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Austar Lifesciences Limited
奧星生命科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6118)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue	**293,086**	320,823
Gross profit	**80,741**	113,737
Profit before income tax	**13,384**	43,454
Profit attributable to the owners of the Company	**10,145**	32,750
Overall gross profit margin	**27.5%**	35.5%
Gearing ratio	**6.5%**	6.4%
Basic earnings per share (RMB) *(Note)*	**0.02**	0.09
Diluted earnings per share (RMB)	**0.02**	0.09

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total assets	**875,060**	869,390
Net assets	**539,729**	549,056

Note: The calculation of earnings per share is based on the profit attributable to the owners of the Company for each of the six months ended 30 June 2015 and 2014 and the weighted average number of shares during that period.

INTERIM RESULTS

The board ("Board") of directors ("Directors") of Austar Lifesciences Limited ("Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 ("Period under Review"), together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*3*	**293,086**	320,823
Cost of sales		**(212,345)**	(207,086)
Gross profit		**80,741**	113,737
Other income		**893**	590
Other gains/(losses)		**698**	(622)
Selling and marketing expenses		**(32,158)**	(32,374)
Administrative expenses		**(26,003)**	(30,568)
Research and development expenses		**(12,172)**	(10,191)
Operating profit		**11,999**	40,572
Interest income		**1,598**	756
Finance expenses		**(818)**	(453)
Finance expenses – net	*4*	**780**	303
Share of profit of joint ventures		**605**	2,579
Profit before income tax		**13,384**	43,454
Income tax expense	*5*	**(3,240)**	(10,705)
Profit for the period		**10,144**	32,749
Profit attributable to:			
The owners of the Company		**10,145**	32,750
Non-controlling interests		**(1)**	(1)
		10,144	32,749

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(continued)*

		For the six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Profit for the period		**10,144**	32,749
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**871**	(991)
Share of other comprehensive income of joint ventures		**(87)**	(47)
Reclassification to net income of net gains on available-for-sale financial assets		**–**	(18)
Other comprehensive income for the period, net of tax		**784**	(1,056)
Total comprehensive income for the period		**10,928**	31,693
Total comprehensive income attributable to:			
The owners of the Company		**10,929**	31,693
Non-controlling interests		**(1)**	–
		10,928	31,693
Earnings per share for profit attributable to the owners of the Company – Basic and diluted (RMB)	*6*	**0.02**	0.09
Dividends	*7*	**(20,255)**	–

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2015**	As at 31 December 2014
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**44,243**	38,545
Land use rights		**6,025**	6,100
Intangible assets		**1,508**	1,638
Investments in joint ventures		**18,426**	17,971
Available-for-sale financial assets		**60**	60
Deferred income tax assets		**6,401**	5,668
Other non-current assets		**12,466**	–
Total non-current assets		**89,129**	69,982
Current assets			
Inventories		**74,501**	69,113
Trade and notes receivables	*8*	**202,606**	217,492
Prepayments and other receivables		**56,530**	38,882
Amounts due from customers for contract work	*9*	**137,100**	87,128
Pledged bank deposits		**4,559**	4,169
Cash and cash equivalents		**310,635**	382,624
Total current assets		**785,931**	799,408
Total assets		**875,060**	869,390

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

	Note	**As at 30 June 2015** ***RMB'000*** **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
EQUITY			
Equity attribute to the owners of the Company			
Share capital		**4,071**	4,071
Reserves		**360,429**	359,645
Retained earnings		**175,229**	185,339
		539,729	549,055
Non-controlling interests		**–**	1
Total equity		**539,729**	549,056
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**17,410**	15,671
Total non-current liabilities		**17,410**	15,671
Current liabilities			
Trade and other payables	*10*	**224,855**	201,601
Amounts due to customers for contract work	*9*	**57,261**	60,077
Short-term bank borrowings	*11*	**35,000**	35,000
Current income tax liabilities		**805**	7,985
Total current liabilities		**317,921**	304,663
Total liabilities		**335,331**	320,334
Total equity and liabilities		**875,060**	869,390
Net current assets		**468,010**	494,745
Total assets less current liabilities		**557,139**	564,727

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 January 2014 as an exempted company with limited liability under the Companies Law 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") ("Business"). The ultimate holding company of the Company is Standard Fortune Holdings Limited ("SFH"), 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 ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 7 November 2014.

In preparation for the initial listing of the Shares on the Stock Exchange, the Company underwent a Group reorganisation ("Reorganisation"). The following steps were carried out under the Reorganisation:

(1) The Company was incorporated on 9 January 2014 in the Cayman Islands with limited liability. On the same date, (i) the one subscriber Share, allotted and issued as fully paid at par, was transferred to SFH; (ii) 889,999 Shares were allotted and issued to SFH for cash at par; (iii) 10,000 Shares were allotted and issued to Honour Choice Ventures Limited, a company incorporated in the BVI with limited liability and wholly owned by Madam Gu Xun, the spouse of Mr. Mars Ho, for cash at par; and (iv) 100,000 Shares were allotted and issued to True Worth Global Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Ho Kin Hung, an executive Director, for cash at par.

(2) On 16 June 2014, the Company subscribed for 100 shares of US$1.00 par value each in Austar Equipment Limited ("Austar BVI"), a company incorporated in the BVI with limited liability, representing 50% of the issued share capital of Austar BVI as enlarged by the subscription of such new shares for cash at par. After completion of the subscription, Austar BVI was owned as to 50% by Austar International Holdings Limited ("AIHL"), a company incorporated in the BVI and controlled by the Controlling Shareholder, and as to 50% by the Company.

