value these financial instruments include discounted cash flow analysis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Construction contracts

Revenue from individual contract is recognised under the percentage of completion method, which requires estimations, by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenue, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenue or costs and are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

(b) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at each balance sheet date. Management reassesses the adequacy of impairment provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be public information or easily accessible public information and market volatility that might bear a significant impact but might not be easily ascertained.

(c) Income taxes and deferred tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be reflected in the income tax expense and deferred tax provisions in the period in which such determination is made. In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on the income tax expenses.

5. SEGMENT INFORMATION

The CODM have been identified as the chief executive officer, vice presidents and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources.

The CODM consider the business primarily from a product and service perspective, which mainly includes six reportable operating segments: 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.

The measurement of results and assets of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluate the performance of the reportable segments based on gross profit.

The segment results for the year ended 31 December 2011 are as follows:

	Liquid and Bioprocess System	Clean Room and Automation Control and Monitoring System	Powder and Solid System	GMP Compliance Service	Life Science Consumables	Distribution and Agency of Pharmaceutical Equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue and results							
Segment revenue	186,143	67,964	11,526	14,736	27,393	25,755	333,517
Inter-segment revenue	(8,278)	(61)	–	–	–	–	(8,339)
Revenue	177,865	67,903	11,526	14,736	27,393	25,755	325,178
Cost of sales	(134,350)	(46,416)	(6,911)	(6,905)	(11,866)	(18,209)	(224,657)
Gross profit	43,515	21,487	4,615	7,831	15,527	7,546	100,521
Other segment items							
Amortisation	262	–	–	–	–	–	262
Depreciation	2,229	327	21	551	60	44	3,232
Provision/(reversal) of impairment on trade and other receivables	228	133	(6)	(5)	424	(8)	766
Impairment provision on inventories	419	–	–	–	122	–	541
Share of profit of joint ventures	2,631	–	–	–	–	–	2,631

The segment results for the year ended 31 December 2012 are as follows:

	Liquid and Bioprocess System	Clean Room and Automation Control and Monitoring System	Powder and Solid System	GMP Compliance Service	Life Science Consumables	Distribution and Agency of Pharmaceutical Equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue and results							
Segment revenue	232,372	84,506	24,067	31,519	34,632	19,294	426,390
Inter-segment revenue	(3,654)	(1,911)	–	–	(72)	–	(5,637)
Revenue	228,718	82,595	24,067	31,519	34,560	19,294	420,753
Cost of sales	(175,225)	(56,434)	(14,194)	(11,534)	(17,659)	(9,258)	(284,304)
Gross profit	53,493	26,161	9,873	19,985	16,901	10,036	136,449
Other segment items							
Amortisation	336	6	2	2	–	1	347
Depreciation	2,402	692	109	644	75	134	4,056
Provision of impairment on trade and other receivables	7,356	1,095	541	573	315	725	10,605
Impairment provision on inventories	325	–	–	–	84	14	423
Share of profit of joint ventures	4,102	–	–	–	–	–	4,102

The segment results for the year ended 31 December 2013 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
Segment revenue and results							
Segment revenue	391,882	172,510	44,413	47,652	52,765	26,790	736,012
Inter-segment revenue	(10,885)	(19,965)	–	–	(9)	–	(30,859)
Revenue	380,997	152,545	44,413	47,652	52,756	26,790	705,153
Cost of sales	(296,379)	(105,507)	(30,037)	(16,186)	(29,586)	(12,492)	(490,187)
Gross profit	84,618	47,038	14,376	31,466	23,170	14,298	214,966
Other segment items							
Amortisation	360	18	5	5	–	3	391
Depreciation	3,148	1,172	274	691	85	155	5,525
Provision of impairment on trade and other receivables	1,739	988	387	390	362	279	4,145
Impairment provision on inventories	–	91	–	–	27	–	118
Share of profit of joint ventures	3,701	–	–	–	794	–	4,495

The segment results for the six months ended 30 June 2013 (unaudited) are as follows:

	Liquid and Bioprocess System RMB'000 (Unaudited)	Clean Room and Automation Control and Monitoring System RMB'000 (Unaudited)	Powder and Solid System RMB'000 (Unaudited)	GMP Compliance Service RMB'000 (Unaudited)	Life Science Consumables RMB'000 (Unaudited)	Distribution and Agency of Pharmaceutical Equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue and results							
Segment revenue	209,671	82,380	14,832	22,489	28,022	7,842	365,236
Inter-segment revenue	(1,958)	(9,208)	–	–	–	–	(11,166)
Revenue	207,713	73,172	14,832	22,489	28,022	7,842	354,070
Cost of sales	(163,971)	(48,625)	(9,827)	(6,435)	(15,766)	(3,326)	(247,950)
Gross profit	43,742	24,547	5,005	16,054	12,256	4,516	106,120
Other segment items							
Amortisation	171	8	2	3	–	1	185
Depreciation	1,441	475	88	400	40	33	2,477
Provision of impairment on trade and other receivables	1,794	78	30	41	247	12	2,202
Impairment provision on inventories	–	–	–	–	10	–	10
Share of profit of joint ventures	2,779	–	–	–	370	–	3,149

The segment results for the six months ended 30 June 2014 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
Segment revenue and results							
Segment revenue	156,062	83,289	27,555	25,248	34,618	13,014	339,786
Inter-segment revenue	(8,889)	(9,524)	–	(321)	(229)	–	(18,963)
Revenue	147,173	73,765	27,555	24,927	34,389	13,014	320,823
Cost of sales	(108,476)	(46,375)	(15,033)	(9,114)	(20,082)	(8,006)	(207,086)
Gross profit	38,697	27,390	12,522	15,813	14,307	5,008	113,737
Other segment items							
Amortisation	250	15	3	2	–	1	271
Depreciation	1,499	974	926	340	51	76	3,866
Provision/(reversal) of impairment on trade and other receivables	321	(248)	(189)	(160)	78	(36)	(234)
Impairment provision on inventories	332	(54)	–	–	94	17	389
Share of profit of joint ventures	1,831	–	–	–	748	–	2,579

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

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Liquid and Bioprocess System	43,515	53,493	84,618	43,742	38,697
Clean Room and Automation Control and Monitoring System	21,487	26,161	47,038	24,547	27,390
Powder and Solid System	4,615	9,873	14,376	5,005	12,522
GMP Compliance Service	7,831	19,985	31,466	16,054	15,813
Life Science Consumables	15,527	16,901	23,170	12,256	14,307
Distribution and Agency of Pharmaceutical Equipment	7,546	10,036	14,298	4,516	5,008
Total gross profit for reportable segments	100,521	136,449	214,966	106,120	113,737
Selling and marketing expenses	(28,528)	(36,760)	(72,104)	(30,628)	(32,374)
Administrative expenses	(24,502)	(35,383)	(47,849)	(19,729)	(30,568)
Research and development expenses	(11,795)	(16,076)	(23,897)	(9,912)	(10,191)
Other income	305	418	1,130	116	590
Other gains/(losses)	450	(163)	(46)	225	(622)
Finance (expenses)/income – net	(684)	(1,301)	(42)	(342)	303
Share of profit from joint ventures	2,631	4,102	4,495	3,149	2,579
Profit before taxation	38,398	51,286	76,653	48,999	43,454

The segment assets as at 31 December 2011, 2012, 2013 and 30 June 2014 are as follows:

	As at 31 December						As at 30 June	
	2011		2012		2013		2014	
	Total assets	Investments accounted for using equity method	Total assets	Investments accounted for using equity method	Total assets	Investments accounted for using equity method	Total assets	Investments accounted for using equity method
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Liquid and Bioprocess System	171,697	11,981	242,027	14,877	287,064	17,866	269,940	19,781
Clean Room and Automation Control and Monitoring System	40,879	–	59,602	–	99,092	–	92,773	–
Powder and Solid System	8,597	–	13,452	–	18,785	–	28,664	–
GMP Compliance Service	11,491	–	16,771	–	19,093	–	34,691	–
Life Science Consumables	23,329	–	29,595	1,041	26,938	1,840	35,075	2,666
Distribution and Agency of Pharmaceutical Equipment	8,901	–	14,608	–	17,561	–	11,642	–
Total Segment Assets	264,894	11,981	376,055	15,918	468,533	19,706	472,785	22,447
Unallocated								
Deferred income tax assets	3,873		7,982		8,837		7,842	
Headquarter assets	31,126		53,016		129,483		75,080	
Total Assets	299,893		437,053		606,853		555,707	

Geographical information

The following tables present information on revenue and certain assets of the Group by geographical regions.

