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CORPORATE INFORMATION

PLACE OF LISTING
The Stock Exchange of Hong Kong Limited

STOCK CODE
6118

EXECUTIVE DIRECTORS
Mr. Ho Kwok Keung, Mars
(Chairman & Chief Executive Officer)
Mr. Ho Kin Hung
Mr. Chen Yuewu
Madam Zhou Ning

NON-EXECUTIVE DIRECTOR
Madam Ji Lingling

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Cheung Lap Kei
Madam Chiu Hoi Shan
Mr. Raco Ivan Jordanov
(alias Racho Jordanov)

AUDIT COMMITTEE
Mr. Cheung Lap Kei *(Chairman)*
Madam Chiu Hoi Shan
Madam Ji Lingling

REMUNERATION COMMITTEE
Madam Chiu Hoi Shan *(Chairlady)*
Mr. Cheung Lap Kei
Madam Zhou Ning

NOMINATION COMMITTEE
Mr. Ho Kwok Keung, Mars *(Chairman)*
Mr. Cheung Lap Kei
Madam Chiu Hoi Shan

CORPORATE GOVERNANCE COMMITTEE
Madam Zhou Ning *(Chairlady)*
Mr. Ho Kwok Keung, Mars
Madam Chiu Hoi Shan

RISK MANAGEMENT COMMITTEE
Madam Zhou Ning *(Chairlady)*
Mr. Chen Yuewu
Madam Ji Lingling

COMPANY SECRETARY
Madam Chan Pui Shan, Bessie

AUTHORISED REPRESENTATIVES
(For the purpose of the Listing Rules)
Madam Zhou Ning
Madam Chan Pui Shan, Bessie

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Certified Public Accountants
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FINANCIAL HIGHLIGHTS

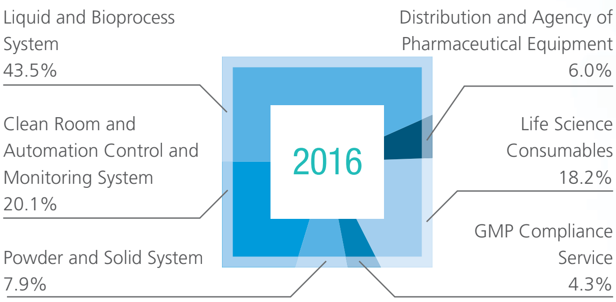
	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**289,837**	293,086
Gross profit	**73,572**	80,741
(Loss)/profit before income tax	**(12,898)**	13,384
(Loss)/profit attributable to the owners of the Company	**(12,126)**	10,145
Gross profit margin	**25.4%**	27.5%
Basic (loss)/earnings per share (RMB) (Note)	**(0.02)**	0.02
Diluted (loss)/earnings per share (RMB)	**(0.02)**	0.02

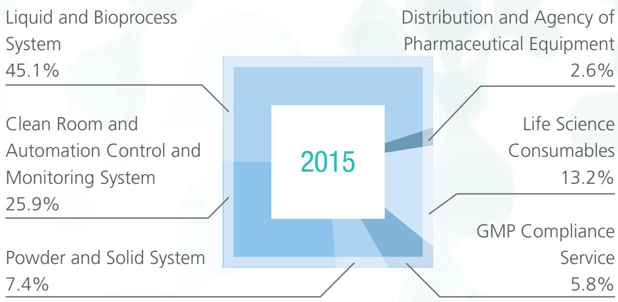
	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Total assets	**920,693**	960,985
Net assets	**543,203**	550,984
Gearing ratio	**3.7%**	6.4%

Note: The calculation of (loss)/earnings per share is based on the (loss)/profit attributable to the owners of the Company for each of the six months ended 30 June 2016 and 2015 and the weighted average number of shares in issue during that period.

REVENUE CONTRIBUTION BY BUSINESS SEGMENT

Revenue by business segment	For the six months ended 30 June			
	2016		2015	
	RMB'000 (unaudited)	**%**	RMB'000 (unaudited)	%
Liquid and Bioprocess System	**126,209**	**43.5%**	132,136	45.1%
Clean Room and Automation Control and Monitoring System	**58,334**	**20.1%**	75,972	25.9%
Powder and Solid System	**22,749**	**7.9%**	21,703	7.4%
GMP Compliance Service	**12,308**	**4.3%**	16,856	5.8%
Life Science Consumables	**52,745**	**18.2%**	38,698	13.2%
Distribution and Agency of Pharmaceutical Equipment	**17,492**	**6.0%**	7,721	2.6%
Total	**289,837**	**100.0%**	293,086	100.0%





MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the six months ended 30 June 2016 ("**Period under Review**"), the overall outlook for capital expenditure ("**CAPEX**") investment in the pharmaceutical industry has not been positive in general. With further announcements of some new policies by the China Food and Drug Administration ("**CFDA**"), pharmaceutical manufacturers see more challenges and uncertainties than opportunities in the short term ahead. On the one hand, tightening of regulatory policies will definitely hinder the determination or slow down the decisions of new CAPEX projects in the pharmaceutical industry. On the other hand, the demand of services, especially consultation and advisory services relating to quality management system, computer validation and good manufacturing practice (GMP), has been increasing due to tightening of policies and more stringent actions taken by the authorities against non-compliance of regulations. The more stringent the inspections are, the more serious pharmaceutical manufacturers would request compliance consultation and validation execution services, resulting in solutions providers offering more advanced integrated solutions to fulfill the increased compliance requirements.

The drug conformity policies initiated by the CFDA in 2015 continued to be the key topic under discussion in the pharmaceutical industry in China in the first half of 2016, which create challenges and opportunities for both generic pharmaceutical manufacturers and pharmaceutical service providers at the same time. As an integrated engineering solution provider, Austar Lifesciences Limited ("**Austar**" or "**Company**", together with its subsidiaries, the "**Group**") sees these policies as opportunities more than challenges in the mid-long term.

Strong investment is still on the biologics sector in the pharmaceutical industry in China. Conventional chemical drug manufacturers are observed to have slowed their investment in common generic drug facilities, yet for active pharmaceutical ingredients ("**API**") and chemical generic drugs, investment is still strong for improvement on the containment and new technologies for formulating generic drugs.

Health and nutri-pharmaceuticals product manufacturers seem to have strong growth in the view of enhanced public awareness on healthcare, which was reflected in the enquiries received from customers and projects secured by the Group during the Period under Review.

The higher and updated ISO 13485:2016 standard for the medical device industry was announced in 2016, which requires a quality management system such that an organisation needs to demonstrate its ability to provide medical devices and related services that consistently meet customer and applicable regulatory requirements. As such, medical device manufacturers are expected to be more risk-management focused with GMP concepts. Providing consultancy to comply with this new standard would be an opportunity to Austar's compliance services.

BUSINESS REVIEW

The Group is a leading integrated engineering solutions provider targeting reputable pharmaceutical manufacturers and research institutes in the People's Republic of China ("**PRC**") and the emerging countries.

The Group designs, sources and sets up production facilities, builds clean rooms and implements automation and monitoring systems for major pharmaceutical manufacturers in the PRC. From research and development, pilot production, product launching to commercial production, the Group's solutions and services cover the whole lifecycle of pharmaceutical products, and play an essential and critical role in the pharmaceutical production process. Together with its joint ventures, the Group also engages in the manufacturing, sale and distribution of various high-end pharmaceutical equipment and life science consumables.

The Group further continues to explore and develop new products and services following policies and regulations recently issued by the CFDA with the aim of maintaining its leading position on regulatory interpretation and technical innovation.

The Group is still in the industry technology-leading position providing the most comprehensive turnkey solutions to pharmaceutical manufacturers.

The Group's business can be categorised into six 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. The Group's ability to provide comprehensive services and products across these business segments enables the Group to provide one-stop solutions to its customers in different stages of the lifecycle of pharmaceutical products, and therefore, allows the Group to serve international and premium pharmaceutical brands.

ORDER-IN-TAKE

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

	For the six months ended 30 June				
	2016		2015		Change
Order-in-take by business segment	RMB'000	%	RMB'000	%	%
Liquid and Bioprocess System	**150,619**	**42.6%**	209,799	50.7%	(28.2%)
Clean Room and Automation Control and Monitoring System	**85,821**	**24.3%**	75,586	18.3%	13.5%
Powder and Solid System	**28,157**	**7.9%**	38,353	9.3%	(26.6%)
GMP Compliance Service	**22,512**	**6.4%**	21,695	5.2%	3.8%
Life Science Consumables	**58,901**	**16.7%**	58,425	14.1%	0.8%
Distribution and Agency of Pharmaceutical Equipment	**7,444**	**2.1%**	9,802	2.4%	(24.1%)
Total	**353,454**	**100.0%**	413,660	100.0%	(14.6%)

During the Period under Review, the total order-in-take amounted to approximately RMB353.5 million, representing a decrease of approximately 14.6% from approximately RMB413.7 million for the six months ended 30 June 2015, which was due to the decrease in order-in-take amount of the business segments of Liquid and Bioprocess System, Powder and Solid System and Distribution and Agency of Pharmaceutical Equipment but partially offset by the increase in order-in-take amount of the business segments of Clean Room and Automation Control and Monitoring System, GMP Compliance Service and Life Science Consumables.