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

Immediately prior to and after the Reorganisation, the Business has been held by Austar BVI. The Business is mainly conducted through Austar BVI and its subsidiaries. Pursuant to the Reorganisation, Austar BVI and the Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in management of such Business and the ultimate owners of the Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Business under Austar BVI for all the years presented.

This condensed interim consolidated financial information is presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated, and is approved for issue by the Board on 28 August 2015.

This condensed interim consolidated financial information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed interim consolidated 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. This condensed interim consolidated financial information should be read in conjunction with the 2014 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as described below, the accounting policies applied are consistent with those of the 2014 annual financial statements, as described in those annual financial statements.

In the current period, the Group has applied, for the first time, the accounting policy of financial assets at fair value through profit or loss as follows:

Financial assets

Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as "non-current assets". The group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the condensed consolidated balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

The adoption of the above amendments and interpretation does not have any significant financial effect on this condensed interim consolidated financial information.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Other gains/(losses) – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

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 2015 and have not been early adopted.

IAS 1 (Amendment)	The disclosure initiative [1]
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation [1]
IAS 27 (Amendment)	Separate financial statements regarding the equity method [1]
IAS 28 and IFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture [1]
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception [1]
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation [1]
IFRS 14	Regulatory deferral accounts [1]
Annual Improvement Project	Annual Improvements 2012-2014 Cycle [1]
IFRS 15	Revenue from Contracts with Customers [2]
IFRS 9	Financial Instruments [3]

(1) Effective for the accounting period beginning on 1 January 2016
(2) Effective for the accounting period beginning on 1 January 2017
(3) Effective for the accounting period beginning on 1 January 2018

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.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial period, as a result, there are changes to presentation and disclosures of certain information in this condensed interim consolidated financial information.

3. SEGMENT INFORMATION

The chief operating decision-makers ("CODM") have been identified as the Chief Executive Officer, the vice presidents of the Company and the Directors who review the Group's internal reports in order to assess performance and allocate resources 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 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 charge	**283**	**18**	**5**	**4**	**–**	**2**	**312**
Depreciation charge	**1,714**	**1,658**	**464**	**370**	**155**	**130**	**4,491**
(Reversal)/Provision 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)**

The segment results for the six months ended 30 June 2014 are as follows:

	Liquid and Bioprocess System *RMB'000*	Clean Room and Automation Control and Monitoring System *RMB'000*	Powder and Solid System *RMB'000*	GMP Compliance Service *RMB'000*	Life Science Consumables *RMB'000*	Distribution and Agency of Pharmaceutical Equipment *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2014 (Audited)							
Segment revenue and results							
Segment revenue	156,062	83,289	27,555	25,248	34,618	13,014	339,786
Inter-segment revenue	(8,889)	(9,524)	–	(321)	(229)	–	(18,963)
Revenue	147,173	73,765	27,555	24,927	34,389	13,014	320,823
Cost of sales	(108,476)	(46,375)	(15,033)	(9,114)	(20,082)	(8,006)	(207,086)
Segment results							
Gross profit	38,697	27,390	12,522	15,813	14,307	5,008	113,737
Other segment items							
Amortisation charge	250	15	3	2	–	1	271
Depreciation charge	1,499	974	926	340	51	76	3,866
Provision/(Reversal) of impairment on trade and other receivables	321	(248)	(189)	(160)	78	(36)	(234)
Provision/(Reversal) of impairment on inventories	332	(54)	–	–	94	17	389

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

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Liquid and Bioprocess System	**25,187**	38,697
Clean Room and Automation Control and Monitoring System	**19,138**	27,390
Powder and Solid System	**6,189**	12,522
GMP Compliance Service	**9,096**	15,813
Life Science Consumables	**17,549**	14,307
Distribution and Agency of Pharmaceutical Equipment	**3,582**	5,008
Total gross profit for reportable segments	**80,741**	113,737
Other income	**893**	590
Other gains/(losses)	**698**	(622)
Selling and marketing expenses	**(32,158)**	(32,374)
Administrative expenses	**(26,003)**	(30,568)
Research and development expenses	**(12,172)**	(10,191)
Finance expenses – net	**780**	303
Share of profit from joint ventures	**605**	2,579
Profit before income tax	**13,384**	43,454

Geographical information

The following tables present information on revenue of the Group by geographical locations of customers.

Revenue	**For the six months ended 30 June 2015**	For the six months ended 30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**276,168**	292,500
Other locations	**16,918**	28,323
	293,086	320,823

4. FINANCE EXPENSES, NET

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest expenses on bank borrowings	**(1,075)**	(758)
Exchange gains	**257**	305
Finance expenses	**(818)**	(453)
Interest income	**1,598**	756
	780	303

5. INCOME TAX EXPENSE

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax expense	**(2,234)**	(10,281)
Deferred income tax expense	**(1,006)**	(424)
	(3,240)	(10,705)

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 subsidiary 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 Period under Review (2014: 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. Shanghai Austar and Austar Hansen have applied the preferential tax rate since 2013, application of which is subject to annual approval by local tax authority. Austar SJZ has entitled to preferential corporate income tax rate since 2014. During the Period under Review, Austar SJZ is in the process of applying renewal of its "High and New Technology Enterprise" qualification. The Directors have accrued the income tax at a preferential corporate income tax rate for the Period under Review.

6. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary Shares in issue during the Period under Review.