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
The PRC	301,724	387,839	662,110	331,670	292,500
Other countries	23,454	32,914	43,043	22,400	28,323
	325,178	420,753	705,153	354,070	320,823

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets other than financial instruments and deferred tax assets				
The PRC	33,383	35,240	40,776	43,977
Other countries	11,981	15,918	19,706	22,515
	45,364	51,158	60,482	66,492

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Vehicles	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2011					
Cost	16,429	9,459	1,183	3,558	30,629
Accumulated depreciation	(3,464)	(2,224)	(533)	(1,471)	(7,692)
Net book value	12,965	7,235	650	2,087	22,937
Year ended 31 December 2011					
Opening net book value	12,965	7,235	650	2,087	22,937
Additions	14	3,729	836	1,969	6,548
Disposal	–	(17)	(15)	(80)	(112)
Depreciation charge	(702)	(1,520)	(264)	(781)	(3,267)
Closing net book value	12,277	9,427	1,207	3,195	26,106
As at 31 December 2011					
Cost	16,443	13,133	1,867	4,953	36,396
Accumulated depreciation	(4,166)	(3,706)	(660)	(1,758)	(10,290)
Net book value	12,277	9,427	1,207	3,195	26,106
Year ended 31 December 2012					
Opening net book value	12,277	9,427	1,207	3,195	26,106
Additions	–	3,011	325	2,614	5,950
Disposal	–	(2)	–	(43)	(45)
Depreciation charge	(742)	(1,573)	(341)	(1,444)	(4,100)
Closing net book value	11,535	10,863	1,191	4,322	27,911
As at 31 December 2012					
Cost	16,443	16,140	2,192	7,391	42,166
Accumulated depreciation	(4,908)	(5,277)	(1,001)	(3,069)	(14,255)
Net book value	11,535	10,863	1,191	4,322	27,911
Year ended 31 December 2013					
Opening net book value	11,535	10,863	1,191	4,322	27,911
Additions	–	5,357	811	4,881	11,049
Disposal	–	(84)	–	(58)	(142)
Depreciation charge	(742)	(1,771)	(532)	(2,670)	(5,715)
Closing net book value	10,793	14,365	1,470	6,475	33,103
As at 31 December 2013					
Cost	16,443	21,359	3,003	11,925	52,730
Accumulated depreciation	(5,650)	(6,994)	(1,533)	(5,450)	(19,627)
Net book value	10,793	14,365	1,470	6,475	33,103

	Buildings	Machinery	Vehicles	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2014					
Opening net book value	10,793	14,365	1,470	6,475	33,103
Additions	–	2,037	342	4,780	7,159
Disposal	–	–	(23)	(32)	(55)
Depreciation charge	(371)	(1,062)	(215)	(2,304)	(3,952)
Closing net book value	10,422	15,340	1,574	8,919	36,255
As at 30 June 2014					
Cost	16,443	23,396	3,107	16,353	59,299
Accumulated depreciation	(6,021)	(8,056)	(1,533)	(7,434)	(23,044)
Net book value	10,422	15,340	1,574	8,919	36,255
(Unaudited)					
Six months ended 30 June 2013					
Opening net book value	11,535	10,863	1,191	4,322	27,911
Additions	–	2,270	809	2,369	5,448
Disposal	–	(83)	–	(8)	(91)
Depreciation charge	(371)	(816)	(292)	(1,062)	(2,541)
Closing net book value	11,164	12,234	1,708	5,621	30,727
As at 30 June 2013					
Cost	16,443	18,280	3,001	9,748	47,472
Accumulated depreciation	(5,279)	(6,046)	(1,293)	(4,127)	(16,745)
Net book value	11,164	12,234	1,708	5,621	30,727

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group's buildings were pledged as security for short-term borrowings (Note 20).

7. LAND USE RIGHTS

	RMB'000
As at 1 January 2011	
Cost	7,500
Accumulated amortisation	(800)
Net book value	6,700
Year ended 31 December 2011	
Opening net book value	6,700
Amortisation charge	(150)
Closing net book value	6,550
As at 31 December 2011	
Cost	7,500
Accumulated amortisation	(950)
Net book value	6,550
Year ended 31 December 2012	
Opening net book value	6,550
Amortisation charge	(150)
Closing net book value	6,400
As at 31 December 2012	
Cost	7,500
Accumulated amortisation	(1,100)
Net book value	6,400
Year ended 31 December 2013	
Opening net book value	6,400
Amortisation charge	(150)
Closing net book value	6,250
As at 31 December 2013	
Cost	7,500
Accumulated amortisation	(1,250)
Net book value	6,250

	RMB'000
Six months ended 30 June 2014	
Opening net book value	6,250
Amortisation charge	(75)
Closing net book value	6,175
As at 30 June 2014	
Cost	7,500
Accumulated amortisation	(1,325)
Net book value	6,175
(Unaudited)	
Six months ended 30 June 2013	
Opening net book value	6,400
Amortisation charge	(75)
Closing net book value	6,325
As at 30 June 2013	
Cost	7,500
Accumulated amortisation	(1,175)
Net book value	6,325

The Group's interests in land use rights represent prepaid operating lease payment. All of the Group's land use rights are located in the PRC and with original lease period of 50 years. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group's all land use rights were pledged as security for short-term borrowings (Note 20).

8. INTANGIBLE ASSETS

	Software and others
	RMB'000
As at 1 January 2011	
Cost	394
Accumulated amortisation	(283)
Net book amount	111
Year ended 31 December 2011	
Opening net book value	111
Additions	728
Amortisation charge	(112)
Closing net book value	727
As at 31 December 2011	
Cost	1,123
Accumulated amortisation	(396)
Net book value	727
Year ended 31 December 2012	
Opening net book value	727
Additions	399
Amortisation charge	(197)
Closing net book value	929
As at 31 December 2012	
Cost	1,414
Accumulated amortisation	(485)
Net book value	929
Year ended 31 December 2013	
Opening net book value	929
Additions	735
Amortisation charge	(241)
Closing net book value	1,423
As at 31 December 2013	
Cost	2,148
Accumulated amortisation	(725)
Net book value	1,423

	Software and others
	RMB'000
Six months ended 30 June 2014	
Opening net book value	1,423
Additions	388
Amortisation charge	(196)
Closing net book value	1,615
As at 30 June 2014	
Cost	2,536
Accumulated amortisation	(921)
Net book value	1,615
(Unaudited)	
Six months ended 30 June 2013	
Opening net book value	929
Additions	42
Amortisation charge	(110)
Closing net book value	861
As at 30 June 2013	
Cost	1,456
Accumulated amortisation	(595)
Net book value	861

9. INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary is recorded at cost, which is the carrying value of Austar BVI's equity as shown in its separate financial statement upon completion of the Reorganisation.

Please refer to Note 1(b) for the list of principal subsidiaries of the Company as at 30 June 2014.

10. INVESTMENTS IN JOINT VENTURES

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Beginning of the year/period	9,501	11,981	15,918	15,918	19,706
Share of profit	2,631	4,102	4,495	3,149	2,579
Share of other comprehensive income	227	41	326	254	(47)
Addition of investment	–	1,041	–	–	–
Dividend received	–	(1,248)	(716)	–	–
Currency translation difference	(378)	1	(317)	249	209
End of the year/period	11,981	15,918	19,706	19,570	22,447

The joint ventures listed below have share capital consisting solely of ordinary shares.

Nature of investment in joint ventures

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
STERIS-AUSTAR Pharmaceutical Systems Hong Kong Limited ("STERIS-AUSTAR JV")	Hong Kong	49%	*Note (a)*	Equity
PALL-AUSTAR Lifesciences Limited (formerly known as ATMI-Austar Lifesciences Limited, "PALL-AUSTAR JV")	Hong Kong	60%	*Note (b)*	Equity
Angelantoni-Austar Limited ("Angelantoni-Austar JV")	Hong Kong	51%	*Note (c)*	Equity

Notes:

(a) STERIS-AUSTAR JV is a strategic partnership for the Group, which develops and produces pharmaceutical equipment via its subsidiary in the PRC.

(b) PALL-AUSTAR JV is a strategic partnership for the Group, which develops and produces life science consumables via its subsidiary in the PRC. PALL-AUSTAR JV was acquired by APPS, a subsidiary of the Group, from Austar PharmMed Consumable Ltd. ("Austar PMC (BVI)"), a company controlled by the Controlling Shareholder, at the end of 2012 with a cash consideration of US$270,000 (equivalent to approximately RMB1,708,000). The difference between the share of the fair value of net assets and the consideration amounted to RMB666,000 was deemed as distribution to owners.

(c) Angelantoni-Austar JV was set up for investment holding purpose but had been dormant and was deregistered in October 2012.

Summarised financial information for joint ventures

Set out below are the summarised financial information for STERIS-AUSTAR JV and PALL-AUSTAR JV which are accounted for using the equity method.

Summarised balance sheets of joint ventures (Unaudited)

	STERIS-AUSTAR JV				PALL-AUSTAR JV*			Total			
	As at 31 December			As at 30 June	As at 31 December		As at 30 June	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**	**2012**	**2013**	**2014**	**2011**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current											
Cash and cash equivalents	15,929	23,632	21,440	27,693	1,379	2,843	2,902	15,929	25,011	24,283	30,595
Other current assets	26,503	39,890	25,305	37,511	4,442	6,875	9,435	26,503	44,332	32,180	46,946
Total current assets	42,432	63,522	46,745	65,204	5,821	9,718	12,337	42,432	69,343	56,463	77,541
Financial liabilities (excluding trade payables)	(17,602)	(29,615)	(8,388)	(15,784)	(4,448)	(9,654)	(10,862)	(17,602)	(34,063)	(18,042)	(26,646)
Other current liabilities (including trade payables)	(1,999)	(5,127)	(4,265)	(11,506)	(200)	(1,337)	(1,573)	(1,999)	(5,327)	(5,602)	(13,079)
Total current liabilities	(19,601)	(34,742)	(12,653)	(27,290)	(4,648)	(10,991)	(12,435)	(19,601)	(39,390)	(23,644)	(39,725)
Non-current											
Assets	1,620	1,582	2,370	2,456	11,573	12,019	12,444	1,620	13,155	14,389	14,900
Liabilities	–	–	–	–	(11,011)	(7,679)	(7,901)	–	(11,011)	(7,679)	(7,901)
Net assets	24,451	30,362	36,462	40,370	1,735	3,067	4,445	24,451	32,097	39,529	44,815

**Note:* PALL-AUSTAR JV was acquired at the end of 2012 (Note 10(b)). The balance sheet as at 31 December 2011 of PALL-AUSTAR JV was not presented.