Liquid and Bioprocess System

During the Period under Review, due to keen market competition in the business segment of Liquid and Bioprocess System, the Group has maintained a number of biopharmaceutical projects with reputable domestic pharmaceutical manufacturers in Beijing, Shanghai, and Jiangsu Province of the PRC, but has lost part of its market share with low margin profit. The order-in-take amount of the business segment of Liquid and Bioprocess System decreased by approximately RMB59.2 million or 28.2% from approximately RMB209.8 million for the six months ended 30 June 2015 to approximately RMB150.6 million for the Period under Review. The Group will endeavour to pursuit developments in the biopharmaceutical fields and strive for high-end market.

Clean Room and Automation Control and Monitoring System

During the Period under Review, the Group has successfully secured its market share and expanded its business on Clean Room and Automation Control and Monitoring System. The order-in-take amount of this business segment increased by approximately RMB10.2 million or 13.5% from approximately RMB75.6 million for the six months ended 30 June 2015 to approximately RMB85.8 million for the Period under Review.

Powder and Solid System

During the Period under Review, the Group also faced keen competition in the market of Powder and Solid System, which led to a decrease in the order-in-take amount of this business segment by approximately RMB10.2 million or 26.6% from approximately RMB38.4 million for the six months ended 30 June 2015 to approximately RMB28.2 million for the Period under Review.

GMP Compliance Service

During the Period under Review, in light of the market opportunities in the demand for more advanced consultation and advisory services to fulfill the increased compliance requirements of good manufacturing practice (GMP), the order-in-take amount of the business segment of GMP Compliance Service increased by approximately RMB0.8 million or 3.8% from approximately RMB21.7 million for the six months ended 30 June 2015 to approximately RMB22.5 million for the Period under Review.

Life Science Consumables

After the rapid increase in market demand in 2015, market demand for life science consumables was stable during the Period under Review. The order-in-take amount of the business segment of Life Science Consumables slightly increased by approximately RMB0.5 million or 0.8% from approximately RMB58.4 million for the six months ended 30 June 2015 to approximately RMB58.9 million for the Period under Review. The Group will continue to launch more diversified life science consumables with latest technology to its customers.

Distribution and Agency of Pharmaceutical Equipment

In 2016, the Group continued to focus on the business of integrated engineering solutions resulting in a decrease in the order-in-take amount of the business segment of Distribution and Agency of Pharmaceutical Equipment of approximately RMB2.4 million or 24.1% from approximately RMB9.8 million for the six months ended 30 June 2015 to approximately RMB7.4 million for the Period under Review.

BACKLOGS

Set out below is a breakdown of the Group's closing value of backlogs (VAT excluded) and the corresponding number of contracts by business segment as at 30 June 2016:

	As at 30 June 2016			
Backlogs by business segment	Number of Contracts	%	RMB'000	%
Liquid and Bioprocess System	182	23.1%	224,431	47.3%
Clean Room and Automation Control and Monitoring System	264	33.5%	130,603	27.5%
Powder and Solid System	104	13.2%	52,833	11.1%
GMP Compliance Service	84	10.6%	39,889	8.4%
Distribution and Agency of Pharmaceutical Equipment	155	19.6%	26,733	5.7%
Total	789	100.0%	474,489	100.0%

PRODUCTION AND ORGANISATION

The Group's manufacturing centre in Shijiazhuang, PRC, has been further strengthened with new management on board and the introduction of more new products such as clean room partitions and pressurised vessel containers at this centre. The new equipment installed in the Group's Shijiazhuang facility in early 2016 demonstrated further improvement on the quality of the Group's clean room system and its production capacities. Apart from the Group's pressure vessel manufacturing facility in Shanghai, PRC, this second pressure vessel manufacturing facility in Shijiazhuang can offer higher and back-up capacities to ascertain the Group's customers, especially its biologics customers, to obtain their process vessels with higher quality and shortest possible delivery time.

Significant organisational changes in the Group's human resources, supply chain management and other functional departments are expected in the coming quarters to improve in cost control and achieve further streamlining on efficiency and effectiveness.

The Group has established its Engineering Project Execution Centre in late 2015 by consolidating its then existing project management execution team, automation system team, validation execution team and powder and liquid system execution team, aiming at building up a strong harmonised team to cater for the Group's turnkey facility projects. Through training and on-site practices, in medium and long term, it is expected that such consolidation would allow the Group's staff to acquire more cross-functional skills, resulting in higher efficiency with better customer satisfaction.

RESEARCH AND DEVELOPMENT

The Group's stainless steel bioreactor and single-use bioprocess information platform system have been successfully launched at the China International Pharmaceutical Machinery Exposition ("**CIPM**") trade show in May 2016. The Group has successfully secured orders for its single-use bioprocess information platform system, which is under continuous development and improvement.

The Group's Bioprocess Technologies Team, a cross-business segment team established in 2015, in collaboration with the Group's joint venture PALL-AUSTAR Lifesciences Limited, has been contributing ideas and concepts to its single-use bioprocess system components and vessels.

Thanks to its Bioprocess Technologies Team, the Group was able to apply single-use disposable concept to a small-scale sterile chemical drug with sterility and containment requirements during the Period under Review. The Group believes this is the first application of the single-use liquid process, which has been conventionally applied in bioprocess, to chemical drug.

The Group collaborated with a university to establish a powder technology research centre with the objective of developing some innovative technologies to solve environment, health and safety (EHS) and cost-effectiveness issues in the pharmaceutical industry. It is expected that the initiative project of research and development in this research centre will receive support from the Hebei provincial government in the PRC.

Following the launch of the Group's 200 liter stainless steel bioreactor at the Convention on Pharmaceutical Ingredients (CPhI) and the 51th (2016 Spring) CIPM show, the second stainless steel bioreactor with more advanced technologies currently under research and development is expected to be launched at the 52nd (2016 Autumn) CIPM show.

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. The Group's services and products are mainly sold directly to its customers in the PRC. Overseas sales are conducted through a mixture of direct, agency and distribution sales models. The Group's sales administration has been further strengthened by its self-developed customer relationship management system. Streamlining and further recruitment of sales talents are undergoing as continuous improvement process in sales organisation competences.

Technical conferences of automation and information systems, and powder and solid system were held as some key successful activities during the Period under Review. Participation in key exhibitions in the industry in the PRC has become routine marketing activities of the Group. As to overseas exhibitions, one of the Group's initiatives in 2016 is to reduce its participation while encouraging the Group's overseas direct sales staff to travel and visit customers directly. Domestic sales staff are conducting more customer-site small scale seminars to promote new technologies, applications and systems of the Group.

PROSPECTS

Increase the market share in the PRC and the emerging countries

The basic tone of the pharmaceutical industry has not changed. It is believed that the nature of healthcare as a necessity and the related policies imposed by the PRC authorities are the fundamental elements for the Group's growth opportunities.

The Group's strength during the first half of 2016 was demonstrated by its more sophisticated sales and marketing tools and collaborative management systems. Thanks to its sales team, the order-in-take of the Group has not suffered from sharp decline during the Period under Review even under severe competition in times of the PRC economic slowdown, capital investment slowdown and market size shrinkage.

The Group's local service staff located in Indonesia, India and Jordan are expected to receive more enquiries from customers in these regions. The Group's newly established sales and service organisation reaching out in the Middle East is believed to contribute more order-in-take in the Arab region, especially for the turnkey projects and facility design service, in addition to historical success of the Group's clean room business in the same region.

The Group's compliance consultancy service has been experiencing strong growth after the first quarter in 2016, witnessing the higher compliance expectations by more frequent inspections conducted by international and domestic regulatory inspectors.

Improve our service and products offerings

Liquid and Bioprocess System

As the Group has anticipated more competition in the water systems a few years ago, in order to remain as a leader in this sector, the Group has been putting efforts in developing its bioprocess systems with more advanced automation design and offerings, and options of hybrid bioprocess system leveraged by its in-house single-use disposable knowledge. This has been proved to be a wise and successful strategic direction, as reflected by the number of enquires received from customers and projects secured by the Group.

The Group's bioprocess system and piping cleaning services, after integrating with other services, are expected to create considerable revenues in the future for this segment.

Clean Room and Automation and Monitoring System

Merging of innovative space sterilization technology Vaporized Hydrogen Peroxide (VHP) product line to this segment in 2015 has been successful as reflected by more enquiries received and projects concluded by the Group with customers requiring integration of automation building management system/environment monitoring system (BMS/EMS) and VHP. A cross-business segment heating ventilation and air conditioning (HVAC) technologies team has been established by the Group to cater for the demand of sophisticated integration solutions combining the sterilization VHP technologies, BMS/EMS automation, dehumidifying technologies, precise temperature and air-flow control technologies. The HVAC technologies team, with the strength of having the Group's automation knowledge, could contribute to its competitive edges against the competition.

Applications of advanced automation design and configuration to the API sector which generates better product safety and quality benefits, resulting in satisfactory data-integrity expectations from generic drug manufacturers, would be one of key growth elements for this segment in the coming quarters.

The Group's dominating knowledge in manufacturing execution system (MES) is expected to be further accumulated and reserved for the hidden demand in the coming years as it remains conceptual whether the current knowledge and experience of pharmaceutical manufacturers on information systems could reach the standard of "Industry 4.0". In any event the Group is ready to offer related technical solutions to pharmaceutical manufacturers.

Powder and Solid System

Microsphere technologies and jet-mill micronisation technologies commonly adopted in new drug formulations are still applied mainly in research and development stage in China today. The Group has gathered good knowledge and experience in supporting customers from research to production with equipment and process systems.