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Audited)
Profit attributable to the owners of the Company (RMB'000)	**10,145**	32,750
Weighted average number of ordinary Shares in issue (Thousands)	**512,582**	375,000
Basic earnings per share (RMB)	**0.02**	0.09

The weighted average number of Shares for the purpose of basic earnings per share has been retrospectively adjusted for the effects of the 1,000,000 Shares issued upon the incorporation of the Company and the capitalisation issue of 374,000,000 Shares, which are deemed to have been in issue throughout the six months ended 30 June 2014.

(b) Diluted

As the Company had no dilutive ordinary Shares for each of the six months ended 30 June 2015 and 2014, dilutive earnings per share for the six months ended 30 June 2015 and 2014 are the same as basic earnings per share.

7. 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 (2014: Nil).

No interim dividend has been proposed by the Company for the six months ended 30 June 2015. (2014: Nil)

8. TRADE AND NOTES RECEIVABLES

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Trade receivables *(Note (b))*	**195,397**	203,921
Notes receivable *(Note (a))*	**15,325**	23,798
	210,722	227,719
Less: provision for impairment	**(8,116)**	(10,227)
	202,606	217,492

Note:

(a) Notes receivable are all bank acceptance with maturity dates within six months.

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

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Within 3 months	**91,683**	62,795
3 to 6 months	**21,219**	61,023
6 months to 1 year	**40,389**	43,981
1 to 2 years	**29,391**	25,705
2 to 3 years	**9,287**	7,824
Over 3 years	**3,428**	2,593
	195,397	203,921

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.

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

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Contract cost incurred plus recognised profit less recognised losses	**495,529**	423,924
Less: Progress billings	**(415,690)**	(396,873)
Contract work in progress	**79,839**	27,051
Representing:		
Amounts due from customers for contract work	**137,100**	87,128
Amounts due to customers for contract work	**(57,261)**	(60,077)
	79,839	27,051

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract revenue recognised as revenue	**190,689**	182,393

10. TRADE AND OTHER PAYABLES

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**136,123**	116,304
Advances from customers	**40,827**	25,917
Payroll and welfare payable	**21,893**	28,108
Taxes other than income taxes payable	**1,222**	3,616
Warranty provision	**4,748**	6,767
Others	**20,042**	20,889
	224,855	201,601

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**127,335**	109,832
6 months to 1 year	**4,302**	3,366
1 to 2 years	**3,719**	2,495
2 to 3 years	**110**	73
Over 3 years	**657**	538
	136,123	116,304

11. SHORT-TERM BANK BORROWINGS

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank borrowings	**35,000**	35,000

As at 30 June 2015, short-term bank borrowings were denominated in RMB, bearing interest rates at 4.85% – 6.30% (2014: 6.30%) per annum.

Short-term bank borrowings of RMB20,000,000 (2014: RMB35,000,000) were secured by the Group's buildings and land use rights.

12. 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 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**4,088**	–
Intangible assets	**893**	–
	4,981	–

(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 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**7,987**	8,001
After 1 year but within 5 years	**5,583**	7,529
	13,570	15,530

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the Period under Review, the economic growth in the PRC has stabilised at a moderate level after adopting a series of measures to cope with the weak external demand from developed countries and private consumption and investment. The economy of the PRC was undergoing a fundamental structural reform and the business environment was becoming more challenging and complicated while the economy of the emerging countries were recovering from financial turmoil in 2014.

As for the pharmaceutical industry, after the deadline of China's new Good Manufacturing Practice ("GMP") for aseptic pharmaceutical manufacturers by the end of 2013, the PRC pharmaceutical industry has formally stepped into the post China's GMP era. In March 2015, the China Drug and Food Administration (CFDA) has issued the "Technical Guideline for Development and Evaluation of Biosimilars (interim)" (《生物類似藥研發與評價技術指導原則(試行)》). The PRC pharmaceutical manufacturers were still in the groping phase to identify their strategic directions on biologics drug research and development. The PRC pharmaceutical manufacturers have gradually slowed down their pace on fixed assets investment to a certain extent in the short-term.

The pharmaceutical integrated engineering solutions industry in the PRC is fragmented with a number of players, however, only a handful of them is capable to provide tailor-made solutions and services implementing the most advanced technology. The increase in disposable income of citizens and economic growth in the PRC have driven the pharmaceutical industry to meet international standards. Under such trend, the pharmaceutical integrated engineering solutions industry is undergoing robust consolidation and therefore, uncompetitive market players are being driven out. Sizable players with richer technological and financial resources are actively diversifying product and service portfolios by way of mergers and acquisitions.

Business Review

The Group is a leading integrated engineering solutions provider targeting reputable pharmaceutical manufacturers and research institutes in the PRC and the emerging countries. The Company's shares have been successfully listed on the Main Board of the Stock Exchange since 7 November 2014.

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's business can be categorised onto 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.

During the Period under Review, the Group's revenue decreased by approximately 8.6% to approximately RMB293.1 million from approximately RMB320.8 million for the corresponding period in 2014.

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				
	2015		2014		**Change**
Order-in-take by business segment	***RMB'000***	***%***	*RMB'000*	*%*	***%***
Liquid and Bioprocess System	**209,799**	**50.7%**	195,714	51.2%	7.2%
Clean Room and Automation Control and Monitoring System	**75,586**	**18.3%**	82,392	21.6%	(8.3%)
Powder and Solid System	**38,353**	**9.3%**	20,469	5.4%	87.4%
GMP Compliance Service	**21,695**	**5.2%**	30,356	7.9%	(28.5%)
Life Science Consumables	**58,425**	**14.1%**	40,488	10.6%	44.3%
Distribution and Agency of Pharmaceutical Equipment	**9,802**	**2.4%**	12,717	3.3%	(22.9%)
Total	**413,660**	**100.0%**	382,136	100.0%	8.3%

During the Period under Review, the total order-in-take amounted to approximately RMB413.7 million, representing an increase of approximately 8.3% from approximately RMB382.1 million for the six months ended 30 June 2014, which was mainly attributable to the increase in order-in-take amount of the business segments of Liquid and Bioprocess System, Powder and Solid System and Life Science Consumables but partially offset by the decrease in order-in-take amount of the business segments of Clean Room and Automation Control and Monitoring System, GMP Compliance Service and Distribution and Agency of Pharmaceutical Equipment.