Summarised statements of comprehensive income (Unaudited)

	STERIS-AUSTAR JV					PALL-AUSTAR JV*			Total				
	Year ended 31 December			Six months ended 30 June		Year ended 31 December	Six months ended 30 June		Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014	2013	2013	2014	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	37,921	50,261	54,991	33,256	18,944	13,626	5,341	9,722	37,921	50,261	68,617	38,597	28,666
Depreciation and amortisation	(293)	(319)	(286)	(183)	(184)	(1,179)	(569)	(637)	(293)	(319)	(1,465)	(752)	(821)
Interest income	29	71	89	48	62	277	80	82	29	71	366	128	144
Interest expense	–	–	–	–	–	(614)	(353)	(437)	–	–	(614)	(353)	(437)
Profit before income tax	7,192	11,603	9,297	7,683	5,848	2,179	822	1,820	7,192	11,603	11,476	8,505	7,668
Income tax expense	(1,822)	(3,231)	(1,744)	(2,012)	(2,112)	(855)	(206)	(573)	(1,822)	(3,231)	(2,599)	(2,218)	(2,685)
Profit for the year/period	5,370	8,372	7,553	5,671	3,736	1,324	616	1,247	5,370	8,372	8,877	6,287	4,983
Other comprehensive income	463	83	655	280	(256)	8	195	131	463	83	663	475	(125)
Total comprehensive income	5,833	8,455	8,208	5,951	3,480	1,332	811	1,378	5,833	8,455	9,540	6,762	4,858
Dividends received from joint ventures	–	1,248	716	–	–	–	–	–	–	1,248	716	–	–

**Note:* PALL-AUSTAR JV was acquired at the end of 2012 (Note 10(b)). The statement of comprehensive income for the years ended 31 December 2011 and 2012 of PALL-AUSTAR JV was not presented.

Summarised financial information (Unaudited)

	STERIS-AUSTAR JV					PALL-AUSTAR JV*				Total				
	As at 31 December			As at 30 June		As at 31 December		As at 30 June		As at 31 December			As at 30 June	
	2011	2012	2013	2013	2014	2012	2013	2013	2014	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Opening net assets														
1 January	19,390	24,451	30,362	30,362	36,462	–	1,735	1,735	3,067	19,390	24,451	32,097	32,097	39,529
Acquisition	–	–	–	–	–	1,735	–	–	–	–	1,735	–	–	–
Profit for the period	5,370	8,372	7,553	5,671	3,736	–	1,324	616	1,247	5,370	8,372	8,877	6,287	4,983
Dividends	–	(2,547)	(1,461)	–	–	–	–	–	–	–	(2,547)	(1,461)	–	–
Other comprehensive income	463	83	655	280	(256)	–	8	195	131	463	83	663	475	(125)
Currency translation difference	(772)	3	(647)	508	428	–	–	–	–	(772)	3	(647)	508	428
Closing net assets	24,451	30,362	36,462	36,821	40,370	1,735	3,067	2,546	4,445	24,451	32,097	39,529	39,367	44,815
Interest in joint ventures	11,981	14,877	17,866	18,042	19,781	1,041	1,840	1,528	2,666	11,981	15,918	19,706	19,570	22,447
Carrying value	11,981	14,877	17,866	18,042	19,781	1,041	1,840	1,528	2,666	11,981	15,918	19,706	19,570	22,447

**Note:* PALL-AUSTAR JV was acquired at the end of 2012 (Note 10(b)). The financial information for the year ended 31 December 2011 of PALL-AUSTAR JV was not presented.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Non-current					
Beginning and end of the year/period *(Note(a))*	60	60	60	60	60
Current					
Beginning of the year/period	–	–	–	–	25,018
Additions	–	–	75,000	25,000	10,000
Revaluation gains					
– realised *(Note 24)*	–	–	443	99	94
– unrealised	–	–	18	–	(18)
Disposals	–	–	(50,443)	(25,099)	(35,094)
End of the year/period *(Note(b))*	–	–	25,018	–	–

(a) Non-current available-for-sale financial assets represent 0.09% equity investment in Nanjing Bo Jian Technology Co., Ltd. (南京博健科技有限責任公司) held by Shanghai Austar, a wholly-owned subsidiary of the Group.

(b) Current available-for-sale financial assets in 2013 represent investment funds managed by banks. The investment funds mainly invest in government bonds, central bank notes and other money market instruments of relatively lower risk. The Group has disposed all the investment funds by February 2014.

12. DEFERRED INCOME TAX

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets				
Deferred income tax assets to be recovered within 12 months	2,948	4,148	5,258	4,889
Deferred income tax assets to be recovered after more than 12 months	925	3,834	3,579	2,953
	3,873	7,982	8,837	7,842
Deferred tax liabilities				
Deferred income tax liabilities to be recovered after more than 12 months	(3,745)	(7,018)	(12,279)	(11,708)
	128	964	(3,442)	(3,866)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The gross movement of the deferred income tax account is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Beginning of the year/period	1,422	128	964	964	(3,442)
(Charged)/Credited to the consolidated statements of comprehensive income *(Note 27)*	(1,294)	836	(4,406)	(2,724)	(424)
End of the year/period	128	964	(3,442)	(1,760)	(3,866)

The analysis of deferred income tax assets is as follows:

	Taxable losses	Impairment provision of receivables and inventories	Warranty provisions and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2011	655	616	2,363	3,634
(Charged)/Credited to the consolidated statement of comprehensive income	(655)	309	585	239
As at 31 December 2011	–	925	2,948	3,873
Credited to the consolidated statement of comprehensive income	–	2,909	1,200	4,109
As at 31 December 2012	–	3,834	4,148	7,982
(Charged)/Credited to the consolidated statement of comprehensive income	–	(255)	1,110	855
As at 31 December 2013	–	3,579	5,258	8,837
Charged to the consolidated statement of comprehensive income	–	(626)	(369)	(995)
As at 30 June 2014	–	2,953	4,889	7,842
(Unaudited)				
As at 1 January 2013	–	3,834	4,148	7,982
(Charged)/credited to the consolidated statement of comprehensive income	–	(468)	1,226	758
As at 30 June 2013	–	3,366	5,374	8,740

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group did not recognise deferred income tax assets of RMB nil, RMB nil, RMB706,000 and RMB876,000, respectively, in respect of accumulated losses amounting to RMB nil, RMB nil, RMB4,279,000 and RMB5,309,000 that can be carried forward against future taxable income.

The analysis of deferred income tax liabilities is as follows:

	Withholding tax
	RMB'000
As at 1 January 2011	(2,212)
Charged to the consolidated statement of comprehensive income	(1,533)
As at 31 December 2011	(3,745)
Charged to the consolidated statement of comprehensive income	(3,273)
As at 31 December 2012	(7,018)
Charged to the consolidated statement of comprehensive income	(5,261)
As at 31 December 2013	(12,279)
Credited to the consolidated statement of comprehensive income	571
As at 30 June 2014	(11,708)
(Unaudited)	
As at 1 January 2013	(7,018)
Charged to the consolidated statement of comprehensive income	(3,481)
As at 30 June 2013	(10,499)

13. INVENTORIES

	As at 31 December			**As at 30 June**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	15,321	23,162	39,428	34,973
Work-in-process	18,727	10,783	23,795	18,018
Finished goods	21,084	15,964	12,346	13,614
	55,132	49,909	75,569	66,605
Less: provision for impairment	(546)	(901)	(1,019)	(1,408)
	54,586	49,008	74,550	65,197

Movements of provision for inventory obsolescence are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Beginning of the year/period	(215)	(546)	(901)	(901)	(1,019)
Addition	(541)	(423)	(118)	(10)	(389)
Write-off	210	68	–	–	–
End of the year/period	(546)	(901)	(1,019)	(911)	(1,408)

14. AMOUNTS DUE TO/(FROM) CUSTOMERS FOR CONTRACT WORK

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract cost incurred plus recognised profit less recognised losses	92,377	119,545	269,610	331,620
Less: Progress billings	(99,577)	(167,418)	(265,360)	(330,773)
Contract work in progress	(7,200)	(47,873)	4,250	847
Representing:				
Amounts due from customers for contract work	15,294	10,178	59,270	75,439
Amounts due to customers for contract work	(22,494)	(58,051)	(55,020)	(74,592)
	(7,200)	(47,873)	4,250	847

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Contract revenue recognised as revenue in the year/period	141,874	201,036	422,023	191,343	182,393

15. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note (b))*	108,903	163,350	184,939	233,149
Notes receivable *(Note (a))*	15,631	23,985	33,412	24,526
	124,534	187,335	218,351	257,675
Less: provision for impairment	(2,186)	(12,717)	(16,844)	(16,118)
	122,348	174,618	201,507	241,557

(a) Notes receivable are all bank acceptance with maturity dates within six months.

(b) Aging analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	69,557	77,789	97,595	98,892
3 to 6 months	23,971	46,670	24,436	43,781
6 months to 1 year	5,697	12,594	20,466	49,487
1 to 2 years	6,116	20,173	28,350	25,876
2 to 3 years	2,523	3,629	10,132	11,345
Over 3 years	1,039	2,495	3,960	3,768
	108,903	163,350	184,939	233,149

Most of the trade receivables are due within 90 days since issuance of the invoices, except for retention money which would normally be collected one year after the completion of the sales.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the past due but not impaired trade receivables due from external customers relate to customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	59,384	67,726	74,619	79,556
3 to 6 months	20,243	33,312	17,467	34,551
6 months to 1 year	4,915	12,112	15,941	38,239
1 to 2 years	5,567	13,508	22,501	18,163
2 to 3 years	1,583	2,649	4,540	9,324
Over 3 years	974	1,750	2,316	1,883
	92,666	131,057	137,384	181,716

(c) Movements on the Group's allowance for impairment of trade receivables are as follows:

	As at 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Beginning of the year/period	(1,424)	(2,186)	(12,717)	(12,717)	(16,844)
Addition	(1,036)	(10,628)	(4,127)	(2,225)	(513)
Reversal	–	–	–	23	740
Write-off	274	97	–	–	499
End of the year/period	(2,186)	(12,717)	(16,844)	(14,919)	(16,118)

(d) As at 31 December 2011, 2012, 2013 and 30 June 2014, the carrying amounts of trade and notes receivables approximated their fair values due to short maturity.