A new laboratory is expected to be completed in the second half of 2016 to assist the Group's customers in developing formulation process in oral solid dosage, which will eventually contribute to their plans to achieve for generic drug conformity to original brand drugs.

GMP Compliance Service

During the first half of 2016, there was growth in demand for the Group's services for computer validation, quality management system improvement and compliance consultation, in response to the tighter and more stringent inspections conducted by foreign and local pharmaceutical regulatory authorities.

A new business of the Group is the provision of consultation on quality management systems to a whole pharmaceutical group. The recently announced new ISO 13485:2016 standard for the medical device industry will definitely help the Group leveraging its existing knowledge possessed in the pharmaceutical sector to this new sector.

To strengthen research and development, product design and development capabilities

The Group has been seeking further cooperation with universities and research institutes and vendors or suppliers with more advanced technologies to improve its integration solutions.

A new laboratory for pharmaceutical soft capsule formulation development is currently under preparation and is expected to be completed in 2016.

A cross-business segment research and development platform was initiated by the Group in 2016 to support the R&D projects of all business units by sharing and leveraging internal resources of mechanical and automation design, pressure vessel manufacture, assembly and validation support and execution support.

To expand by strategic acquisition of business and/or companies

The Group targets to acquire world-class specific technology leading companies with a view to bring additional brand value and specific high-end technology value to the Group and to complete its product lines as well as to provide more comprehensive solutions to its customers throughout the PRC and the emerging countries.

In the first half of 2016, the Group has completed the acquisition of 33.33% interest in ROTA Verpackungstechnik GmbH & Co. KG and ROTA Verpackungstechnik Verwaltungsgesellschaft mbH (collectively, "**ROTA**") respectively. The Group's recently developed freeze-dryer equipment can be integrated with ROTA's vial filling line to offer to the market a complete system of vial liquid filling and freeze-dryer plus unloading and unloading unit with isolator.

Strategic acquisition of business and/or companies will continue to be the Group's direction in 2016 and coming years.

RESULTS OF OPERATIONS

Revenue

For the Period under Review, the Group's total revenue amounted to approximately RMB289.8 million, representing a slight decrease of approximately 1.1% over the corresponding period in 2015, primarily due to the decrease in revenue from the business segments of Clean Room and Automation Control and Monitoring System, Liquid and Bioprocess System and GMP Compliance Service which had partially offset the increase in revenue from the business segments of Life Science Consumables, Distribution and Agency of Pharmaceutical Equipment and Powder and Solid System.

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

The following table sets forth, for the six months ended 30 June 2016 and 2015, the breakdown of the Group's revenue by business segment:

Revenue by business segment	For the six months ended 30 June 2016 RMB'000 (Unaudited)	2016 %	2015 RMB'000 (Unaudited)	2015 %	Change %
Liquid and Bioprocess System	**126,209**	**43.5%**	132,136	45.1%	(4.5%)
Clean Room and Automation Control and Monitoring System	**58,334**	**20.1%**	75,972	25.9%	(23.2%)
Powder and Solid System	**22,749**	**7.9%**	21,703	7.4%	4.8%
GMP Compliance Service	**12,308**	**4.3%**	16,856	5.8%	(27.0%)
Life Science Consumables	**52,745**	**18.2%**	38,698	13.2%	36.3%
Distribution and Agency of Pharmaceutical Equipment	**17,492**	**6.0%**	7,721	2.6%	126.6%
Total	**289,837**	**100.0%**	293,086	100.0%	(1.1%)

Liquid and Bioprocess System

The Group's revenue from the business segment of Liquid and Bioprocess System decreased by approximately RMB5.9 million or 4.5% from approximately RMB132.1 million for the six months ended 30 June 2015 to approximately RMB126.2 million for the Period under Review. The decrease was mainly attributable to prolonged execution time for certain projects undertaken by the Group resulting in a decrease in revenue as compared with the corresponding period in 2015.

Clean Room and Automation Control and Monitoring System

The Group's revenue from the business segment of Clean Room and Automation Control and Monitoring System decreased by approximately RMB17.6 million or 23.2% from approximately RMB76.0 million for the six months ended 30 June 2015 to approximately RMB58.3 million for the Period under Review. The decrease was mainly due to the decrease in acceptance of clean room and monitoring system projects with lower profit margin during the Period under Review as compared to the corresponding period in 2015.

Powder and Solid System

The Group's revenue from the business segment of Powder and Solid System maintained at a stable level with a slight increase of approximately RMB1.0 million or 4.8% from approximately RMB21.7 million for the six months ended 30 June 2015 to approximately RMB22.7 million for the Period under Review. The increase was primarily resulted from the increase in the amount of order-in-take in the business segment of Powder and Solid System in 2015 being recognised as revenue during the Period under Review.

GMP Compliance Service

The Group's revenue from the business segment of GMP Compliance Service decreased by approximately RMB4.5 million or 27.0% from approximately RMB16.9 million for the six months ended 30 June 2015 to approximately RMB12.3 million for the Period under Review. The decrease was mainly attributable to decrease in the amount of backlog in the business segment of GMP Compliance Service at the year end of 2015 resulting in decrease in revenue recognised during the Period under Review.

Life Science Consumables

The Group's revenue from the business segment of Life Science Consumables increased rapidly by approximately RMB14.0 million or 36.3% from approximately RMB38.7 million for the six months ended 30 June 2015 to approximately RMB52.7 million for the Period under Review, which was primarily attributable to the increase in the Group's distribution of life science consumables. The increase was also driven by the launch of new pharmaceutical instruments which have a wider scope of use in research institutes.

Distribution and Agency of Pharmaceutical Equipment

The Group's revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment has enjoyed a sharp increase by approximately RMB9.8 million or 126.6% from approximately RMB7.7 million for the six months ended 30 June 2015 to approximately RMB17.5 million for the Period under Review, mainly attributable to high-end pharmaceutical equipment of large amount being distributed and revenue was realised during the Period under Review.

The following table sets forth the breakdown of the Group's revenue by geographical regions for the six months ended 30 June 2016 and 2015:

	For the six months ended 30 June				
	2016		2015		**Change**
Revenue by geographical regions	**RMB'000 (Unaudited)**	**%**	RMB'000 (Unaudited)	%	**%**
Mainland China	**254,956**	**88.0%**	276,168	94.2%	(7.7%)
Other locations	**34,881**	**12.0%**	16,918	5.8%	106.2%
Total	**289,837**	**100.0%**	293,086	100.0%	(1.1%)

The Group derived revenue mainly from the business operations in the Mainland China, which accounted for approximately 88.0% of the total revenue for the Period under Review (2015: 94.2%).

Cost of sales

The Group's cost of sales increased by approximately RMB3.9 million or 1.8% from approximately RMB212.3 million for the six months ended 30 June 2015 to approximately RMB216.3 million for the Period under Review. Such increase was mainly attributable to increase in on-site subcontracting fees.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB7.2 million or 8.9% from approximately RMB80.7 million for the six months ended 30 June 2015 to approximately RMB73.6 million for the Period under Review. The gross profit margin decreased from approximately 27.5% for the six months ended 30 June 2015 to approximately 25.4% for the Period under Review, which was resulted from the decrease in gross profit margin from the business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, GMP Compliance Service, Life Science Consumables and Distribution and Agency of Pharmaceutical Equipment.

The following table sets forth the breakdown of the Group's gross profit and gross profit margin by business segment for the six months ended 30 June 2016 and 2015:

	For the six months ended 30 June					
	2016			2015		
Gross profit and gross profit margin by business segment	**RMB'000 (Unaudited)**	**%**	**Gross profit margin %**	RMB'000 (Unaudited)	%	Gross profit margin %
Liquid and Bioprocess System	**17,795**	**24.2%**	**14.1%**	25,187	31.2%	19.1%
Clean Room and Automation Control and Monitoring System	**14,484**	**19.7%**	**24.8%**	19,138	23.7%	25.2%
Powder and Solid System	**8,643**	**11.7%**	**38.0%**	6,189	7.7%	28.5%
GMP Compliance Service	**5,874**	**8.0%**	**47.7%**	9,096	11.3%	54.0%
Life Science Consumables	**21,216**	**28.8%**	**40.2%**	17,549	21.7%	45.3%
Distribution and Agency of Pharmaceutical Equipment	**5,560**	**7.6%**	**31.8%**	3,582	4.4%	46.4%
Total	**73,572**	**100.0%**	**25.4 %**	80,741	100.0%	27.5%

Liquid and Bioprocess System

The Group's gross profit from the business segment of Liquid and Bioprocess System decreased by approximately RMB7.4 million or 29.3% from approximately RMB25.2 million for the six months ended 30 June 2015 to approximately RMB17.8 million for the Period under Review.

The gross profit margin from the business segment of Liquid and Bioprocess System decreased from approximately 19.1% for the six months ended 30 June 2015 to approximately 14.1% for the Period under Review, which was mainly resulted from (i) prolonged execution time for certain projects undertaken by the Group during the Period under Review resulting in an increase in budgeted costs as compared with the corresponding period in 2015 and (ii) certain projects undertaken during the Period under Review carried a relatively lower gross profit margin for the purpose of penetrating into the bioprocess market and retaining long term customers.

