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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Revenue	**1,763,734**	2,156,869
Gross profit	**336,050**	488,796
(Loss)/profit for the year from continuing operations	**(34,789)**	100,639
Loss for the period/year from discontinued operations	**(116,514)**	(32,895)
(Loss)/profit for the year	**(151,303)**	67,744
(Loss)/profit from continuing operations attributable to the owners of the Company	**(32,607)**	104,237
Loss from discontinued operations attributable to the owners of the Company	**(80,866)**	(16,776)
	(113,473)	87,461
Total assets	**2,158,972**	2,388,763
Net assets	**775,473**	883,581
Gross profit margin	**19.1%**	22.7%
Current ratio	**1.3**	1.3
Gearing ratio	**39.2%**	27.8%
Net debt to equity ratio	**43.5%**	23.4%
Basic and diluted (loss)/earnings per share from continuing and discontinued operations *(Note)*	**RMB (0.22)**	RMB0.17
Basic and diluted (loss)/earnings per share from continuing operations *(Note)*	**RMB (0.06)**	RMB0.20

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 years ended 31 December 2023 and 2022 and the weighted average number of shares during that year. The Company had no dilutive ordinary shares for each of the years ended 31 December 2023 and 2022.

ANNUAL RESULTS

The board ("**Board**") of directors ("**Directors**", each a "**Director**") of Austar Lifesciences Limited ("**Company**" or "**AUSTAR**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 ("**Year**"), together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**For the year ended 31 December 2023** ***RMB'000***	For the year ended 31 December 2022 *RMB'000* (Restated)
Continuing operations			
Revenue	*3*	**1,763,734**	2,156,869
Cost of sales	*3,6*	**(1,427,684)**	(1,668,073)
Gross profit		**336,050**	488,796
Selling and marketing expenses	*6*	**(167,323)**	(177,091)
Administrative expenses	*6*	**(133,666)**	(128,843)
Net impairment (losses)/gains on financial assets and contract assets		**(31,893)**	3,212
Research and development expenses	*6*	**(55,332)**	(70,163)
Other income		**11,706**	11,163
Other gains/(losses) – net	*5*	**10,464**	(10,702)
Operating (loss)/profit		**(29,994)**	116,372
Finance income	*4*	**3,290**	2,273
Finance costs	*4*	**(14,437)**	(8,649)
Finance costs – net		**(11,147)**	(6,376)
Share of net profit of investments accounted for using the equity method		**6,731**	9,536
(Loss)/profit before income tax		**(34,410)**	119,532
Income tax expense	*8*	**(379)**	(18,893)
(Loss)/profit for the year from continuing operations		**(34,789)**	100,639
Discontinued operations			
Loss for the period/year from discontinued operations		**(116,514)**	(32,895)
(Loss)/profit for the year		**(151,303)**	67,744

	Note	**For the year ended 31 December 2023** ***RMB'000***	For the year ended 31 December 2022 *RMB'000* (Restated)
(Loss)/profit for year attributable to owners of the Company			
– from continuing operations		**(32,607)**	104,237
– from discontinued operations		**(80,866)**	(16,776)
		(113,473)	87,461
(Loss)/profit for the year attributable to non-controlling interests			
– from continuing operations		**(2,182)**	(3,598)
– from discontinued operations		**(35,648)**	(16,119)
		(37,830)	(19,717)
		(151,303)	67,744
(LOSS)/EARNINGS PER SHARE			
From continuing and discontinued operations			
– Basic and diluted (RMB)		**(0.22)**	0.17
From continuing operations			
– Basic and diluted (RMB)	*10*	**(0.06)**	0.20

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December 2023 ***RMB'000***	For the year ended 31 December 2022 *RMB'000* (Restated)
(Loss)/profit for the year	**(151,303)**	67,744
Other comprehensive (expense)/income		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**6,253**	38,068
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(22,893)**	(10,954)
Reclassification of cumulative translation reserve upon discontinued operations of foreign operations	**3,182**	–
Share of other comprehensive income/(expense) of investments accounted for using the equity method	**257**	(515)
	(19,454)	(11,469)
Other comprehensive (expense)/income for the year, net of tax	**(13,201)**	26,599
Total comprehensive (expense)/income for the year	**(164,504)**	94,343

	For the year ended 31 December 2023 *RMB'000*	For the year ended 31 December 2022 *RMB'000* (Restated)
Total comprehensive (expense)/income attributable to:		
– owners of the Company	**(123,931)**	114,965
– non-controlling interests	**(40,573)**	(20,622)
	(164,504)	94,343
Total comprehensive (expense)/income attributable to owners of the Company:		
– from continuing operations	**(43,065)**	132,682
– from discontinued operations	**(80,866)**	(17,717)
	(123,931)	114,965