(e) The carrying amounts of the Group's notes and trade receivables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	122,348	173,651	199,482	239,306
US$	–	874	1,795	1,860
EUR	–	93	230	391
	122,348	174,618	201,507	241,557

16. PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group				Company
	As at 31 December			As at 30 June	As at 30 June
	2011	**2012**	**2013**	**2014**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers	8,859	30,004	16,251	19,658	–
Staff advance	2,872	2,347	2,649	5,198	–
Deposits as guarantee for bidding	1,964	5,182	3,753	5,958	–
Loan and interest due from PALL-AUSTAR JV *(Note 32(b)(vi))*	–	–	7,253	7,467	–
Amount due from shareholders of the Company *(Note 32 (c)(i))*	–	–	–	7	7
Others	6,310	2,073	3,212	1,169	–
	20,005	39,606	33,118	39,457	7
Less: provision for impairment	(240)	(217)	(235)	(207)	–
	19,765	39,389	32,883	39,250	7

(a) As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying amounts of other receivables approximated their fair values due to short maturity.

(b) Movements on the Group's allowance for impairment of other receivables are as follows:

	As at 31 December			As at 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Beginning of the year/period	(510)	(240)	(217)	(217)	(235)
Addition	–	–	(18)	–	(2)
Reversal	270	23	–	–	9
Write-off	–	–	–	–	21
End of the year/period	(240)	(217)	(235)	(217)	(207)

(c) The carrying amount of the Group's other receivables is denominated in the following currencies:

	Group				Company
	As at 31 December			As at 30 June	As at 30 June
	2011	2012	2013	2014	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RMB	10,792	9,364	9,379	11,413	–
HK$	114	21	–	712	7
US$	–	–	7,253	7,467	–
	10,906	9,385	16,632	19,592	7

17. CASH AND BANK

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits *(Note(a))*	1,104	2,049	4,534	7,524
Cash and cash equivalents				
– Cash on hand	143	50	78	152
– Deposits in bank	37,356	102,561	139,634	52,194
	37,499	102,611	139,712	52,346
	38,603	104,660	144,246	59,870

(a) The restricted bank deposits were held as security for letter of credit.

(b) Cash and bank were denominated in the following currencies:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	34,653	96,725	137,268	53,294
US$	278	6,136	5,755	4,353
EUR	2	270	628	111
HK$	3,670	1,529	595	2,112
	38,603	104,660	144,246	59,870

18. SHARE CAPITAL – GROUP AND COMPANY

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary share**	**Total**
	Thousands	*HK$'000*	*RMB'000*	*RMB'000*
Authorised:				
Ordinary shares of HK$0.01 each *(i)*	10,000	100	80	80
Issued and fully paid:				
Balance at 1 January 2014	–	–	–	–
Ordinary shares of HK$0.01 each issued and allotted upon incorporation *(ii)*	1,000	10	8	8
Balance at 30 June 2014	1,000	10	8	8

(i) The Company was incorporated in the Cayman Islands on 9 January 2014 with an authorised capital of HK$100,000 divided into 10,000,000 shares with a nominal value of HK$0.01 each. Since the Company had not been legally incorporated as at 31 December 2011, 2012 and 2013, there was no share capital presented as at 31 December 2011, 2012 and 2013.

(ii) Upon the incorporation of the Company, 1,000,000 ordinary shares of a nominal value of HK$0.01 each were issued and allotted for cash totalling HK$10,000 (equivalent to approximately RMB8,000).

19. CAPITAL SURPLUS – GROUP AND COMPANY

Group

(i) During the year ended 31 December 2012, the Group acquired the following interests with an aggregate cash consideration of RMB19,345,000:

– 100% interest in Austar Hansen from its then parent company; and

– 90% and 10% interest in Austar CE from its then parent company and a related party, respectively.

The sellers were controlled by the Controlling Shareholder therefore the acquisitions are accounted for as transactions all under common control and the cash consideration paid is recorded as distribution in capital surplus.

(ii) On 30 April 2014, AIHL, the Group's then parent company, partially waived the outstanding balance of the loan to the Group of HK$58.6 million (equivalent to RMB46.6 million) (Note 32(b)(ix)). The amount is therefore recognised as transaction with owners in equity.

Company

The capital surplus of the Company represented the difference between the consideration of US$100 acquiring the entire interest in Austar BVI and the carrying value of Austar BVI's net assets upon completion of the Reorganisation.

20. SHORT-TERM BORROWINGS

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings, secured	24,000	24,000	20,000	35,000

As at 31 December 2011, 2012, 2013 and 30 June 2014, short-term bank borrowings were denominated in RMB and secured by the Group's buildings (Note 6) and land use rights (Note 7), bearing interest at 5.56% to 7.22%, 6.30% to 7.22%, 6.30% and 6.30% per annum, respectively.

The Group has the following undrawn borrowing facilities:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expiring within one year	–	11,000	15,000	–

21. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	41,112	64,198	121,722	113,370
Advances from customers	40,814	54,013	54,240	36,861
Payroll and welfare payable	7,746	19,385	37,903	30,334
Taxes other than income taxes payable	25,261	30,944	48,911	4,909
Warranty provision	3,964	4,746	8,562	7,131
Amount due to the then parent company *(Note 32(c)(ii))*	52,506	71,115	84,395	3,997
Consideration for purchase of a joint venture *(Note 32(c)(ii))*	–	1,708	–	–
Others	11,995	10,231	14,174	19,953
	183,398	256,340	369,907	216,555

(a) The aging analysis of trade payables is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	39,052	61,189	118,010	93,745
6 months to 1 year	863	1,189	2,704	16,751
1 to 2 years	644	1,335	342	2,053
2 to 3 years	236	270	316	218
Over 3 years	317	215	350	603
	41,112	64,198	121,722	113,370

(b) As at 31 December 2011, 2012, 2013 and 30 June 2014, the carrying amounts of trade and other payables approximated their fair values due to short maturity.

(c) The carrying amounts of the Group's trade and other payables (excluding advances from customers) are denominated in the following currencies:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	79,255	122,875	228,157	163,358
HK$	3,676	3,703	2,561	11,792
US$	54,357	71,487	84,395	3,374
EUR	5,288	3,821	554	1,128
Others	8	441	–	42
	142,584	202,327	315,667	179,694

22. EXPENSE BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Raw materials	182,603	218,498	387,167	200,347	152,867
Staff costs, including directors' emoluments *(Note 25)*	42,307	74,903	119,701	54,802	57,998
Depreciation *(Note 6)*	3,267	4,100	5,715	2,541	3,952
Amortisation *(Note 7, 8)*	262	347	391	185	271
Sales tax and surcharges	3,622	4,296	7,506	4,904	3,504
Office expenses	3,894	2,946	3,460	1,877	2,457
Travel expenses	12,781	15,847	28,678	13,086	14,201
Freight and port charges	4,056	6,545	8,970	5,480	4,472
Promotion expenses	2,275	2,357	2,831	1,448	2,696
Warranty provision	3,268	2,374	9,314	2,916	2,184
Provision/(Reversal) of impairment on receivables	766	10,605	4,145	2,202	(234)
Impairment of inventories	541	423	118	10	389
Auditor's remuneration	450	545	650	325	236
Professional fees	503	700	6,624	1,713	8,456
Rental expenses	2,358	2,782	6,069	2,862	3,260
On-site subcontract cost	196	46	4,302	1,425	6,523
Other operating expenses	26,333	25,209	38,396	12,096	16,987
	289,482	372,523	634,037	308,219	280,219

23. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government subsidies	266	412	1,114	116	433
Others	39	6	16	–	157
	305	418	1,130	116	590

24. OTHER GAINS/(LOSSES)

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss on disposal of property, plant and equipment	(1)	(31)	(105)	(71)	(13)
Exchange gains/(losses)	446	(166)	(26)	220	(316)
Dividends from available-for-sale financial assets	–	–	443	99	94
Others	5	34	(358)	(23)	(387)
	450	(163)	(46)	225	(622)

25. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and bonuses	38,410	63,877	101,513	45,213	44,604
Pension and social obligations	3,664	10,867	17,906	9,470	13,277
Other welfare	233	159	282	119	117
	42,307	74,903	119,701	54,802	57,998

(a) Directors' emoluments

Directors' emoluments for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 are set out as follows:

	Fees	Salaries and allowances	Discretionary bonuses	Other benefits including pension	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011					
Executive Directors					
Ho Kwok Keung	–	–	–	–	–
Ho Kin Hung	–	100	–	–	100
Chen Yuewu	–	336	183	38	557
Zhou Ning	–	–	–	–	–
Non-Executive Directors					
Enzo Barazetti	–	45	–	–	45
Ji Lingling	–	–	–	–	–
Year ended 31 December 2012					
Executive Directors					
Ho Kwok Keung	–	–	–	–	–
Ho Kin Hung	–	974	132	–	1,106
Chen Yuewu	–	403	604	41	1,048
Zhou Ning	–	–	–	–	–
Non-Executive Directors					
Enzo Barazetti	–	122	–	–	122
Ji Lingling	–	–	–	–	–
Year ended 31 December 2013					
Executive Directors					
Ho Kwok Keung	–	899	–	–	899
Ho Kin Hung	–	1,289	797	–	2,086
Chen Yuewu	–	600	620	48	1,268
Zhou Ning	–	–	–	–	–
Non-Executive Directors					
Enzo Barazetti	–	498	–	46	544
Ji Lingling	–	–	–	–	–
Six months ended 30 June 2014					
Executive Directors					
Ho Kwok Keung	–	621	333	137	1,091
Ho Kin Hung	–	690	243	6	939
Chen Yuewu	–	389	360	28	777
Zhou Ning	–	113	134	21	268
Non-Executive Directors					
Enzo Barazetti	–	293	–	21	314
Ji Lingling	–	–	–	–	–

	Fees	Salaries and allowances	Discretionary bonuses	Other benefits including pension	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
Six months ended 30 June 2013					
Executive Directors					
Ho Kwok Keung	–	360	–	–	360
Ho Kin Hung	–	613	38	–	651
Chen Yuewu	–	363	375	24	762
Zhou Ning	–	–	–	–	–
Non-Executive Directors					
Enzo Barazetti	–	81	–	21	102
Ji Lingling	–	–	–	–	–

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from other companies they are employed to. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the other companies.