Clean Room and Automation Control and Monitoring System

The gross profit from the business segment of Clean Room and Automation Control and Monitoring System decreased by approximately RMB4.7 million or 24.3% from RMB19.1 million for the six months ended 30 June 2015 to approximately RMB14.5 million for the Period under Review. The gross profit margin from the business segment of Clean Room and Automation Control and Monitoring System decreased from approximately 25.2% for the six months ended 30 June 2015 to approximately 24.8% for the Period under Review, which was mainly attributable to certain projects undertaken by the Group during the Period under Review carried a relatively lower gross profit margin for the purpose of retaining long term customers.

Powder and Solid System

The Group's gross profit from the business segment of Powder and Solid System increased by approximately RMB2.5 million or 39.7% from approximately RMB6.2 million for the six months ended 30 June 2015 to approximately RMB8.6 million for the Period under Review. The gross profit margin from the business segment of Powder and Solid System increased from approximately 28.5% for the six months ended 30 June 2015 to approximately 38.0% for the Period under Review, which was mainly resulted from the maturity of the Group's technical and proficient management in cost control in this segment.

GMP Compliance Service

The Group's gross profit from the business segment of GMP Compliance Service decreased by approximately RMB3.2 million or 35.4% from approximately RMB9.1 million for the six months ended 30 June 2015 to approximately RMB5.9 million for the Period under Review. The gross profit margin from the business segment of GMP Compliance Service decreased from approximately 54.0% for the six months ended 30 June 2015 to approximately 47.7% for the Period under Review, which was mainly attributable to decrease in revenue recognised during the Period under Review due to decrease in acceptance of 2015 order-in-take in the business segment of GMP Compliance Service.

Life Science Consumables

The Group's gross profit from the business segment of Life Science Consumables increased by approximately RMB3.7 million or 20.9% from approximately RMB17.5 million for the six months ended 30 June 2015 to approximately RMB21.2 million for the Period under Review. The gross profit margin from the business segment of Life Science Consumables decreased from approximately 45.3% for the six months ended 30 June 2015 to approximately 40.2% for the Period under Review. Such result was mainly attributable to the increased sales of new pharmaceutical instruments which had a lower gross profit margin as compared to consumables.

Distribution and Agency of Pharmaceutical Equipment

The Group's gross profit from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB2.0 million or 55.2% from approximately RMB3.6 million for the six months ended 30 June 2015 to approximately RMB5.6 million for the Period under Review. The gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased from approximately 46.4% for the six months ended 30 June 2015 to approximately 31.8% for the Period under Review mainly due to the decrease in the amount of agency service provided for pharmaceutical equipment which had higher gross profit margin.

Other income

Other income increased by approximately RMB85,000 or 9.5% to approximately RMB978,000 for the Period under Review from approximately RMB893,000 for the six months ended 30 June 2015, mainly attributable to the increase in subsidies granted by local government authorities of the PRC recognised during the Period under Review.

Other (losses)/gains

Other (losses)/gains decreased by approximately RMB2.8 million to a loss of approximately RMB2.1 million for the Period under Review from a gain of approximately RMB698,000 for the six months ended 30 June 2015, mainly attributable to the transfer of the whole Shanghai clean room production facility to the Shijiazhuang production centre and disposal of some equipment with low economic value in relation to the transfer.

Selling and marketing expenses

Selling and marketing expenses increased by approximately RMB8.0 million or 24.9% to approximately RMB40.2 million for the Period under Review from approximately RMB32.2 million for the six months ended 30 June 2015. The increase was primarily due to the increase in staff costs and market promotion expenses.

Administrative expenses

Administrative expenses increased by approximately RMB5.8 million or 22.2% to approximately RMB31.8 million for the Period under Review from approximately RMB26.0 million for the six months ended 30 June 2015, primarily attributable to increase in provision for bad debts.

Research and development activities

As at 30 June 2016, the Group had 28 research and development personnel which accounted for approximately 3.4% of the Group's total number of employees. During the Period under Review, the Group cooperated with well-known academic institutions in order to upgrade the Group's technology level, and execute more research and development activities. The Group's research and development expenses increased by approximately RMB4.4 million or 36.0% from approximately RMB12.2 million for the six months ended 30 June 2015 to approximately RMB16.6 million for the Period under Review, mainly due to the Group's continuous efforts to enhance research and development activities.

Finance expenses – net

Finance expenses – net increased from approximately RMB780,000 for the six months ended 30 June 2015 to approximately RMB1.3 million for the Period under Review, mainly due to increase in bank interest income of approximately RMB656,000.

Share of post-tax profits of joint ventures and associates

The Group's share of profit of joint ventures and associates increased by approximately RMB1.3 million, from approximately RMB605,000 for the six months ended 30 June 2015 to approximately RMB1.9 million for the Period under Review, primarily due to new investment in an associate, ROTA and the increased profitability of the other two joint ventures.

(Loss)/profit before income tax

The Group's (loss)/profit before income tax decreased by approximately RMB26.3 million from a profit of approximately RMB13.4 million for the six months ended 30 June 2015 to a loss of approximately RMB12.9 million for the Period under Review, which was primarily due to the factors as described above in this section.

Income tax credit/(expense)

Income tax credit/(expense) decreased by approximately RMB4.0 million from an expense of approximately RMB3.2 million for the six months ended 30 June 2015 to a credit of approximately RMB0.8 million for the Period under Review mainly due to the reduction of income tax expense and the recognition of deferred income tax credit.

(Loss)/profit for the period

The Group's (loss)/profit for the period decreased by approximately RMB22.3 million from a profit of approximately RMB10.1 million for the six months ended 30 June 2015 to a loss of approximately RMB12.1 million for the Period under Review. The net profit margin decreased from approximately 3.5% for the six months ended 30 June 2015 to approximately negative 4.2% for the Period under Review, which was primarily attributable to the factors described above in this section.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(53,607)**	(29,014)
Net cash used in investing activities	**(25,350)**	(21,755)
Net cash used in financing activities	**(15,750)**	(21,102)
Net decrease in cash and cash equivalents	**(94,707)**	(71,871)

For the Period under Review, the Group had net cash used in operating activities of approximately RMB53.6 million mainly attributable to:

i. the increase in amount of inventories approximately RMB34.3 million mainly resulting from prolonged execution time for certain projects undertaken by the Group;

ii. the loss for the period with the amount of approximately RMB12.1 million; and

iii. the increase in prepayments and other receivables of approximately RMB7.5 million.

For the Period under Review, the Group had net cash used in investing activities of approximately RMB25.4 million, which was mainly attributable to investments in associates of approximately RMB15.9 million, purchase of property, plant and equipment of approximately RMB3.6 million and increase in term deposits with initial terms of over three months of approximately RMB6.6 million.

For the Period under Review, the Group had net cash used in financing activities of approximately RMB15.8 million mainly as a result of repayment of bank loan of RMB15.0 million.

Net current assets

The Group's net current assets as at 30 June 2016 had decreased by approximately RMB23.4 million from approximately RMB473.9 million as at 31 December 2015 to approximately RMB450.5 million as at 30 June 2016.

As at 30 June 2016, the Group's total current assets amounted to approximately RMB811.5 million, which was a decrease of approximately RMB55.6 million as compared with approximately RMB867.1 million as at 31 December 2015. The decrease was primarily due to:

i. the decrease in cash and cash equivalents of approximately RMB95.2 million; but was partially offset by

ii. the increase in inventories of approximately RMB34.3 million primarily resulting from prolonged execution time for certain projects undertaken by the Group.

As at 30 June 2016, the Group's total current liabilities amounted to approximately RMB361.1 million, which was a decrease of approximately RMB32.2 million as compared with approximately RMB393.3 million as at 31 December 2015. The decrease was primarily due to:

i. the decrease in amounts due to customers for contract work in the amount of approximately RMB13.9 million; and

ii. the decrease in amounts of short-term borrowing of RMB15.0 million.

Borrowings and gearing ratio

As at 30 June 2016, the total interest-bearing borrowings amounted to RMB20.0 million, which had decreased by RMB15.0 million from RMB35.0 million as at 31 December 2015, bearing interest rates of 5.03% per annum (2015: 5.66% per annum).

The Group's gearing ratio was approximately 3.7% as at 30 June 2016, as compared to approximately 6.4% as at 31 December 2015. The ratio is calculated based on the total debts as of the respective dates divided by total equity as of the respective dates and multiplied by 100%.

Pledged assets

As at 30 June 2016, save for pledged bank deposits of approximately RMB13.6 million, the Group had buildings and land use rights having a total carrying amount of approximately RMB8.9 million and approximately RMB5.9 million respectively (31 December 2015: approximately RMB9.3 million and approximately RMB6.0 million respectively) which are pledged as security for short-term bank borrowings with carrying value of approximately RMB20 million (31 December 2015: RMB20 million).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

Interim dividend

The board ("**Board**") of directors ("**Directors**") of the Company does not declare the payment of any interim dividend for the six months ended 30 June 2016 (2015: Nil).

CAPITAL STRUCTURE

As at 30 June 2016, the Group had shareholders' equity of approximately RMB543.2 million (31 December 2015: approximately RMB551.0 million).

HUMAN RESOURCES

As at 30 June 2016, the Group had 830 full-time employees for, inter alia, research and development, sales and marketing, administration, project management and execution and manufacturing, representing a decrease of approximately 1.2% as compared with 840 employees as at 31 December 2015. During the Period under Review, the employee costs (including Directors' remuneration) were approximately RMB63.4 million, which was a decrease of approximately 7.2% as compared with approximately RMB68.2 million for the six months ended 30 June 2015.