Liquid and Bioprocess System

During the Period under Review, the Group continued to focus on acquiring bioprocess system projects. The Group has successfully secured a number of biopharmaceutical projects of reputable domestic pharmaceutical manufacturers in Beijing, Shanghai, and Jilin Province. The order-in-take amount of the business segment of Liquid and Bioprocess System increased by approximately RMB14.1 million or 7.2% from approximately RMB195.7 million for the six months ended 30 June 2014 to approximately RMB209.8 million for the Period under Review. The Group will endeavour to pursuit developments in the biopharmaceutical fields.

Clean Room and Automation Control and Monitoring System

During the Period under Review, as a result of the keen market competition on clean room enclosure components and system and automation control and monitoring system and decrease in acceptance of clean room enclosure projects by the Group with lower profit margin, the order-in-take amount of the business segment of Clean Room and Automation Control and Monitoring System decreased by approximately RMB6.8 million or 8.3% from approximately RMB82.4 million for the six months ended 30 June 2014 to approximately RMB75.6 million for the Period under Review.

Powder and Solid System

During the Period under Review, in response to the changing demand and requirements in the market, the Group had introduced certain latest and critical equipments in order to capture the fast growing formulation technology market and containment and isolation technology market which led to an increase in the order-in-take amount of the business segment of Powder and Solid System by approximately RMB17.9 million or 87.4% from approximately RMB20.5 million for the six months ended 30 June 2014 to approximately RMB38.4 million for the Period under Review.

GMP Compliance Service

During the Period under Review, in light of the market opportunities in the emerging countries, the Group diversified its focus to explore and develop the overseas markets by undertaking turnkey projects, providing project design and management services and supports our other business units, with an aim to pursue geographical expansion as well as higher margin projects. For such purpose, the Group strategically re-designated resources from our GMP Compliance Service department to the newly established business unit. As a result, the order-in-take amount of the business segment of GMP Compliance Service decreased by approximately RMB8.7 million or 28.5% from approximately RMB30.4 million for the six months ended 30 June 2014 to approximately RMB21.7 million for the Period under Review.

Life Science Consumables

Subsequent to the introduction of the new products types including the latest pharmaceutical instrument for quality assurance and control use and animal laboratory research products in 2014, the market demand for the life sciences consumables increased and led to an increase in order-in-take in this segment. The order-in-take amount of the business segment of Life Science Consumables increased by approximately RMB17.9 million or 44.3% from approximately RMB40.5 million for the six months ended 30 June 2014 to approximately RMB58.4 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 2015, the Group continued to focus on the business of integrated engineering solutions especially on the business segment of Liquid and Bioprocess System and Powder and Solid System which led to the decrease in the order-in-take amount of the business segment of Distribution and Agency of Pharmaceutical Equipment from approximately RMB12.7 million for the six months ended 30 June 2014 to approximately RMB9.8 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 2015:

	As at 30 June 2015			
Business segment	*Number of Contracts*	*%*	*RMB'000*	*%*
Liquid and Bioprocess System	187	24.8%	242,889	54.3%
Clean Room and Automation Control and Monitoring System	280	37.2%	114,099	25.5%
Powder and Solid System	65	8.6%	30,416	6.8%
GMP Compliance Service	78	10.4%	36,878	8.3%
Distribution and Agency of Pharmaceutical Equipment	143	19.0%	22,809	5.1%
Total	753	100%	447,091	100%

Research and development

The Group has always committed to research and development activities and focused on product and service differentiation and application of latest technologies and knowledge. As at 30 June 2015, the Group had obtained 82 registered patents and 28 patent applications were in progress.

Strategic cooperation with a reputable European company to strengthen our manufacturing capabilities

In June 2015, the Group entered into a technology and trademarks licensing agreement ("Licence Agreement") with GF S.p.A. ("GF"), pursuant to which GF has agreed to license to a wholly-owned subsidiary of the Company ("Licensee") various technology and trademarks ("Licensed Technology") for the purpose of the manufacture and sale of inspection machines for pharmaceutical products ("Licensed Products") for a term of 5 years on an exclusive basis.

During the term of the Licence Agreement, GF will grant to such Licensee an exclusive licence to use the Licensed Technology for the purpose of and in connection with (i) the manufacturing, sale and promotion of the Licensed Products in the PRC, which shall include Hong Kong and Macau ("Territory"); and (ii) the sale of the Licensed Products outside of the Territory to GF or its designees.

To facilitate the manufacture and sale of the Licensed Products, GF will furnish to the Group necessary Licensed Technology and render technical assistance, including but not limited to the manufacture, testing and inspection of the Licensed Products, to the Licensee.

In view of the cooperation with GF, the Company considered that the transactions contemplated under the Licence Agreement are in line with the business of the Company and allow the Group to diversify its business into the manufacture and sale of pharmaceutical inspection machines and expand the Group's current comprehensive product and service offerings in the pharmaceutical industry.