During the Relevant Periods, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

For years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014, the five individuals whose emoluments were the highest in the Group were as follows:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
Directors	1	2	2	2	3
Non-director individuals	4	3	3	3	2
	5	5	5	5	5

The Directors' emoluments were reflected in the analysis presented above. The emoluments payable to the remaining individuals were as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Basic salaries and allowances	1,429	1,848	2,629	1,306	1,155
Discretionary bonuses	321	1,262	1,835	648	484
Other benefits including pension	181	200	233	114	90
	1,931	3,310	4,697	2,068	1,729

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
Emolument bands					
RMB1,000,000 and below	4	1	1	3	2
RMB1,000,001~RMB1,500,000	–	2	–	–	–
RMB1,500,001~RMB2,000,000	–	–	2	–	–
	4	3	3	3	2

26. FINANCE (EXPENSES)/INCOME, NET

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expenses	(856)	(1,689)	(1,348)	(689)	(758)
Exchange (losses)/gains	(1)	(4)	50	(127)	305
Finance expenses	(857)	(1,693)	(1,298)	(816)	(453)
Interest income	173	392	1,256	474	756
	(684)	(1,301)	(42)	(342)	303

27. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax expense	(9,767)	(16,613)	(18,676)	(10,662)	(10,281)
Deferred income tax expense *(Note 12)*	(1,294)	836	(4,406)	(2,724)	(424)
	(11,061)	(15,777)	(23,082)	(13,386)	(10,705)

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of local income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of local income tax.

The tax rate of the Group's subsidiaries incorporated in Hong Kong is 16.5% for the relevant periods.

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. Being high and new technology enterprises certified by local Science and Technology Department and local finance and taxation administration, Shanghai Austar and Austar Hansen have been granted a preferential rate of 15% since 2013, which are required to be filed and approved by the local taxation bureau annually. As confirmed by the relevant tax authority, Austar SJZ, which is also a certified high and new technology enterprise, is entitled to the preferential income tax rate of 15% for income tax filing for the year ending 31 December 2014.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	38,398	51,286	76,653	48,999	43,454
Tax expense calculated at applicable statutory tax rate	(9,077)	(12,044)	(16,622)	(9,492)	(7,061)
Impact of change in tax rate on deferred tax	–	–	(2,504)	(1,252)	(372)
Impact of loss that not recognise deferred income tax	–	–	(706)	(248)	(170)
Expenses not deductible for taxation purposes	(451)	(307)	(311)	(204)	(190)
Withholding tax	(1,533)	(3,273)	(5,261)	(3,481)	(3,676)
Additional deduction of research and development expenses	–	501	1,934	903	764
Others	–	(654)	388	388	–
Income tax expense	(11,061)	(15,777)	(23,082)	(13,386)	(10,705)

28. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	27,258	35,476	53,571	35,613	32,750
Weighted average number of ordinary shares in issue (Thousands)	1,000	1,000	1,000	1,000	1,000
Basic earnings per share* (RMB)	27.3	35.5	53.6	35.6	32.8

* The earnings per share as presented above is calculated using the weighted average number of ordinary shares of 1,000,000 shares for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014. It has not taken into account the proposed capitalisation issue as described in Note 33(b) because the proposed capitalisation issue has not become effective as at the date of this report.

(b) Diluted

No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares during the Relevant Periods.

29. DIVIDENDS

No dividend has been paid or declared by the companies now comprising the Group during each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014.

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of profit before income tax to net cash flow used in operations:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	38,398	51,286	76,653	48,999	43,454
Adjustments for:					
Depreciation	3,267	4,100	5,715	2,541	3,952
Amortisation	262	347	391	185	271
Losses on disposals on property, plant and equipment	1	31	105	71	13
Gains on available-for-sale financial assets	–	–	(443)	(99)	(94)
Provision/(Reversal) of impairment on receivables	766	10,605	4,145	2,202	(234)
Impairment provision for inventories	541	423	118	10	389
Share of profit of joint ventures	(2,631)	(4,102)	(4,495)	(3,149)	(2,579)
Finance expenses	683	1,297	92	215	2
Changes in working capital:					
Increase in restricted cash	(1,104)	(945)	(2,485)	(708)	(2,990)
Decrease/(Increase) in inventories	17,169	5,155	(25,660)	(23,649)	8,964
Decrease/(Increase) in trade and other receivables	13,144	(82,414)	(15,025)	(68,217)	(47,384)
(Decrease)/Increase in trade and other payables	(49,342)	53,657	99,685	55,764	(72,156)
Increase/(Decrease) in amounts due to customers for contract work	12,959	35,557	(3,031)	44,651	19,572
(Increase)/Decrease in amounts due from customers for contract work	(11,253)	5,116	(49,092)	(27,469)	(16,169)
Cash generated from/(used in) operations	22,860	80,113	86,673	31,347	(64,989)

31. COMMITMENTS

(a) Capital commitments

The Group did not have any material capital commitments as at 31 December 2011, 2012 and 2013 and 30 June 2014.

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,392	2,391	2,033	4,367
Between 1 to 5 years	2,491	3,200	1,433	4,911
	3,883	5,591	3,466	9,278

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) The following companies and persons are related parties of the Group during the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2013 and 2014:

Names of the related parties	**Nature of relationship**
AIHL	Parent of the Austar BVI before the Reorganisation
PALL-AUSTAR JV	Joint venture of the Group
PALL-Austar Packaging Technology (Beijing) Co., Ltd. ("PALL-AUSTAR WFOE")	Subsidiary of PALL-AUSTAR JV
Steris Austar Pharmaceutical Equipment (Shanghai) Co., Ltd. ("STERIS-AUSTAR WFOE")	Subsidiary of STERIS-AUSTAR JV
Angelantoni-Austar Ltd.	Joint venture of the Group, which was deregistered in 2012
Austar Ltd.	Under common control of the Controlling Shareholder
AIEL	Under common control of the Controlling Shareholder till 30 December 2013
AIL	Under common control of the Controlling Shareholder
Austar Management (BJ) Co., Ltd. ("AMBJ")	Under common control of the Controlling Shareholder
Austar PMC (BVI)	Under common control of the Controlling Shareholder
AustarPharma (Beijing) Ltd. ("AustarPharma Beijing")	Under significant influence of the Controlling Shareholder
Shanghai Austar Hengjie Cleanser Ltd. ("Austar Hengjie")	Under significant influence of the Controlling Shareholder, which was deregistered in 2012
Austar PMC (HK) Ltd. ("Austar PMC HK")	Under significant influence of the Controlling Shareholder till 31 December 2013
Brightwood PharmMed Consumable (Beijing) Ltd. ("Brightwood Beijing")	Under significant influence of the Controlling Shareholder till 31 December 2013

Names of the related parties	Nature of relationship
Senxing Pharmaceutical Consumable (Beijing) Ltd. ("Senxing Beijing")	Under significant influence of the Controlling Shareholder till 13 December 2013
Beijing Austar Hansen Packaging Technology Ltd. ("Beijing Hansen Packaging")	Under significant influence of the Controlling Shareholder till 13 December 2013
CEFOC-Austar Pharmaceutical Engineering (Shanghai) Co., Ltd. ("CEFOC-Austar")	Under significant influence of the Controlling Shareholder till 28 February 2014
Madam Gu Xun	Close family member of the Controlling Shareholder
SFH	Shareholder of the Company
HCV	Shareholder of the Company
TWG	Shareholder of the Company

(b) Significant transactions with related parties

During the Relevant Periods, the Group has the following significant transactions with related parties:

(i) Purchase of goods and services

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
PALL-AUSTAR WFOE	367	3,361	9,222	4,297	6,715
Beijing Hansen Packaging	527	–	–	–	–
Brightwood Beijing	–	–	21	21	–
STERIS-AUSTAR WFOE	18,024	19,670	38,882	26,813	7,714
AustarPharma Beijing	–	–	300	150	–
	18,918	23,031	48,425	31,281	14,429

(ii) Sales of goods and services

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
AIL	–	–	185	–	–
PALL-AUSTAR WFOE	23	149	1,636	171	731
AIEL	12,150	13,062	182	182	–
Beijing Hansen Packaging	635	138	282	92	–
Brightwood Beijing	816	248	1,945	31	–
Senxing Beijing	137	292	274	187	–
STERIS-AUSTAR WFOE	10,384	14,172	15,001	9,346	6,017
CEFOC-Austar	3,103	2,841	848	–	–
	27,248	30,902	20,353	10,009	6,748

(iii) Consulting fee expenses

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
AMBJ	2,110	–	–	–	–

(iv) Rental fee expenses

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Austar Ltd.	–	–	–	–	12
Madam Gu Xun	155	155	935	468	468
	155	155	935	468	480

(v) Rental fee and miscellaneous income

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
STERIS-AUSTAR WFOE	456	493	533	250	246

(vi) Loan provided to and interest income from a joint venture

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PALL-AUSTAR JV					
Loan	–	–	7,253	–	–
Interest income	–	–	–	–	214

This loan to PALL-AUSTAR JV is provided by its shareholder APPS, a subsidiary of the Group. This loan is unsecured and bearing interest rate at LIBOR plus an interest rate variable as prescribed in the loan agreement. For the year ended 31 December 2013 and six months ended 30 June 2014, the effective interest rate ranged from 5.47% to 5.58% per annum. The original maturity of this loan is 6 months and extended for further 6 months in March 2014. This loan has been further extended for 12 months in September 2014.