Employee costs of the Group decreased mainly due to decrease in number of employees for the purpose of cost control.

The Group will regularly review its remuneration policies and employee benefits with reference to market practices and performance of individual employees. The remuneration of the employees and the Directors are determined by reference to their respective responsibilities, professional qualification, industry experience and performance. The emolument policy of the Directors is decided by the remuneration committee of the Board.

CAPITAL COMMITMENTS

Capital expenditure of property, plant and equipment, land and intangible assets authorised by the Board which has not been contracted for as of 30 June 2016 amounted to RMB137,573,000 (31 December 2015: RMB141,435,000).

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to U.S. dollar and HK dollar. Foreign exchange risk arises from the sales of the Group's products and services to overseas customers who settle payments in foreign currencies and the foreign currencies held by the Group's subsidiaries and offices. The Directors do not consider the foreign exchange rate risks as material to the Group and therefore, did not carry out any financial instruments such as forward currency exchange contracts to hedge the risks.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING AND POSSIBLE CHANGE OF USE OF PROCEEDS

On 7 November 2014, the ordinary shares of the Company ("**Shares**") were first listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") following the completion of its initial public offering ("**IPO**"). As at 30 June 2016, out of the aggregated net proceeds from the IPO of approximately HK$411.8 million, (i) as to approximately RMB15.3 million (equivalent to approximately HK$18.7 million) had been utilised for general research and development; (ii) as to approximately RMB5.7 million (equivalent to approximately HK$6.9 million) had been utilised for sales and marketing; (iii) as to approximately RMB28.5 million (equivalent to approximately HK$36.0 million) had been applied for as general working capital of the Group; (iv) as to approximately RMB16.3 million (equivalent to approximately HK$20.4 million) had been applied for prepayment of premium in connection with acquisition of land use right as explained below; (v) as to approximately RMB15.9 million (equivalent to approximately HK$18.6 million) had been utilised for merger and acquisition; and (vi) the remaining of approximately RMB238.4 million (equivalent to approximately HK$311.2 million) has been deposited into the banks and has not yet been utilised. Subject to the Possible Change of Use of Proceeds (as defined below), such proceeds are intended to be applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of proceeds" in the prospectus of the Company dated 28 October 2014 ("**Prospectus**").

As at 30 June 2016, premium of approximately RMB16.3 million (including approximately RMB12.5 million paid in June 2015 and approximately RMB3.8 million paid in July 2015) ("**Premium**") had been prepaid to the Shijiazhuang Government in connection with the acquisition of the land use right of a piece of land in the Shijiazhuang High-New Technology Industry Development Zone ("**Zone**"). The Company was given to understand that the Premium advanced to the Shijiazhuang Government was for the purpose of facilitating the land expropriation process and increasing the lands available for tender in the Zone by the Shijiazhuang Government. Subject to the signing of any legally binding agreement between the Shijiazhuang Government and the Company, the Premium prepaid by the Company shall be applied as part payment of the consideration for the acquisition of the land use rights of a piece of land in the Zone.

In addition to the Premium paid, as at the date of this report, the Group has expended RMB10.5 million (equivalent to approximately HK$12.3 million) out of its internal resources in acquiring certain assets and equipment in preparation for the operation of the Group's Shijiazhuang R&D and Production Centre to be constructed. Notwithstanding the aforesaid, based on the information currently available to the Company, the timetable of the land being listed for tender and transferred by the Shijiazhuang Government is uncertain. Given the process of acquiring the land by the Group is slower than expected and the development plans of the Group's Shijiazhuang R&D and Production Centre on such land as set out in the section headed "Business" in the Prospectus have been lagging behind schedule, the Company is considering changing part of its net proceeds from the IPO originally allocated for establishment of the Shijiazhuang R&D and Production Centre to potential mergers and acquisitions ("**Possible Change of Use of Proceeds**") in order to better utilise the resources of the Group.

The Company would like to emphasise that, as at the date of this report, (i) the Possible Change of Use of Proceeds has not yet been confirmed and the exact amount of proceeds subject to change of use has not yet been decided; and (ii) no legally binding agreement in relation to any merger or acquisition has been entered into by the Group with any party. Further announcement(s) in relation to the Possible Change of Use of Proceeds, if materialised, will be made by the Company as and when appropriate in compliance with the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS'AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

Long position:

Name of Director	The Company/ Name of associated corporations	Capacity/ Nature of interest	Number and class of shares held/interested in the Company/ associated corporations	Approximate percentage of interest
Mr. Ho Kwok Keung, Mars ("**Mr. Mars Ho**")	The Company	Interest of a controlled corporation	335,929,000 Shares (Note 1)	65.54%
	The Company	Interest of spouse	3,750,000 Shares (Note 2)	0.73%
	Standard Fortune Holdings Limited ("**SFH**") (Note 3)	Beneficial owner	1 ordinary share of US$1	100%
Mr. Ho Kin Hung ("**Mr. KH Ho**")	The Company	Interest of a controlled corporation	38,100,000 Shares (Note 4)	7.43%

Notes:

(1) Such Shares were 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. Mr. Mars Ho is a director of SFH.

(2) Such Shares were registered in the name of Honour Choice Ventures Limited ("**HCV**"), a company wholly-owned by Madam Gu Xun ("**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 in which Madam Gu is interested or deemed to be interested.

(3) As at 30 June 2016, SFH was the holding company of the Company and thus an associated corporation of the Company.

(4) Such Shares were registered in the name of True Worth Global Limited ("**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.

Save as disclosed above, as at 30 June 2016, none of the Directors and/or chief executive of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period under Review was the Company or its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executives of the Company or their associates to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, to the best knowledge of the Directors and the senior management of the Company, the table below listed out the persons (other than the Directors or chief executives of the Company) who had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Division 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long position:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ Interested in	Approximate percentage of interest
Madam Gu	Interest of a controlled corporation	3,750,000 (Note 1)	0.73%
	Interest of spouse	335,929,000 (Note 2)	65.54%
SFH	Beneficial owner	335,929,000 (Note 3)	65.54%
Lei Wujun	Beneficial owner	50,872,000	9.92%
Madam Cheung Chau Ping ("**Madam Cheung**")	Interest of spouse	38,100,000 (Note 4)	7.43%
TWG	Beneficial owner	38,100,000	7.43%

Notes:

(1) Such Shares were registered in the name of HCV, a company wholly-owned by Madam Gu. By virtue of the provisions in Part XV of the SFO, Madam Gu is deemed to be interested in all the Shares in which HCV is interested or deemed to be interested.

(2) Such Shares were 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.

(3) SFH is wholly-owned by Mr. Mars Ho.

(4) Such Shares were registered in the name of TWG, a company wholly-owned by Mr. KH Ho, executive Director and the spouse of Madam Cheung. By virtue of the provisions of Part XV of the SFO, Madam Cheung is deemed to be interested in all the Shares in which Mr. KH Ho is interested or deemed to be interested.

Save as disclosed above, as at 30 June 2016, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding its Directors' securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Period under Review.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information since the date of the 2015 annual report of the Company are set out below:

– Mr. Cheung Lap Kei, an independent non-executive Director, resigned as the chief financial officer, company secretary and authorised representative of China Zhongwang Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1333), on 28 June 2016. He has been appointed as the chief financial officer of China Everbright Water Limited, which is listed on the Mainboard of Singapore Exchange Limited (SGX: U9E), with effect from 18 July 2016.

Save as disclosed above, as at the date of this report, there were no substantial changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Board established the audit committee ("**Audit Committee**") on 21 October 2014 which comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and one non-executive Director, namely, Madam Ji Lingling. Mr. Cheung Lap Kei is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company. Details of the terms of reference of the Audit Committee are set out on the Company's website and the website of the Stock Exchange.

The primary duties of the Audit Committee are to review and supervise the Group's financial report process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditor on the audit procedures and accounting issues.

The interim financial results of the Group for the six months ended 30 June 2016 is unaudited but has been reviewed by PricewaterhouseCoopers, the auditors of the Company, and the Audit Committee has discussed with the Company's management and reviewed the unaudited financial statements of the Group for the six months ended 30 June 2016.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float during the six months ended 30 June 2016 as required under the Listing Rules.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**40,425**	43,557
Land use rights	7	**5,875**	5,950
Intangible assets	8	**1,616**	2,116
Investments in joint ventures	9(a)	**19,714**	18,180
Investments in associates	9(b)	**16,056**	–
Available-for-sale financial assets		**60**	60
Deferred income tax assets	10	**9,105**	7,706
Other non-current assets	11	**16,295**	16,295
Total non-current assets		**109,146**	93,864
Current assets			
Inventories		**109,245**	74,920
Trade and notes receivables	13	**195,083**	193,707
Prepayments and other receivables	14	**58,493**	51,025
Amounts due from customers for contract work	12	**130,436**	132,663
Pledged bank deposits		**13,585**	21,423
Term deposits with initial terms of over three months		**6,566**	–
Cash and cash equivalents		**298,139**	393,383
Total current assets		**811,547**	867,121
Total assets		**920,693**	960,985

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
EQUITY			
Equity attributable to the owners of the Company			
Share capital	15	**4,071**	4,071
Reserves	16	**379,789**	375,444
Retained earnings		**159,342**	171,468
		543,202	550,983
Non-controlling interests		**1**	1
Total equity		**543,203**	550,984
LIABILITIES			
Non-current liabilities			
Deferred income		**600**	–
Deferred income tax liabilities	10	**15,809**	16,737
Total non-current liabilities		**16,409**	16,737
Current liabilities			
Trade and other payables	18	**271,984**	274,003
Amounts due to customers for contract work	12	**67,349**	81,282
Short-term bank borrowings	17	**20,000**	35,000
Current income tax liabilities		**1,748**	2,979
Total current liabilities		**361,081**	393,264
Total liabilities		**377,490**	410,001
Total equity and liabilities		**920,693**	960,985

The condensed consolidated interim financial information on page 29 to 64 were approved by the board of directors on 26 August 2016.