Prospects

The fixed asset investment of the PRC's pharmaceutical industry will continue to soften to certain extents as a result of the Chinese government's expediting of the economic adjustment with micro-control measures. However, following the deeper understanding on the "Technical Guideline for Development and Evaluation of Biosimilars (interim)" by PRC pharmaceutical manufacturers, the stricter enforcement of the revised Environmental Protection Law of the PRC with effect from 1 January 2015, application of automation and information technology in the industry and modernisation of the industry, as a leading pharmaceutical integrated engineering solution provider, the Group is confident on the prospects of the development of pharmaceutical integrated engineering solutions industry in the PRC and emerging countries.

In response to the complicated and changing business environment in the PRC and emerging countries, the Group will continue to put efforts in streamlining operating efficiency by implementing strict cost control measures and optimising our product portfolio to improve overall profit margins. Meanwhile, the Group will continue to pursue sustainable business by implementing the following key development strategies:

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

To cement the relationships with its existing customers and capture the potential market growth in the western and northern regions of the PRC, the Group will continue to strengthen its sales force and place more experienced sales teams in order to increase our market share in the PRC. Through the newly set up business unit, the Group aims to acquire turnkey projects with concept design, detailed design and related mechanical and electrical installation services in the Middle East, Russia and South East Asia through collaboration with local experts.

To continue to improve and widen our service and product offerings

Liquid and Bioprocess System

To capture the growth of biopharmaceutical market especially for vaccines and monoclonal anti-bodies in the PRC, the Group has completed the development of its freeze dryer with more competitive and advanced technologies in the first half of 2015 and such freeze dryer is scheduled to be launched in the second half of 2015. The Group also plans to venture into the field of bioreactors and downstream equipments. In order to capture the expected growth of biopharmaceutical market in the future, during the Period under Review, the Group has employed overseas technical experts to develop and improve the scope and technologies of products and grasp the market opportunities in the biopharmaceutical sector.

Powder and Solid System

The Group will continue to upgrade its model of powder and solid system with better features in order to capture the fast growing formulation technology market and containment and isolation technology market.

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

Research and development has always been our top priority and focus of resources allocation, which cemented solid and advanced technological barriers that differentiated the Group among the rest of the players. The Group will continue to strengthen its research and development, product design and development capabilities by building dedicated facilities and hiring experienced research and development personnel.

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

The Group will continue to seek appropriate and advanced overseas strategic partners and explore opportunities for formation of joint venture, technology licensing and acquisition in Europe to further enhance its production capabilities and widen its products offerings.

Adhering to the Group's core values and with effective implementation of the above development strategies, it is expected that the Group will be able to provide more comprehensive products and services to its reputable customers, sustain the competitive edges in the rapid changing market conditions and provide assurance for maximising the benefits of the shareholders of the Company.

RESULTS OF OPERATIONS

Revenue

For the Period under Review, the Group's total revenue amounted to approximately RMB293.1 million, representing a decrease of approximately 8.6% over the corresponding period in 2014, primarily due to the decrease in revenue from the business segments of Liquid and Bioprocess System, Powder and Solid System, GMP Compliance Service and Distribution and Agency of Pharmaceutical Equipment which had partially offset the increase in revenue from the business segments of Clean Room and Automation Control and Monitoring System and Life Science Consumables.

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 2015 and 2014, the breakdown of the Group's revenue by business segment:

	For the six months ended 30 June				
	2015		2014		**Change**
Revenue by business segment	***RMB'000***	**%**	*RMB'000*	%	**%**
	(Unaudited)		(Audited)		
Liquid and Bioprocess System	**132,136**	**45.1%**	147,173	45.9%	(10.2%)
Clean Room and Automation Control and Monitoring System	**75,972**	**25.9%**	73,765	23.0%	3.0%
Powder and Solid System	**21,703**	**7.4%**	27,555	8.6%	(21.2%)
GMP Compliance Service	**16,856**	**5.8%**	24,927	7.8%	(32.4%)
Life Science Consumables	**38,698**	**13.2%**	34,389	10.7%	12.5%
Distribution and Agency of Pharmaceutical Equipment	**7,721**	**2.6%**	13,014	4.0%	(40.7%)
Total	**293,086**	**100.0%**	320,823	100.0%	(8.6%)

Liquid and Bioprocess System

The Group's revenue from the business segment of Liquid and Bioprocess System decreased by approximately RMB15.0 million or 10.2% from approximately RMB147.2 million for the six months ended 30 June 2014 to approximately RMB132.1 million for the Period under Review. The decrease was mainly attributable to the delay in project progress due to subsequent modification of users' requirements for projects undertaken by the Group which led to the decrease in revenue.

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 slightly increased by approximately RMB2.2 million or 3.0% from approximately RMB73.8 million for the six months ended 30 June 2014 to approximately RMB76.0 million for the Period under Review. The increase was mainly due to the increase in the revenue generated from the provision of integrated engineering solutions in automation and monitoring system but partially offset by the decrease in acceptance of clean room enclosure projects by the Group with lower profit margin as compared to the corresponding period in 2014 during the Period under Review.

Powder and Solid System

The Group's revenue from the business segment of Powder and Solid System decreased by approximately RMB5.9 million or 21.2% from approximately RMB27.6 million for the six months ended 30 June 2014 to approximately RMB21.7 million for the Period under Review. The decrease in revenue was primarily resulted from (i) decrease in revenue recognised during the Period under Review due to decrease in the amount of backlog in the business segment of Powder and Solid System at the year end of 2014; and (ii) certain amount of 2015 order-in-take in the business segment of Powder and Solid System not yet 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 RMB8.1 million or 32.4% from approximately RMB24.9 million for the six months ended 30 June 2014 to approximately RMB16.9 million for the Period under Review. The decrease was mainly attributable to (i) the Group's decision to minimise order-in-takes and increase training to its execution team in order to enhance execution level during the Period under Review; and (ii) assignment of certain team members of GMP Compliance Service to the Group's newly established business unit in pursuit of overseas turnkey projects.