(vii) Purchase of a joint venture from a related party

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Purchase of PALL-AUSTAR JV from Austar PMC (BVI) *(Note 10)*	–	1,708	–	–	–

(viii) Expense payments on behalf

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Brightwood Beijing	–	–	220	121	–
AIHL	–	94	41	–	–
	–	94	261	121	–

(ix) Funds received from the then parent company

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
AIHL	–	22,156	17,556	6,009	–

Funds provided by AIHL, the parent company of the Group are unsecured, interest free and with no fixed repayment date. On 30 April 2014, AIHL partially waived the outstanding balance of its funds provided to the Group with an amount of HK$58.6 million (equivalent to RMB46.6 million) (Note 19(ii)). On 20 June 2014, the Group further repaid RMB34.7 million to AIHL, leaving a payable balance of approximately HK$5 million which was repaid on 24 July 2014.

(c) Balances with related parties

(i) Receivable due from related parties

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Angelantoni-Austar Ltd.	99	–	–	–
STERIS-AUSTAR WFOE	7,911	25,628	5,352	8,417
PALL-AUSTAR JV *(Note 32(b)(vi))*	–	–	7,253	7,673
AIEL	2,483	–	–	–
Brightwood Beijing	200	251	–	–
CEFOC-Austar	2,861	938	198	–
Beijing Hansen Packaging	347	301	–	–
Senxing Beijing	407	165	–	–
PALL-AUSTAR WFOE	20	25	–	93
Austar PMC (BVI)	1,588	–	–	–
Austar Hengjie	627	–	–	–
AustarPharma Beijing	–	150	–	–
SFH	N/A	N/A	–	6
HCV	N/A	N/A	–	–
TWG	N/A	N/A	–	1
Madam Gu Xun	–	–	–	702
	16,543	27,458	12,803	16,892

(ii) Payable due to related parties

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
STERIS-AUSTAR WFOE	172	895	4,922	248
Austar PMC (HK)	581	–	–	–
PALL-AUSTAR WFOE	421	382	869	2,682
Brightwood Beijing	–	736	–	–
Beijing Hansen Packaging	92	–	–	–
Austar Ltd.	4,585	4,496	–	–
AIHL *(Note 32(b)(ix))*	52,506	71,115	84,395	3,997
Austar PMC (BVI) *(Note 21)*	–	1,708	–	–
AIEL	3,452	349	–	–
CEFOC-Austar	416	–	–	–
Senxing Beijing	200	–	–	–
	62,425	79,681	90,186	6,927

(d) Key management compensation

	Year ended 31 December			As at 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and bonuses	1,536	4,008	7,329	3,209	4,657
Pension and others	193	165	237	120	282
	1,729	4,173	7,566	3,329	4,939

33. SUBSEQUENT EVENTS

(a) In July 2014, the Company declared dividend in the aggregate amount of approximately US$0.97 million to its shareholders.

(b) Pursuant to the written resolution passed by the shareholders of the Company on 21 October 2014, the Company will issue 374,000,000 shares as a result of the global offering to its shareholders (such shares being credited as fully paid at par by way of capitalisation of HK$3,740,000 out of the share premium account of the Company).

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2014 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2014.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following information does not form part of the accountant's report prepared by PricewaterhouseCoopers, Certified Public Accountants, the Reporting Accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the accountant's report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to owners of the Company as at 30 June 2014 as if the Global Offering had taken place on 30 June 2014 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2014 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as at 30 June 2014 as set out in the accountant's report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2014	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2014**	**Unaudited pro forma adjusted net tangible assets per Share**	**Unaudited pro forma adjusted net tangible assets per Share**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$2.29 per Share	205,021	206,760	411,781	0.82	1.03
Based on an Offer Price of HK$3.12 per Share	205,021	287,177	492,198	0.98	1.23

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2014 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2014 of RMB206,636,000 with adjustments for intangible assets of RMB1,615,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$2.29 and HK$3.12 per Share after deduction of the estimated underwriting fees and other related expenses payable by us subsequent to 30 June 2014 and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 500,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 30 June 2014 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any Share which may be issued or repurchased by the Company pursuant to the Issuing Mandate or the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2014. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for dividends of US$0.97 million (or approximately RMB6,062,500) declared by the Company subsequent to 30 June 2014. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible asset per Share would have been reduced to HK$1.01 and HK$1.21 based on the Offer Price of HK$2.29 per Share and HK$3.12 per Share respectively.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted in to Hong Kong dollars at the rate of RMB1.000 to HK$1.245.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS
TO THE DIRECTORS OF AUSTAR LIFESCIENCES LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Austar Lifesciences Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 28 October 2014, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in notes as set out on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2014 as if the proposed initial public offering had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the six months ended 30 June 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 October 2014

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 January 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 21 October 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in subparagraph (e) above) be called by notice of at least twenty-one (21) clear days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28 January 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND THE SUBSIDIARIES OF OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 9 January 2014. Our Company has established its principal place of business in Hong Kong at Workshop 6 on 1/F, New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 May 2014. Mr. Mars Ho and Mr. Chen Wai Chung Edmund are appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands and its constitution which comprises the memorandum of association of our Company and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

(a) Increase in share capital of our Company

The authorised share capital of our Company as at the date of incorporation, being 9 January 2014, was HK$100,000 divided into 10,000,000 Shares.

On 9 January 2014, the one subscriber Share was transferred to SFH, 889,999 new Shares were allotted and issued to SFH for cash at par, 10,000 new Shares were allotted and issued to HCV for cash at par and 100,000 new Shares were allotted and issued to TWG for cash at par. Upon completion of the aforementioned transfer and subscriptions, the issued share capital of our Company comprised of 1,000,000 Shares.

The authorised share capital of our Company was increased from HK$100,000 divided into 10,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each and the Capitalisation Issue was approved pursuant to the resolutions in writing of our Shareholders passed on 21 October 2014 referred to in paragraph 5 below and subject to the conditions contained therein.

Immediately following the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the authorised share capital of the Company will be HK$100,000,000 divided into 10,000,000,000 Shares, of which 500,000,000 Shares will be issued fully paid or credited as fully paid, and 9,500,000,000 Shares will remain unissued.

In the event that the Over-allotment Option is exercised in full, immediately following the completion of the Global Offering and the Capitalisation Issue, the authorised share capital of the Company will be HK$100,000,000 divided into 10,000,000,000 Shares, of which 518,750,000 Shares will be issued fully paid or credited as fully paid, and 9,481,250,000 Shares will remain unissued.

Save as disclosed in this paragraph and in paragraph 3 of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. Please refer to the section headed "History, Reorganisation and Group structure – Reorganisation" in this prospectus for further details.

4. Changes in share capital or registered capital of the subsidiaries of our Group

The subsidiaries of our Group are listed in the Accountant's Report set out in Appendix I to this prospectus.

The following changes in the share capital of our subsidiaries have taken place within two years immediately preceding the issue of this prospectus:

(a) On 31 October 2012, the registered capital of RMB1,258,000 of Austar Hansen which was converted from US$200,000 when Austar Hansen was converted from a foreign-owned enterprise to a domestic enterprise, was approved by the 上海市工商局浦東新區分局 (Shanghai Industry and Commerce Bureau, Pudong New Area Branch) to apply the correct exchange rate, being the average quoted rate of US$1 to RMB8.30 as at 8 March 2001, the date of the payment of the original registered capital of US$200,000, such that the correctly converted registered capital of Austar Hansen should be RMB1.66 million.

(b) On 30 November 2012, Austar PharmMed Consumable Limited transferred the 750,000 shares of PALL-AUSTAR JV held by it to APPS at a consideration of US$270,000.

(c) On 21 December 2012, increase in the registered capital of Austar SJZ from RMB10,060,000 to RMB20,060,000 was approved by 石家莊市工商局 (Shijiazhuang Industry and Commerce Bureau). The increased portion of the registered capital of Austar SJZ was paid up by 16 December 2012.

(d) On 28 March 2014, the establishment of APPS (SJZ) was approved by 石家莊市高新技術產業開發區管理委員會 (Shijiazhuang High-tech Industrial Development Zone Management Committee) with a registered capital of RMB50,000,000.

(e) On 10 April 2014, 2,500,000 shares of APPS were alloted and issued to Shanghai Austar at a consideration of HK$2,500,000 and the paid-up capital of APPS was increased from HK$3,500,000 to HK$6,000,000.

(f) On 16 June 2014, our Company subscribed for 100 shares of US$1.00 par value each in Austar BVI, representing 50% of the issued share capital of Austar BVI as enlarged by the subscription of such new shares, for cash at par, being part of the Reorganisation.

(g) On 17 June 2014, all necessary steps relating to the reduction of the registered capital of Shanghai Austar from US$14.68 million to US$11.49 million were completed.