The notes on pages 35 to 64 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	5	**289,837**	293,086
Cost of sales	19	**(216,265)**	(212,345)
Gross profit		**73,572**	80,741
Other income	20	**978**	893
Other (losses)/gains		**(2,117)**	698
Selling and marketing expenses	19	**(40,163)**	(32,158)
Administrative expenses	19	**(31,773)**	(26,003)
Research and development expenses	19	**(16,552)**	(12,172)
Operating profit		**(16,055)**	11,999
Interest income	21	**2,254**	1,598
Finance expenses	21	**(978)**	(818)
Finance expenses – net		**1,276**	780
Share of post-tax profits of joint ventures and associates		**1,881**	605
(Loss)/profit before income tax		**(12,898)**	13,384
Income tax credit/(expense)	22	**772**	(3,240)
(Loss)/profit for the period		**(12,126)**	10,144
(Loss)/profit attributable to:			
The owners of the Company		**(12,126)**	10,145
Non-controlling interests		**–**	(1)
		(12,126)	10,144

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	**2016 RMB'000 (Unaudited)**	2015 RMB'000 (Unaudited)
(Loss)/profit for the period		**(12,126)**	10,144
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**4,510**	871
Share of other comprehensive income of joint ventures and associates		**(165)**	(87)
Other comprehensive income for the period, net of tax		**4,345**	784
Total comprehensive income for the period		**(7,781)**	10,928
Total comprehensive income attributable to:			
The owners of the Company		**(7,781)**	10,929
Non-controlling interests		**–**	(1)
		(7,781)	10,928
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company – Basic and diluted (RMB)	23	**(0.02)**	0.02

The notes on pages 35 to 64 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

		Attributable to the owners of the Company							
	Note	Share capital RMB'000	Capital surplus RMB'000	Share premium RMB'000	Currency translation differences RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
For the six months ended 30 June 2016 (Unaudited)									
Balance at 1 January 2016		4,071	30,150	314,009	31,285	171,468	550,983	1	550,984
Comprehensive income									
Loss for the period		–	–	–	–	(12,126)	(12,126)	–	(12,126)
Other comprehensive income									
Currency translation differences		–	–	–	4,510	–	4,510	–	4,510
Share of other comprehensive income of joint ventures and associates		–	–	–	(165)	–	(165)	–	(165)
Total comprehensive income		–	–	–	4,345	(12,126)	(7,781)	–	(7,781)
Transaction with the owners									
Dividends to shareholders	24	–	–	–	–	–	–	–	–
Total transaction with the owners, recognised directly in equity		–	–	–	–	–	–	–	–
Balance at 30 June 2016		4,071	30,150	314,009	35,630	159,342	543,202	1	543,203
For the six months ended 30 June 2015 (Unaudited)									
Balance at 1 January 2015		4,071	30,150	314,009	15,486	185,339	549,055	1	549,056
Comprehensive income									
Profit for the period		–	–	–	–	10,145	10,145	(1)	10,144
Other comprehensive income									
Currency translation differences		–	–	–	871	–	871	–	871
Share of other comprehensive income of joint ventures		–	–	–	(87)	–	(87)	–	(87)
Total comprehensive income		–	–	–	784	10,145	10,929	(1)	10,928
Transaction with the owners									
Dividends to shareholders	24	–	–	–	–	(20,255)	(20,255)	–	(20,255)
Total transaction with the owners, recognised directly in equity		–	–	–	–	(20,255)	(20,255)	–	(20,255)
Balance at 30 June 2015		4,071	30,150	314,009	16,270	175,229	539,729	–	539,729

The notes on pages 35 to 64 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

		Six months ended 30 June	
	Note	**2016** **RMB'000** **(Unaudited)**	2015 RMB'000 (Unaudited)
Cash flows from operating activities		**(53,607)**	(29,014)
Cash flows from investing activities		**(25,350)**	(21,755)
Cash flows from financing activities		**(15,750)**	(21,102)
Net decrease in cash and cash equivalents		**(94,707)**	(71,871)
Cash and cash equivalents at beginning of period		**393,383**	382,624
Exchange losses on cash and cash equivalents		**(537)**	(118)
Cash and cash equivalents at end of period		**298,139**	310,635

The notes on pages 35 to 64 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 January 2014 as an exempted company with limited liability under the Companies Law 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 ("**PRC**"). The ultimate holding company of the Company is Standard Fortune Holdings Limited, a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and wholly owned by Mr. Ho Kwok Keung, Mars ("**Mr. Mars Ho**", also the "**Controlling Shareholder**"), an executive Director and the chief executive officer of the Company ("**Chief Executive Officer**").

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

This condensed consolidated interim financial information is presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and is approved for issue by the Board of Directors on 26 August 2016.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting" and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial information should be read in conjunction with the 2015 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

On 31 March 2016, the Group has completed acquisition of 33.33% equity interests in each of ROTA Verpackungstechnik GmbH & Co. KG ("**ROTA KG**") and ROTA Verpackungstechnik Verwaltungsgesellschaft mbH ("**ROTA GmbH**", together with ROTA KG, collectively known as "**ROTA**") and upon acquisition, ROTA KG and ROTA GmbH become associates of the Group. Accordingly the Group has applied in the current period, for the first time, the accounting policy of investments in associates as follow:

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of post-tax profits of joint ventures and associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning after 1 January 2016 and have not been early adopted.

IFRS 15	Revenue from Contracts with Customers [1]
IFRS 9	Financial Instruments [1]
IFRS 16	Leases [2]

(1) Effective for the accounting period beginning on 1 January 2018

(2) Effective for the accounting period beginning on 1 January 2019

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

3. ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

4. FINANCIAL RISK MANAGEMENT

(a) 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 condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management department since the year end or in any risk management policies since the year end.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) 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 RMB'000 (Unaudited)
As at 30 June 2016	
Trade payables	**162,304**
Notes payables	**27,806**
Other payables	**24,405**
Short-term borrowings	**20,855**
	235,370

	Less than 1 year RMB'000 (Audited)
As at 31 December 2015	
Trade payables	158,193
Notes payable	29,180
Other payables	23,039
Short-term borrowings	35,629
	246,041

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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 30 June 2016 and 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets			
As at 30 June 2016 (Unaudited)			
Available-for-sale financial assets	–	–	**60**
As at 31 December 2015 (Audited)			
Available-for-sale financial assets	–	–	60

5. SEGMENT INFORMATION

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

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

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

The segment results for the six months ended 30 June 2016 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
For the six months ended 30 June 2016 (Unaudited)							
Segment revenue and results							
Segment revenue	129,650	66,277	24,405	12,436	53,180	17,892	303,840
Inter-segment revenue	(3,441)	(7,943)	(1,656)	(128)	(435)	(400)	(14,003)
Revenue	126,209	58,334	22,749	12,308	52,745	17,492	289,837
Cost of sales	(108,414)	(43,850)	(14,106)	(6,434)	(31,529)	(11,932)	(216,265)
Segment results Gross profit	17,795	14,484	8,643	5,874	21,216	5,560	73,572
Other segment items							
Amortisation	310	47	10	6	–	4	377
Depreciation	1,883	1,891	395	265	115	109	4,658
Provision of impairment on trade and other receivables	3,142	1,560	435	248	127	151	5,663
Provision of impairment on inventories	151	41	45	–	704	13	954

5. SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2015 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
For the six months ended 30 June 2015 (Unaudited)							
Segment revenue and results							
Segment revenue	142,037	86,550	21,703	17,468	39,860	7,721	315,339
Inter-segment revenue	(9,901)	(10,578)	–	(612)	(1,162)	–	(22,253)
Revenue	132,136	75,972	21,703	16,856	38,698	7,721	293,086
Cost of sales	(106,949)	(56,834)	(15,514)	(7,760)	(21,149)	(4,139)	(212,345)
Segment results							
Gross profit	25,187	19,138	6,189	9,096	17,549	3,582	80,741
Other segment items							
Amortisation	283	18	5	4	–	2	312
Depreciation	1,714	1,658	464	370	155	130	4,491
Provision/(reversal) of impairment on trade and other receivables	(1,484)	119	54	44	(437)	(3)	(1,707)
Provision/(reversal) of impairment on inventories	(165)	–	–	–	118	(2)	(49)