Life Science Consumables

The Group's revenue from the business segment of Life Science Consumables increased by approximately RMB4.3 million or 12.5% from approximately RMB34.4 million for the six months ended 30 June 2014 to approximately RMB38.7 million for the Period under Review, which was primarily attributable to the increase in the Group's distribution of life science consumables manufactured by its joint venture. 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 slightly decreased by approximately RMB5.3 million or 40.7 % from approximately RMB13.0 million for the six months ended 30 June 2014 to approximately RMB7.7 million for the Period under Review, mainly attributable to the Group's increased focus on the business of integrated engineering solutions especially for the business segment of Liquid and Bioprocess System and Powder and Solid System 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 2015 and 2014:

	For the six months ended 30 June				
	2015		2014		**Change**
Revenue	***RMB'000***	***%***	*RMB'000*	*%*	***%***
	(Unaudited)		(Audited)		
Mainland China	**276,168**	**94.2%**	292,500	91.2%	(5.6%)
Other locations	**16,918**	**5.8%**	28,323	8.8%	(40.3%)
Total	**293,086**	**100.0%**	320,823	100.0%	(8.6%)

The Group derived revenue mainly from the business operations in the Mainland China, which accounted for approximately 94.2% of the total revenue for the Period under Review (2014: 91.2%).

Cost of sales

The Group's cost of sales increased by approximately RMB5.2 million from approximately RMB207.1 million for the six months ended 30 June 2014 to approximately RMB212.3 million for the Period under Review. Such increase was mainly attributable to increase in staff costs and cost of raw materials.

Gross profit and gross margin

The Group's gross profit decreased by approximately RMB33.0 million or 29.0% from approximately RMB113.7 million for the six months ended 30 June 2014 to approximately RMB80.7 million for the Period under Review. The gross profit margin decreased from approximately 35.5% for the six months ended 30 June 2014 to approximately 27.5% for the Period under Review, which was mainly 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, Powder and Solid System and GMP Compliance Service.

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 2015 and 2014:

	For the six months ended 30 June					
	2015			2014		
			Gross margin			Gross margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*
	(Unaudited)			(Audited)		
Liquid and Bioprocess system	**25,187**	**31.2%**	**19.1%**	38,697	34.0%	26.3%
Clean Room and Automation Control and Monitoring System	**19,138**	**23.7%**	**25.2%**	27,390	24.1%	37.1%
Powder and Solid System	**6,189**	**7.7%**	**28.5%**	12,522	11.0%	45.4%
GMP Compliance Service	**9,096**	**11.3%**	**54.0%**	15,813	13.9%	63.4%
Life Science Consumables	**17,549**	**21.7%**	**45.3%**	14,307	12.6%	41.6%
Distribution and Agency of Pharmaceutical Equipment	**3,582**	**4.4%**	**46.4%**	5,008	4.4%	38.5%
Total	**80,741**	**100.0%**	**27.5 %**	113,737	100.0%	35.5%

Liquid and Bioprocess System

The Group's gross profit from the business segment of Liquid and Bioprocess System decreased by approximately RMB13.5 million or 34.9% from approximately RMB38.7 million for the six months ended 30 June 2014 to approximately RMB25.2 million for the Period under Review.

The gross profit margin from the business segment of Liquid and Bioprocess System decreased from approximately 26.3% for the six months ended 30 June 2014 to approximately 19.1% for the Period under Review was mainly resulted from (i) delay in project progress due to subsequent modification of users requirements for liquid and bioprocess projects undertaken by the Group which led to the decrease in revenue; 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 RMB8.3 million or 30.1% from RMB27.4 million for the six months ended 30 June 2014 to approximately RMB19.1 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 37.1% for the six months ended 30 June 2014 to 25.2% for the Period under Review mainly attributable to (i) delay in project progress due to subsequent modification of users requirements for certain projects undertaken by the Group which led to the decrease in revenue; and (ii) 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 decreased by approximately RMB6.3 million or 50.6% from approximately RMB12.5 million for the six months ended 30 June 2014 to approximately RMB6.2 million for the Period under Review. The gross profit margin from the business segment of Powder and Solid System decreased from approximately 45.4% for the six months ended 30 June 2014 to approximately 28.5% for the Period under Review mainly resulted from the launching of our new model of powder and solid system, which despite having a lower gross profit margin, formed a key component in the Group's provision of integrated engineering solutions.

GMP Compliance Service

The Group's gross profit from the business segment of GMP Compliance Service decreased by approximately RMB6.7 million or 42.5% from approximately RMB15.8 million for the six months ended 30 June 2014 to approximately RMB9.1 million for the Period under Review. The gross profit margin from the business segment of GMP Compliance Service decreased from approximately 63.4% for the six months ended 30 June 2014 to approximately 54.0% for the Period under Review, which was mainly attributable to (i) increase in staff costs during the Period under Review; and (ii) 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 RMB3.2 million or 22.7% from approximately RMB14.3 million for the six months ended 30 June 2014 to approximately RMB17.5 million for the Period under Review. The gross profit margin from the business segment of Life Science Consumables increased from approximately 41.6% for the six months ended 30 June 2014 to approximately 45.3% for the Period under Review. Such increase was mainly attributable to the increase in distribution of the lifesciences consumables with higher gross profit margin.