(h) On 20 June 2014, Austar BVI repurchased and cancelled all the 100 shares of US$1.00 par value each in Austar BVI held by AIHL, representing the entire equity interest owned by AIHL in Austar BVI, at the consideration of US$100 which is based on the par value (and the original subscription price) of such shares, being part of the Reorganisation.

(i) On 23 July 2014, 6,271,200 shares of APPS were allotted and issued to Shanghai Austar at a consideration of HK$6,271,200 and the paid-up capital of APPS was increased from HK$6,000,000 to HK$12,271,200.

Save as disclosed in this paragraph, there have been no alterations in the share capital or registered capital of our subsidiaries within two years immediately preceding the issue of this prospectus.

5. Resolutions in writing of all our Shareholders passed on 21 October 2014

By resolutions in writing of all our Shareholders passed on 21 October 2014:

(a) our Company adopted the Articles;

(b) the authorised share capital of our Company was increased from HK$100,000 to HK$100,000,000 by the creation of 9,990,000,000 new Shares ranking pari passu in all respects with the then existing issued Shares;

(c) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions thereof) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;

(ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 374,000,000 Shares, credited as fully paid at par, to the holders of Shares whose names appear on the register of members of our Company at 4:00 p.m. on 24 October 2014 (or as they may direct) in proportion to their then existing respective shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalisation of the sum of HK$3,740,000 standing to the credit of the share premium account of our Company, and the Shares be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares;

(iii) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue; and (bb) the nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (iv) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(v) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (iv) above.

6. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Group of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid-up in the case of shares) by a company listed on the Main Board must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by our Shareholders on 21 October 2014, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Main Board or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on the Main Board for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the laws of the Cayman Islands, any repurchases by our Company may be made out of profits of our Company or out of the share premium account of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of profits or the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands. On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or any of the subsidiaries of our Group.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

7. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or any of the subsidiaries of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a deed of novation dated 25 April 2014 made between AIL, our Company, STERIS Mauritius Limited, Austar BVI and STERIS-AUSTAR JV in relation to the novation by AIL to the Company of all of AIL's rights and obligations under a shareholders' agreement entered into between STERIS Mauritius Limited, Austar BVI and AIL in July 2006 regarding the respective rights and obligations of the shareholders of STERIS-AUSTAR JV and the arrangements between them and STERIS-AUSTAR JV and amongst themselves with respect to the ownership, management and operations of STERIS-AUSTAR JV. No cash consideration was paid or received by our Company, Austar BVI and STERIS-AUSTAR JV in connection with the novation;

(b) a deed of waiver dated 30 April 2014 made between AIHL and Austar BVI in relation to the absolute waiver of an interest-free shareholder's loan in an aggregate principal amount of HK$58,623,538 owing by Austar BVI to AIHL. No cash consideration was paid or received by Austar BVI in connection with the waiver;

(c) a deed of indemnity dated 21 October 2014 executed by Mr. Mars Ho and SFH in favour of our Company for itself and as trustee for the subsidiaries of our Company stated therein containing the indemnities more particularly referred to in the paragraph headed "12. Estate duty, tax and other indemnity" in this Appendix;

(d) a deed of non-competition dated 21 October 2014 executed by Mr. Mars Ho, SFH, Mr. KH Ho and TWG in favour of our Company for itself and as trustee for the subsidiaries of our Company stated therein, details of which are set out in the section headed "Relationship with Controlling Shareholders" in this prospectus; and

(e) the Hong Kong Underwriting Agreement.

8. Intellectual property rights

(a) Trademarks

(i) Registered trademarks owned by the Group

As at the Latest Practicable Date, we had registered the following trademarks:

No.	Mark	Registered owner	Place of registration	Registration number	Class	Specification of the goods/services applied for	Duration of validity (day/month/year)
1.	AUSTAR	Shanghai Austar	PRC	3157748	7	Pharmaceutical processing industrial machinery; tablet pressing machines; pill machines; centrifuges for pharmaceutical processing agents (merchandise)	21/02/2014 to 20/02/2024
2.	AUSTAR	Shanghai Austar	PRC	3157747	11	Air purification devices and machines; distillation unit; steam generating equipment; disinfection equipment; water purification devices; water filters; water purification equipment and machinery; disinfection; sewage purification devices; ventilation equipment and devices (air conditioning) (merchandise)	21/08/2003 to 20/08/2023
3.	AUSTAR	Shanghai Austar	PRC	3157746	37	Installation and repair of medical equipment; installation and repair of sanitation facilities; disinfection; construction supervision; construction supervision of building; building information; construction progress checking (merchandise)	28/06/2014 to 27/06/2024
4.	奧星	Shanghai Austar	PRC	6548392	37	Installation and repair of refrigeration equipment; installation and repair of medical equipment; machinery installation, maintenance and repair; installation and repair of sanitation equipment	07/10/2010 to 06/10/2020

No.	Mark	Registered owner	Place of registration	Registration number	Class	Specification of the goods/services applied for	Duration of validity (day/month/year)
5.		Shanghai Austar	PRC	8662740	37	Installation and repair of refrigeration equipment; installation and repair of medical equipment; machinery installation, maintenance and repair; installation and repair of sanitation equipment	07/11/2011 to 06/11/2021
6.	AUSTAR	Shanghai Austar	PRC	8662741	37	Installation and repair of refrigeration equipment; installation and repair of medical equipment; machinery installation, maintenance and repair; installation and repair of sanitation equipment	07/11/2011 to 06/11/2021
7.		APPS	Hong Kong	200310442AA	5	Disinfectants for medical purposes, sanitisers and detergent for pharmaceutical purposes and biological preparations for medical purposes	13/05/2009 to 12/05/2019
8.		APPS	Hong Kong	200310442AA	10	Pharmaceutical and medical apparatus, instrument, machineries and equipment including intravenous solution flexible bags, ports, caps, stoppers, non-metallic flexible tube, film for intravenous solution; all for medical purposes	13/05/2009 to 12/05/2019
9.		APPS	Hong Kong	200310442AA	37	Maintenance and repair of machineries, building construction, management and supervision of building project	13/05/2009 to 12/05/2019

(ii) Assignment of trademarks

As at the Latest Practicable Date, the right, title and interest in (a) 15 trademarks registered in the PRC owned by AIL and (b) 1 trademark registered in the PRC owned by Austar Limited were assigned to us and applications for record of assignment to the relevant government trademark office/registry were in progress.

We do not rely on any such trademarks in our business operations.

(b) Patents

As at the Latest Practicable Date, we have 50 registered patents and 29 patent applications in process in the PRC. All of our registered patents are utility model patents which relate to technology used in our services and product offering. PALL-AUSTAR WFOE also owned 6 registered patents in relation to life science consumables.

Of the 29 patent applications in process in the PRC, 11 applications are related to invention patents as follows:

Title of patent	Place of Application	Application Number	Name of Applicant	Date of Application
Cleaning method for rubber stopper of vials	PRC	201310380307.4	Austar Hansen	27 August 2013
A descaling method for stainless steel in the pharmaceutical sector	PRC	201310380300.2	Austar Hansen	27 August 2013
A method for cleaning of molds of pharmaceutical tablets	PRC	201310380028.8	Austar Hansen	27 August 2013
One type of gloves ring which can achieve on-line replacement	PRC	201310645539.8	Austar SJZ	4 December 2013
A negative pressure isolator for laboratory animal-breeding	PRC	201310648380.5	Austar SJZ	4 December 2013
Information display system and its display method	PRC	201410235149.8	Austar SJZ	30 May 2014
Disposable sterile cell culture bags ancillary to cell culture system	PRC	201410244558.4	Austar SJZ	4 June 2014
Fluid system clean air isolating device	PRC	201410310258.1	Shanghai Austar	1 July 2014
Air-isolating sewage device	PRC	201410310326.4	Shanghai Austar	1 July 2014

Title of patent	Place of Application	Application Number	Name of Applicant	Date of Application
Virtual pharmaceutical water system and its method of operation, correction device and correction method	PRC	201410494873.2	Shanghai Austar	24 September 2014
Double-loop water injection system	PRC	201410494657.8	Shanghai Austar	24 September 2014

(c) Copyrights

As at the Latest Practicable Date, we have registered a total of 5 software copyrights and a total of 20 copyrights of our publications in respect of our manufacturing processes.

(d) Domain names

As at the Latest Practicable Date, we, together with our joint ventures, have registered a total of 35 domain names, of which 27 domain names were registered by our Group members and 8 domain names were registered by our joint ventures.

Our Company's website at **www.austar.com.hk** is registered under the name of APPS.

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

9. Directors

(a) Disclosure of interests of Directors

(i) Mr. Mars Ho and Mr. KH Ho were interested in the Reorganisation in their capacity as shareholders of SFH and TWG respectively. Mr. Mars Ho was also interested in the Reorganisation in his capacity as the spouse of Madam Gu, who was a party to the Reorganisation. For details of the Reorganisation, please refer to the section headed "History, Reorganisation and Group structure – Reorganisation" in this prospectus.

(ii) Save as disclosed in this prospectus, none of our Directors or their respective associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service agreements

(i) Executive Directors

Each of our executive Directors, in addition to his/her existing employment contract entered into with a subsidiary of our Company in relation to his/her employment in our Group, has entered into a letter of appointment with our Company pursuant to which he/she agreed to act as executive Director for a fixed term of two years with effect from 20 June 2014.