5. SEGMENT INFORMATION (Continued)

A reconciliation of segment gross profit to total (loss)/profit before income tax is provided as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Liquid and Bioprocess System	**17,795**	25,187
Clean Room and Automation Control and Monitoring System	**14,484**	19,138
Powder and Solid System	**8,643**	6,189
GMP Compliance Service	**5,874**	9,096
Life Science Consumables	**21,216**	17,549
Distribution and Agency of Pharmaceutical Equipment	**5,560**	3,582
Total gross profit for reportable segments	**73,572**	80,741
Other income	**978**	893
Other (losses)/gains	**(2,117)**	698
Selling and marketing expenses	**(40,163)**	(32,158)
Administrative expenses	**(31,773)**	(26,003)
Research and development expenses	**(16,552)**	(12,172)
Finance expenses – net	**1,276**	780
Share of post-tax profits of joint ventures and associates	**1,881**	605
(Loss)/profit before income tax	**(12,898)**	13,384

5. SEGMENT INFORMATION (Continued)

The segment assets as at 30 June 2016 and 31 December 2015 are as follows:

	As at 30 June 2016		As at 31 December 2015	
	Total assets RMB'000 (Unaudited)	Investments accounted for using equity method RMB'000 (Unaudited)	Total assets RMB'000 (Audited)	Investments accounted for using equity method RMB'000 (Audited)
Liquid and Bioprocess System	371,886	29,994	380,869	13,427
Clean Room and Automation Control and Monitoring System	91,150	–	86,001	–
Powder and Solid System	35,001	–	30,282	–
GMP Compliance Service	23,721	–	31,354	–
Life Science Consumables	56,120	5,776	51,528	4,753
Distribution and Agency of Pharmaceutical Equipment	9,993	–	8,349	–
Total segment assets	587,871	35,770	588,383	18,180
Unallocated				
Deferred income tax assets	9,105		7,706	
Headquarter assets	323,717		364,896	
Total assets	920,693		960,985	

5. SEGMENT INFORMATION (Continued)

Geographical information

The following tables present information on revenue and certain assets of the Group by geographical regions.

Revenue	Six months ended 30 June 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited)
Mainland China	254,956	276,168
Other locations	34,881	16,918
	289,837	293,086

Non-current assets other than financial instruments and deferred tax assets	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Mainland China	64,009	67,726
Other locations	35,972	18,372
	99,981	86,098

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2016					
Opening net book value (Audited)	**9,309**	**20,998**	**2,219**	**11,031**	**43,557**
Additions	**–**	**2,373**	**–**	**1,504**	**3,877**
Disposals and others	**–**	**(1,872)**	**(32)**	**(447)**	**(2,351)**
Depreciation charge	**(370)**	**(1,022)**	**(302)**	**(2,964)**	**(4,658)**
Closing net book value (Unaudited)	**8,939**	**20,477**	**1,885**	**9,124**	**40,425**
Six months ended 30 June 2015					
Opening net book value (Audited)	10,051	15,668	1,468	11,358	38,545
Additions	–	3,376	1,394	5,777	10,547
Disposals	–	(139)	(31)	(69)	(239)
Depreciation charge	(371)	(1,137)	(268)	(2,834)	(4,610)
Closing net book value (Unaudited)	9,680	17,768	2,563	14,232	44,243

As at 30 June 2016 and 30 June 2015, the Group's buildings were pledged as security for short-term borrowings (Note 17).

7. LAND USE RIGHTS

	RMB'000
Six months ended 30 June 2016	
Opening net book value (Audited)	**5,950**
Amortisation charge	**(75)**
Closing net book value (Unaudited)	**5,875**
As at 30 June 2016 (Unaudited)	
Cost	**7,500**
Accumulated amortisation	**(1,625)**
Net book value	**5,875**
Six months ended 30 June 2015	
Opening net book value (Audited)	6,100
Amortisation charge	(75)
Closing net book value (Unaudited)	6,025
As at 30 June 2015 (Unaudited)	
Cost	7,500
Accumulated amortisation	(1,475)
Net book value	6,025

The Group's interests in land use rights represent prepaid operating lease payments. All of the Group's land use rights are located in the PRC and with original lease period of 50 years. As at 30 June 2016 and 30 June 2015, the Group's land use rights were pledged as security for short-term borrowings (Note 17).

8. INTANGIBLE ASSETS

	Software and others RMB'000
Six months ended 30 June 2016	
Opening net book value (Audited)	**2,116**
Addition	**317**
Disposal	**(515)**
Amortisation charge	**(302)**
Closing net book value (Unaudited)	**1,616**
As at 30 June 2016 (Unaudited)	
Cost	**3,666**
Accumulated amortisation	**(2,050)**
Net book value	**1,616**
Six months ended 30 June 2015	
Opening net book value (Audited)	1,638
Additions	107
Amortisation charge	(237)
Closing net book value (Unaudited)	1,508
As at 30 June 2015 (Unaudited)	
Cost	3,000
Accumulated amortisation	(1,492)
Net book value	1,508

9. INVESTMENTS IN JOINT VENTURES & ASSOCIATES

(a) Investments in Joint Ventures

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Beginning of the period (Audited)	**18,180**	17,971
Share of profit	**1,705**	605
Share of other comprehensive income	**(171)**	(150)
End of the period (Unaudited)	**19,714**	18,426

(b) Investments in Associates

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Beginning of the period (Audited)	**–**	–
Additions	**15,874**	–
Share of profit	**176**	–
Share of other comprehensive income	**6**	–
End of the period (Unaudited)	**16,056**	–

On 31 March 2016, the Group has acquired 33.33% equity interests in each of ROTA KG and ROTA GmbH from an independent third party. Currently, the Group is in the process of performing fair value assessments on the net identifiable assets of ROTA as at the acquisition date in accordance with IAS 28, "Investments in associates". At 30 June 2016, the Group has not finalised the fair value assessments for these net identifiable assets.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
ROTA KG	Germany	33.33%	Note (i)	Equity
ROTA GmbH	Germany	33.33%	Note (ii)	Equity

Notes:

(i) ROTA KG is a strategic partnership of the Group, which develops and produces pharmaceutical equipment in Germany.

(ii) ROTA GmbH, the general partner of ROTA KG, is an investment holding company.

10. DEFERRED INCOME TAXATION

The analysis of deferred income tax assets is as follows:

	Tax losses	Impairment provision of receivables and inventories	Warranty provisions and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016 (Audited)	**3,989**	**1,677**	**2,040**	**7,706**
(Charged)/credited to the consolidated statement of comprehensive income	**(134)**	**800**	**733**	**1,399**
As at 30 June 2016 (Unaudited)	**3,855**	**2,477**	**2,773**	**9,105**
As at 1 January 2015 (Audited)	71	1,775	3,822	5,668
Credited/(charged) to the consolidated statement of comprehensive income	1,531	(516)	(282)	733
As at 30 June 2015 (Unaudited)	1,602	1,259	3,540	6,401

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. For the six months ended 30 June 2016, the Group did not recognise deferred income tax assets of RMB3,824,000 (30 June 2015: RMB494,000) in respect of losses amounting to RMB21,896,000 (30 June 2015: RMB2,621,235) that can be carried forward against future taxable income.

The analysis of deferred income tax liabilities is as follows:

	Withholding tax	Others	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2016 (Audited)	**(16,737)**	**–**	**(16,737)**
Charged to the consolidated statement of comprehensive income	**928**	**–**	**928**
As at 30 June 2016 (Unaudited)	**(15,809)**	**–**	**(15,809)**
As at 1 January 2015 (Audited)	(15,671)	–	(15,671)
Credited to the consolidated statement of comprehensive income	(1,461)	(278)	(1,739)
As at 30 June 2015 (Unaudited)	(17,132)	(278)	(17,410)

11. OTHER NON-CURRENT ASSETS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Payment to government authority	**16,295**	16,295

Pursuant to the document issued by Shijiazhuang High-tech Industrial Development Zone Investment Cooperation Bureau (石家莊高新技術產業開發區招商合作局) on 16 April 2015, approval of increasing investment in connection with building a factory has been granted to, and a specified land use right located in Shijiazhuang city has been reserved for Austar Pharmaceutical Technology (SJZ) Ltd. ("**APT SJZ**"), a subsidiary of the Group. As at 30 June 2016, amounts totalling RMB16,295,000 had been paid to the local government authority.

12. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Contract cost incurred plus recognised profit less foreseeable loss	**745,351**	525,554
Less: Progress billings	**(682,264)**	(474,173)
Contract work in progress	**63,087**	51,381
Representing:		
Amounts due from customers for contract work	**130,436**	132,663
Amounts due to customers for contract work	**(67,349)**	(81,282)
	63,087	51,381

	Six months ended 30 June 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited)
Construction contract revenue	**177,393**	190,689

13. TRADE AND NOTES RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade receivables	190,620	180,069
Notes receivable	18,550	23,427
	209,170	203,496
Less: provision for impairment	(14,087)	(9,789)
	195,083	193,707

Ageing analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 3 months	87,008	96,264
3 to 6 months	22,178	24,481
6 months to 1 year	42,463	26,067
1 to 2 years	26,884	25,062
2 to 3 years	8,260	4,162
Over 3 years	3,827	4,033
	190,620	180,069

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 30 June 2016, there are retention money receivables of RMB54,498,000 (31 December 2015: RMB45,876,000).

As at 30 June 2016 and 31 December 2015, the carrying amounts of trade and notes receivables are approximated at their fair values due to short maturity.