Distribution and Agency of Pharmaceutical Equipment

The Group's gross profit from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased by approximately RMB1.4 million or 28.5% from approximately RMB5.0 million for the six months ended 30 June 2014 to approximately RMB3.6 million for the Period under Review. The gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment increased from approximately 38.5% for the six months ended 30 June 2014 to approximately 46.4% for the Period under Review mainly due to the increase in the distribution of spare parts which had higher gross profit margin.

Other income

Other income increased by approximately RMB303,000 or 51.4% to approximately RMB893,000 for the Period under Review from approximately RMB590,000 for the six months ended 30 June 2014, mainly attributable to the increase in subsidies granted by local government authorities of the PRC during the Period under Review.

Other gain/(losses)

Other gain/(losses) improved by approximately RMB1.3 million to a gain of approximately RMB698,000 for the Period under Review from a loss of approximately RMB622,000 for the six months ended 30 June 2014, mainly attributable to the derivatives financial assets at fair value through profit or loss during the Period under Review.

Selling and marketing expenses

Selling and marketing expenses remained relatively stable at approximately RMB32.2 million for the Period under Review, compared with approximately RMB32.4 million for the six months ended 30 June 2014.

Administrative expenses

Administrative expenses decreased by approximately RMB4.6 million or 14.9% to approximately RMB26.0 million for the Period under Review from approximately RMB30.6 million for the six months ended 30 June 2014, primarily attributable to decrease in legal and professional fees of approximately RMB4.6 million incurred during the six months ended 30 June 2014 as a result of the Group's preparation for listing on the Stock Exchange.

Research and development activities

As at 30 June 2015, the Group had 42 research and development personnel which accounted for approximately 4.1% 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. The Group's research and development expenses increased by approximately RMB2.0 million or 19.4% for the Period under Review from approximately RMB10.2 million for the six months ended 30 June 2014, mainly due to our continuous efforts to enhance research and development activities.

Finance expenses – net

Finance expenses – net increased from approximately RMB303,000 for the six months ended 30 June 2014 to approximately RMB780,000 for the Period under Review, mainly due to increase in bank interest income of approximately RMB842,000 but partially offset by the increase in interest expenses on bank borrowings of approximately RMB317,000 primarily resulting from increase in average bank borrowings during the Period under Review.

Share of profit of joint ventures

The Group's share of profit of joint ventures decreased by approximately RMB2.0 million, from approximately RMB2.6 million for the six months ended 30 June 2014 to RMB605,000 for the Period under Review, primarily due to the loss generated from STERIS-AUSTAR Pharmaceutical Systems Hong Kong Limited.

Profit before income tax

The Group's profit before income tax decreased by approximately 69.2% from approximately RMB43.5 million for the six months ended 30 June 2014 to approximately RMB13.4 million for the Period under Review which was primarily attributable to the factors described in the sub-section headed "Gross profit and gross margin" above.

Income tax expenses

Income tax expense decreased by approximately RMB7.5 million from approximately RMB10.7 million for the period ended 30 June 2014 to approximately RMB3.2 million for the Period under Review and the Group's effective income tax rate decreased from 24.6% for the period ended 30 June 2014 to 24.2% for the Period under Review.

Profit for the period

The Group's profit for the period decreased by approximately RMB22.6 million or 69.0% from approximately RMB32.7 million for the six months ended 30 June 2014 to approximately RMB10.1 million for the Period under Review. The net profit margin decreased from approximately 10.2% for the six months ended 30 June 2014 to approximately 3.5% for the Period under Review, which was primarily attributable to the factors described above in this section.

LIQUDITY AND FINANCIAL RESOURCES

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net cash used in operating activities	**(29,014)**	(84,571)
Net cash (used in)/generated from investing activities	**(21,755)**	17,589
Net cash used in financing activities	**(21,102)**	(20,373)
Net decrease in cash and cash equivalents	**(71,871)**	(87,355)

For the Period under Review, the Group had net cash used in operating activities of approximately RMB29.0 million mainly as a result of the profit before income tax of approximately RMB13.4 million generated during the Period under Review, which was primarily adjusted for:

i. the increase in amounts due from/(to) customers for contract work of approximately RMB52.8 million mainly resulting from the increase in expenditure for the Group's project execution close to the end of the six months ended 30 June 2015;

ii. the decrease in trade and notes receivables of approximately RMB14.9 million; and

iii. the increase in trade and other payables of approximately RMB23.3 million.

For the Period under Review, the Group had net cash used in investing activities of approximately RMB21.8 million, which was mainly attributable to purchase of property, plant and equipment of approximately RMB23.0 million which consisted of machinery and equipment purchased for various business segments.

For the Period under Review, the Group had net cash used in financing activities of approximately RMB21.1 million mainly as a result of the final dividend for the year 2014 paid to the shareholders of the Company.

Net current assets

The Group's net current assets as at 30 June 2015 had decreased by approximately RMB26.7 million from approximately RMB494.7 million as at 31 December 2014 to approximately RMB468.0 million as at 30 June 2015. The decrease was mainly due to:

i. As at 30 June 2015, the Group's total current assets amounted to approximately RMB785.9 million, which was a slight decrease of approximately RMB13.5 million as compared with approximately RMB799.4 million as at 31 December 2014. The decrease was primarily due to:

    a. the decrease in cash and cash equivalents of approximately RMB72.0 million; but was partially offset by

    b. the increase in contract work-in-progress of approximately RMB50.0 million primarily resulting from the increase in the progress for project execution near the six months ended 30 June 2015 as compared to the previous year.

ii. As at 30 June 2015, the Group's total current liabilities amounted to approximately RMB317.9 million, which was an increase of approximately RMB13.2 million as compared with approximately RMB304.7 million as at 31 December 2014. The increase was primarily due to the increase in trade and other payables.