Pursuant to the respective letters of appointment, each of these Directors is not entitled to any additional remuneration as an executive Director in addition to his/her current remuneration or salary payable by his/her existing employment contract with our Group. The current annual salaries of the executive Directors under their existing employment contracts (excluding any discretionary bonuses and performance-related payments) with our Group are as follows:

Name	**Annual salary** *(RMB)*
Mr. Mars Ho	2,500,000
Madam Zhou Ning	504,000
Mr. KH Ho	1,375,874
Mr. Chen Yuewu	780,000

(ii) Non-executive Directors

Each of our non-executive Director has been appointed for a fixed term of one year commencing from 20 June 2014. Mr. Enzo Barazetti is entitled to an annual director's fee of Euro 30,000 while Madam Ji Lingling is not entitled to any remuneration under her letter of appointment. Save for director's fees, none of our non-executive Directors is expected to receive any other remuneration for holding their office as an non-executive Director.

(iii) Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for a fixed term of one year commencing from 21 October 2014. Each of Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Raco Ivan Jordanov (alias Racho Jordanov) is entitled to an annual director's fee of HK$120,000, HK$120,000 and HK$120,000 respectively. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with our Company or any of the subsidiaries of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

(i) The aggregate emoluments paid by our Group to our Directors in respect of the year ended 31 December 2013 were approximately RMB4.8 million.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding the discretionary bonus) payable by our Group to our Directors (including the independent non-executive Directors (in their respective capacity as directors)) for the year ending 31 December 2014, are expected to be approximately RMB5.39 million.

(iii) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2013 and the six months ended 30 June 2014.

(d) Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and associated corporations following the Global Offering and the Capitalisation Issue

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of our Directors in the shares, underlying shares or debentures of our Company and associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Long positions

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities	Approximate percentage of interest
Mr. Mars Ho	Our Company	Interest of controlled corporation and interest of spouse	337,500,000 Shares *(Note 1)*	67.50%
Mr. Mars Ho	SFH	Beneficial owner	1 share of US$1.00	100%
Mr. KH Ho	Our Company	Interest of controlled corporation	37,500,000 Shares *(Note 2)*	7.50%

Notes:

1. Of these Shares, (i) 333,750,000 Shares are registered in the name of SFH, a company wholly owned by Mr. Mars Ho; and (ii) 3,750,000 Shares are registered in the name of HCV, a company wholly owned by Madam Gu, the spouse of Mr. Mars Ho. By virtue of the provisions of Part XV of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares held by SFH and all the Shares in which Madam Gu is interested or deemed to be interested. Mr. Mars Ho is a director of SFH, whose interests in our Company are set out in the paragraph headed "10. Interest discloseable under the SFO and substantial shareholders" in this Appendix.

2. These Shares are registered in the name of TWG, a company wholly owned by Mr. KH Ho. By virtue of the provisions of Part XV of the SFO, Mr. KH Ho is deemed to be interested in all the Shares held by TWG. Mr. KH Ho is a director of TWG, whose interests in our Company are set out in the paragraph headed "10. Interest discloseable under the SFO and substantial shareholders" in this Appendix.

10. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and associated corporations following the Global Offering and the Capitalisation Issue" above, the persons who will have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group will be as follows:

Long positions

Name of Person	Name of Group member	Capacity/nature of Interest	Number and class of securities	Approximate percentage of interest
SFH	Our Company	Beneficial owner	333,750,000 Shares *(Note 1)*	66.75%
Madam Gu	Our Company	Interest of controlled corporation and interest of spouse	337,500,000 Shares *(Note 2)*	67.50%
TWG	Our Company	Beneficial owner	37,500,000 Shares *(Note 3)*	7.50%
Madam Cheung Chau Ping	Our Company	Interest of spouse	37,500,000 Shares *(Note 3)*	7.50%
Pall Life Sciences Belgium BVBA	PALL–AUSTAR JV	Beneficial owner	500,000 ordinary shares	40%

Notes:

1. SFH is wholly-owned by Mr. Mars Ho.

2. Of these Shares, (i) 3,750,000 Shares are registered in the name of HCV, a company wholly owned by Madam Gu; and (ii) 333,750,000 Shares are registered in the name of SFH, a company wholly owned by Mr. Mars Ho, the spouse of Madam Gu. By virtue of the provisions of Part XV of the SFO, Madam Gu is deemed to be interested in all the Shares held by HCV and all the Shares in which Mr. Mars Ho is interested or deemed to be interested.

3. These Shares are registered in the name of TWG, a company wholly owned by Mr. KH Ho. Madam Cheung Chau Ping is the spouse of Mr. KH Ho. By virtue of the provisions of Part XV of the SFO, Madam Cheung Chau Ping is deemed to be interested in all the Shares in which Mr. KH Ho is interested or deemed to be interested.

11. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be taken up under the Global Offering or upon the exercise of the Over-allotment Option), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph headed "18. Qualifications of experts" in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in the paragraph headed "18. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "18. Qualifications of experts" in this Appendix:

    (i) is interested legally or beneficially in any securities of any member of our Group; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. OTHER INFORMATION

12. Estate duty, tax and other indemnity

Mr. Mars Ho and SFH (collectively the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being the material contract referred to in paragraph 7(c) of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the date on which the Global Offering becomes unconditional. The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands, the BVI and the PRC.

Under the deed of indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to taxation (which includes estate duty) in whatever part of the world which might be payable by any member of our Group in respect of among other matters any income, profits or gains earned, accrued or received or property received as a result of a transfer by any person on or before the date on which the Global Offering becomes unconditional.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any of its subsidiaries up to 30 June 2014; or

(b) to the taxation falling on any member of our Group in respect of their accounting periods commencing on or after 1 July 2014 unless liability for such taxation would not have arisen but for some acts or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other acts, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:

  (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 30 June 2014; or

  (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2014 or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority coming into force after the date on which the Global Offering becomes unconditional or to the extent such taxation claim arises or is increased by an increase in rates of taxation after such date of the deed of indemnity with retrospective effect; or

(d) to the extent of any provisions or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2014 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also given indemnities to our Group, on a joint and several basis, our Group against any penalty, administrative or other charges, levies, fines or payments which may be imposed on any Group Company, or any cost, expense, damages, loss which such Group Company has suffered or may suffer in connection therewith, as a result of:

(a) the failure of STERIS-AUSTAR WFOE to go through the necessary formalities of and obtain the necessary approval for environmental protection acceptance for its production plant, as more particularly set out in the table relating to the non-compliance incidents headed "As regards environmental protection under applicable PRC laws" under the section headed "Business – Legal proceedings – Non-compliance incidents" in this prospectus; and

(b) the failure of our Group to observe relevant laws, regulations or rules concerning social insurance funds contribution and the housing provident funds contribution or any other laws and regulations in connection with employee welfare and benefits in the PRC, as more particularly set out in the table relating to the non-compliance incidents headed "As regards staff welfare" under the section headed "Business – Legal proceedings – Non-compliance incidents" in this prospectus,

provided that such indemnities shall not cover any amounts to the extent that provision has been made for such amounts in the audited accounts of our Company or any of its subsidiaries up to 30 June 2014.

13. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition of our Company.

14. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US$11,490 (equivalent to approximately RMB71,813) and are payable by our Company.

15. Promoters

(a) Our Company has no promoter for the purpose of the Listing Rules.

(b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

16. Agency fees or commissions received

The Hong Kong Underwriters will receive a commission the particulars of which are set out in the section headed "Underwriting" in this prospectus. The Underwriters will pay any sub-underwriting commissions and selling concessions out of their commission. The Sole Sponsor will also receive a documentation fee. Such commissions, selling concessions, documentation fees and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$48.9 million (based on the mid-point of the indicative offer Price range of HK$2.705 per Offer Share), will be borne by our Company.

17. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a total fee of HK$6 million to act as the sponsor to the Company in connection with the Listing.

18. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Haitong International Capital Limited	Licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Jia Yuan Law Offices	Licensed legal adviser on PRC laws
DLA Piper Hong Kong	DLA Piper is a global law firm. DLA Piper Hong Kong advised on the applicability of sanctions administered by OFAC, under the laws of other countries and under international law, including US, UN, Australia and EU, on our Group's sales of products to customers in certain countries during the Track Record Period
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. ("Frost & Sullivan")	Industry consultant

19. Consents of experts

Each of the Sole Sponsor, PricewaterhouseCoopers, Conyers Dill & Pearman (Cayman) Limited, Jia Yuan Law Offices, DLA Piper Hong Kong and Frost & Sullivan has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or opinion (as the case may be) and the references to its name or summaries of opinions included herein in the form and context in which they respectively appear.

None of the experts named in the paragraph headed "18. Qualifications of experts" in this Appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group save that the Sole Sponsor, whose associate is one of the Underwriters and may be required to perform its underwriting obligation in respect of the Offer Shares.

20. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

21. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch share register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

22. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2014 (being the date to which the latest audited consolidated financial statements of our Group were made up) up to the date of this prospectus.

23. Miscellaneous

Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of the subsidiaries of our Group has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries of our Group; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of the subsidiaries of our Group.

(ii) no share or loan capital of our Company or any of the subsidiaries of our Group is under option or is agreed conditionally or unconditionally to be put under option.

24. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) written consents referred to in the paragraph headed "19. Consents of experts" in Appendix IV to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "7. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Leung & Lau at Units 7208-10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the memorandum of association of our Company and the Articles;

(b) the accountant's report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman company law referred to in Appendix III to this prospectus;

(e) the material contracts referred to in the paragraph headed "7. Summary of material contracts" in Appendix IV to this prospectus;

(f) the written consents referred to in the paragraph headed "19. Consents of experts" in Appendix IV to this prospectus;

(g) the legal opinion prepared by Jia Yuan Law Offices in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(h) the legal opinion prepared by DLA Piper Hong Kong in respect of International Sanctions laws;

(i) the letters of appointment referred to in the paragraph headed "9(b) Particulars of Directors' service agreements" in Appendix IV to this prospectus; and

(j) the Companies Law.

AUSTAR

奧星生命科技有限公司

Austar Lifesciences Limited