13. TRADE AND NOTES RECEIVABLES (Continued)

The carrying amounts of the Group's trade and notes receivables are denominated in the following currencies:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
RMB	183,872	191,329
US$	11,211	2,378
	195,083	193,707

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Prepayments to suppliers	31,471	25,855
Staff advance	4,556	2,671
Deposits as guarantee for bidding	8,408	11,063
Loan and interest to PALL-AUSTAR Lifesciences Limited (Note 26 (c)(i))	8,878	8,485
Others	6,263	3,158
	59,576	51,232
Less: provision for impairment	(1,083)	(207)
	58,493	51,025

14. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(a) As at 30 June 2016 and 31 December 2015, the carrying amounts of other receivables are approximated at their fair values due to short period of maturity.

(b) The carrying amount of the Group's other receivables is denominated in the following currencies:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
RMB	**16,520**	16,042
US$	**8,880**	8,486
HK$	**194**	265
	25,594	24,793

15. SHARE CAPITAL

	Number of ordinary shares Thousands	**Nominal value of ordinary shares** HK$'000
Ordinary shares – Authorised:		
At 30 June 2016 and 31 December 2015	**10,000,000**	**100,000**

	Number of ordinary shares Thousands	**Nominal value of ordinary shares** HK$'000	**Equivalent nominal value of ordinary shares** RMB'000
Ordinary shares – issued and fully paid:			
At 30 June 2016 and 31 December 2015	**512,582**	**5,126**	**4,071**

16. RESERVE

Capital surplus represented amount arising from waiver of loan to the Group recognised as transaction with the owners in equity in April 2014.

Share premium represented premium over par value in connection with the initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in November 2014.

17. SHORT-TERM BANK BORROWINGS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Bank borrowings		
– secured (a)	**20,000**	20,000
– guaranteed	**–**	15,000
	20,000	35,000

(a) As at 30 June 2016 and 31 December 2015, secured short-term bank borrowing is denominated in RMB, secured by the Group's buildings (Note 6) and land use rights (Note 7), bearing interest at 5.03% (2015: 5.66%) per annum and is repayable within one year.

18. TRADE AND OTHER PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade payables	162,304	158,193
Notes payables	27,806	29,180
Advances from customers	33,297	35,260
Payroll and welfare payable	16,174	14,417
Taxes other than income taxes payable	3,610	8,263
Warranty provision	4,388	5,651
Others	24,405	23,039
	271,984	274,003

(a) The ageing analysis of trade payables is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 6 months	137,306	135,966
6 months to 1 year	18,249	15,613
1 to 2 years	2,570	4,945
2 to 3 years	3,799	1,150
Over 3 years	380	519
	162,304	158,193

(b) As at 30 June 2016 and 31 December 2015, the carrying amounts of trade and other payables are approximated at their fair values due to short maturity.

18. TRADE AND OTHER PAYABLES (Continued)

(c) The carrying amounts of the Group's trade and other payables (excluding advances from customers) are denominated in the following currencies:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
RMB	**222,401**	225,111
US$	**11,900**	7,023
HK$	**2,887**	6,199
EUR	**695**	410
GBP	**152**	–
CHF	**652**	–
	238,687	238,743

19. EXPENSE BY NATURE

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Raw materials	**160,294**	159,977
Staff costs, including directors' emoluments	**63,357**	68,249
Depreciation (Note 6)	**4,658**	4,610
Amortisation (Note 7, 8)	**377**	312
Sales tax and surcharges	**3,153**	3,302
Office expenses	**1,952**	2,589
Travel expenses	**12,963**	17,023
Freight and port charges	**4,490**	2,890
Promotion expenses	**5,485**	3,445
Warranty provision	**1,930**	398
Impairment/(reversal) of receivables	**5,663**	(1,707)
Impairment/(reversal) of inventories	**954**	(49)
Professional fees	**4,931**	4,397
Rental expenses	**5,351**	3,525
On-site subcontract cost	**12,798**	2,063
Other operating expenses	**16,397**	11,654
	304,753	282,678

20. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government subsidies	**978**	707
Others	**–**	186
	978	893

21. FINANCE EXPENSES, NET

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	**(714)**	(1,075)
Exchange (losses)/gains	**(264)**	257
Finance expenses	**(978)**	(818)
Interest income	**2,254**	1,598
	1,276	780

22. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax expense	**(1,555)**	(2,234)
Deferred income tax credit/(expense)	**2,327**	(1,006)
	772	(3,240)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from local income tax.

The subsidiaries incorporated in the BVI under the International Business Companies Acts of the BVI is exempted from local income tax.

The taxation of the Group's subsidiaries in Hong Kong is calculated at 16.5% of the estimated assessable profits for the relevant periods (2015: 16.5%).

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 corporate income tax rates. Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd ("**Shanghai Austar**"), Austar Hansen Lifesciences (Shanghai) Co., Ltd ("**Austar Hansen**") and Austar Pharmaceutical Equipment (Shijiazhuang) Co., Ltd ("**Austar SJZ**") are high and new technology enterprises certified by relevant PRC local authorities. These entities are entitled to preferential corporate income tax rates of 15% upon fulfilment of certain conditions under the tax ruling. Shanghai Austar and Austar Hansen have applied the preferential corporate income tax rate since 2013, application of which is subject to annual approval by local tax authority. Austar SJZ has been enjoying preferential corporate income tax rate since 2014. During the six months ended 30 June 2016, Shanghai Austar and Austar Hansen are in the process of applying renewal of its "High and New Technology Enterprise" qualification for another three years. The directors have accrued the income tax at a preferential corporate income tax rate for the period.

23. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
(Loss)/profit attributable to the owners of the Company (RMB'000)	**(12,126)**	10,145
Weighted average number of ordinary shares in issue (Thousands)	**512,582**	512,582
Basic (loss)/earnings per share (RMB)	**(0.02)**	0.02

(b) Diluted

As the Company had no dilutive ordinary shares for each of the six months ended 30 June 2016 and 2015, dilutive (loss)/earnings per share for the six months ended 30 June 2016 and 2015 are the same as basic (loss)/earnings per share.

24. DIVIDENDS

A final dividend for the year 2014 of HK$0.05 (equivalent to approximately RMB0.0396) per share with a total amount of approximately HK$25,629,000 (equivalent to approximately RMB20,255,000) was approved at the annual general meeting of the Company held on 15 May 2015. Such dividend was paid in June 2015.

No interim dividend has been declared by the Company for the six months ended 30 June 2016 (2015: Nil).

25. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Property, plant and equipment	3,029	3,766
Intangible assets	246	149
	3,275	3,915

(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 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 1 year	7,625	5,110
After 1 year but within 5 years	3,553	3,714
	11,178	8,824

26. 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 that have transactions with the Group during the six months ended 30 June 2016 and 2015:

Names of the related parties	**Nature of relationship**
PALL-AUSTAR Lifesciences Limited (“**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**”)	Joint venture of the Group
Austar Ltd.	Under common control of the Controlling Shareholder
Madam Gu Xun	Close family member of the Controlling Shareholder

(b) Significant transactions with related parties

During the six months ended 30 June 2016, the Group has the following significant transactions with related parties:

(i) Purchase of goods and services

	Six months ended 30 June	
	2016	2015
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
PALL-AUSTAR WFOE	**8,978**	8,667
STERIS-AUSTAR WFOE	**17,088**	6,594
	26,066	15,261

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

(ii) Sales of goods and services

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
STERIS-AUSTAR WFOE	**2,250**	2,818
PALL-AUSTAR WFOE	**616**	79
	2,866	2,897

(iii) Rental fee expenses

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Madam Gu Xun	**468**	468
Austar Ltd.	**40**	–
	508	468

(iv) Rental fee and miscellanous income

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
STERIS-AUSTAR WFOE	**208**	229

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

(v) Loan provided to and interest income from a joint venture

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PALL-AUSTAR JV		
Loan interest income	**210**	187

These loans to PALL-AUSTAR JV are provided by its shareholder Austar Pharmaceutical Process Systems Limited, a subsidiary of the Group. These loans are unsecured and bearing interest rate at LIBOR plus an interest rate variable as prescribed in the loan agreements. For the six months ended 30 June 2016, the effective interest rate ranged from 5.83% to 6.24% (2015: 5.55% to 5.70%) per annum. The maturity of these loans are beyond one year.

(c) Balances with related parties

(i) Receivable due from/prepayments to related parties

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Receivable due from:		
PALL-AUSTAR JV (Note 14)	**8,878**	8,485
STERIS-AUSTAR WFOE	**292**	8,196
PALL-AUSTAR WFOE	**284**	414
Madam Gu Xun	**234**	–
Austar Ltd.	**14**	13
Prepayments to:		
Madam Gu Xun	**–**	468
	9,702	17,576

26. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

(ii) Payable due to related parties

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
STERIS-AUSTAR WFOE	**11,274**	11,831
PALL-AUSTAR WFOE	**7,059**	3,986
	18,333	15,817

(d) Key management compensation

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Salaries and bonuses	**2,162**	2,970
Pension and others	**291**	296
	2,453	3,266

27. CONTINGENT LIABILITIES

A customer has filed a lawsuit in Sichuan, PRC against Shanghai Austar and two other companies which are third parties independent of the Group (collectively the "**Defendants**") requesting compensation jointly from the Defendants totalling approximately RMB5.7 million. The Directors have reviewed and assessed the lawsuit, with reference to advice from the Group's PRC legal counsel for the purpose of this case, and has concluded that, based on the information currently available, the chance of losing the case is remote. Accordingly, the Directors consider that it is not necessary to make any provision as at 30 June 2016.