Borrowings and gearing ratio

As at 30 June 2015, the total interest-bearing borrowings amounted to approximately RMB35.0 million, which remained unchanged as compared with that as at 31 December 2014, all denominated in RMB and carry interest rates of 4.85% – 6.30% per annum (2014: 6.30% per annum).

The Group's gearing ratio was approximately 6.5% as at 30 June 2015, compared to approximately 6.4% as at 31 December 2014. 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 2015, save for pledged bank deposits of approximately RMB4.6 million, the Group had buildings and land use rights having a total carrying amount of approximately RMB9.7 million and approximately RMB6.0 million (31 December 2014: approximately RMB 10.1 million and approximately RMB6.1 million respectively) which are pledged as security for short-term bank borrowings with carrying value of approximately RMB20 million (31 December 2014: RMB35 million).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

Interim dividend

The Directors do not recommend payment of any interim dividend for the six months ended 30 June 2015.

CAPITAL STRUCTURE

As at 30 June 2015, the Group had shareholders' equity of approximately RMB539.7 million (31 December 2014: approximately RMB 549.1 million)

HUMAN RESOURCES

As at 30 June 2015, the Group had 1,021 full-time employees for, inter alia, research and development, sales and marketing, administration, project management and execution and manufacturing, representing an increase of approximately 1.8% as compared with 1,003 employees as at 31 December 2014. During the Period under Review, the employee costs (including Directors' remuneration) were approximately RMB68.2 million, which was an increase of approximately 17.6% as compared with approximately RMB58.0 million for the six months ended 30 June 2014.

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

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 responsibilities, professional qualification, industry experience and performance. The emolument policy of the Directors is decided by the remuneration committee of the Board.

CAPITAL COMMITMENTS

For capital commitments, please refer to note 12(a) of the notes to the condensed interim consolidated financial information above.

FOREGIN 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. 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

On 7 November 2014, the ordinary shares of the Company were first listed on the Stock Exchange following the completion of its initial public offering (“IPO”). As at 30 June 2015, out of the aggregated net proceeds from the IPO of approximately HK$411.8 million, (i) as to approximately RMB5.6 million (equivalent to approximately HK$7.1 million) had been utilised for general research and development; (ii) as to approximately RMB2.5 million (equivalent to approximately HK$3.2 million) had been utilised for sales and marketing; (iii) as to approximately RMB26.8 million (equivalent to approximately HK$34.0 million had been applied for as general working capital of the Group; (iv) as to approximately RMB12.5 million (equivalent to approximately HK$15.8 million) had been applied for prepayment of premium in connection with acquisition of land use right as explained below; and (v) the remaining of approximately RMB272.6 million (equivalent to approximately HK$351.7 million) has been deposited into the banks and has not yet been utilised. 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.

As set out in the annual report of the Company for the year ended 31 December 2014, due to subsequent change of policy of the local government of Shijiazhuang, the Group was informed by the local government that the piece of land in Shijiazhuang High-New Technology Industry Development Zone (“Zone”), Hebei, the PRC, which was subject to discussion between the Group and the local government of Shijiazhuang and originally intended by the Company to apply part of the net proceeds from the IPO for the acquisition of its land use rights for the construction of new R&D and production centre, had become unavailable. The Group is in negotiation with the relevant PRC local government authority to acquire land use right of another piece of land of similar size in the Zone and premium of approximately RMB12.5 million had been prepaid to the local government of Shijiazhuang in connection with the acquisition of the land use right. The Group’s intention to build the Shijiazhuang R&D and Production Centre on such land remains unchanged and the remaining net proceeds from the IPO allocated for such purpose will remain to be held by the Group as such as at the date this report.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. The Company has adopted 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 Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

Save for the deviation stated in relation to the chairman of the Board and chief executive officer being the same individual 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. The chairman of the Company is responsible for the overall leadership of the Company and for strategies and planning of the Group. The chief executive officer is responsible for the day-to-day management of the Group's business and operations.

Mr. Ho Kwok Keung, Mars 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 committee 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.

During the Period under Review, the Company had been updating the Board with the Company's financial position on a monthly basis.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding its Directors' securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Period under Review.

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the 2014 annual report of the Company are set out below:

1. Mr. Enzo Barazetti resigned as a non-executive Director and a member of each of the remuneration committee and the risk management committee of the Board with effect from 19 June 2015.

2. Following Mr. Enzo Barazetti's resignation, (i) Madam Zhou Ning, an executive Director, has been appointed as a member of the remuneration committee of the Board; and (ii) Mr. Chen Yuewu, an executive Director, has been appointed as a member of the risk management committee of the Board.

3. With effect from 1 July 2015, Madam Ji Lingling, a non-executive Director, is entitled to an annual director's fee of RMB312,000 and a discretionary bonus which will depend on the financial results of the Company and her performance.

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

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.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has discussed with the Company's management and reviewed the unaudited financial statements of the Group for the six months ended 30 June 2015.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2015 will be published on the website of the Stock exchange and the Company's website at www.austar.com.hk and will be despatched to the Company's shareholders in due course.

APPRECIATION

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

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

Hong Kong, 28 August 2015

As at the date of this announcement, the executive Directors are Mr. Ho Kwok Keung, Mars, Mr. Ho Kin Hung, Mr. Chen Yuewu and Madam Zhou Ning; the non-executive Director is Madam Ji Lingling; and the independent non-executive Directors are Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Raco Ivan Jordanov (alias Racho Jordanov).