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**320,243**	278,468
Right-of-use assets		**123,609**	155,141
Intangible assets		**42,471**	55,865
Deferred income tax assets		**16,720**	12,783
Investments accounted for using the equity method		**82,110**	85,499
Total non-current assets		**585,153**	587,756
Current assets			
Inventories		**243,160**	388,106
Contract assets	*13*	**642,906**	585,364
Trade and notes receivables	*12*	**351,783**	416,513
Prepayments and other receivables		**117,237**	159,039
Pledged bank deposits		**36,378**	103,856
Term deposits with initial terms of over three months		**10,000**	14,505
Cash and cash equivalents		**163,765**	133,624
		1,565,229	1,801,007
Assets classified as held for sale		**8,590**	–
Total current assets		**1,573,819**	1,801,007
Total assets		**2,158,972**	2,388,763
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**4,071**	4,071
Reserves		**383,648**	394,106
Retained earnings		**385,294**	498,767
		773,013	896,944
Non-controlling interests		**2,460**	(13,363)
Total equity		**775,473**	883,581

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**52,138**	62,874
Long-term borrowings	*15*	**110,848**	40,067
Deferred income		**341**	544
Deferred income tax liabilities		**37,843**	37,740
Other financial liabilities		**4,642**	4,192
Total non-current liabilities		**205,812**	145,417
Current liabilities			
Trade and other payables	*14*	**663,436**	739,603
Contract liabilities	*13*	**180,190**	382,707
Current income tax liabilities		**848**	5,150
Short-term borrowings	*16*	**255,313**	172,254
Current portion of long-term borrowings	*15*	**64,520**	45,670
Lease liabilities		**13,380**	14,381
Total current liabilities		**1,177,687**	1,359,765
Total liabilities		**1,383,499**	1,505,182
Total equity and liabilities		**2,158,972**	2,388,763

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 January 2014 as an exempted company with limited liability. 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 equipments 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**"), Chairman of the Board and the Chief Executive Officer of the Company ("**Chief Executive Officer**").

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

The consolidated financial statements are presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and are approved for issue by the Board on 26 March 2024.

Certain comparative figures have been re-presented to conform with the current year's presentation. These reclassifications have no effect on financial position, results for the year or cash flows of the Group.

As disclosed in note 9, H+E Pharma GmbH ("**H+E Pharma**") and S-Tec GmbH ("**S-Tec**") (collectively referred to as the "**Germany Operations**"), the then indirect non-wholly-owned subsidiaries of the Company, filed for insolvency under self-administration (debtor-in-possession) proceedings in Germany on 3 August 2023. Details of which were set out in the Company's announcements dated 3 August 2023 and 29 August 2023.

As the business operations of the Germany Operations were considered as a separate geographical area of operations, and it was a component of an entity comprises operations and cash flows that was clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group, so it was considered and accounted for as discontinued operations ("**Discontinued Operations**") for the year ended 31 December 2023. The directors of the Company also considered that separately highlighting the results of the Discontinued Operations provides clear information that is relevant in assessing the ongoing ability of the Group to generate cash flows.

Accordingly, the carrying amount related to the net liabilities of the Discontinued Operations was deconsolidated from the consolidated financial statements of the Group as of 3 August 2023. The results, other comprehensive income and cash flows of the Discontinued Operations were separately presented in the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2023, respectively. The comparative information including the financial performance and cash flows from the Discontinued Operations has been re-presented and restated to conform to the current year's presentation.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

2.2 Application of new and amendments to IFRSs and changes in other accounting policies

(a) New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2024.

[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

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

The CODM considers the business primarily from a product and service perspective, which mainly includes six reportable 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 measurement of results and assets of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates the performance of the reportable segments based on gross profit.

The segment results for the year ended 31 December 2023 are as follows:

Continuing operations:

	Liquid and Bioprocess System *RMB'000*	Clean Room and Automation Control and Monitoring System *RMB'000*	Powder and Solid System *RMB'000*	GMP Compliance Service *RMB'000*	Life Science Consumables *RMB'000*	Distribution and Agency of Pharmaceutical Equipment *RMB'000*	Total *RMB'000*
Segment revenue and results							
Segment revenue	694,759	567,151	290,091	93,295	321,778	72,200	2,039,274
Inter-segment revenue	(83,467)	(125,942)	(38,297)	(3,171)	(18,385)	(6,278)	(275,540)
Revenue*	611,292	441,209	251,794	90,124	303,393	65,922	1,763,734
Recognised at a point in time	47,193	24,784	6,529	1,062	303,393	41,083	424,044
Recognised overtime	564,099	416,425	245,265	89,062	–	24,839	1,339,690
Cost of sales	(529,657)	(362,781)	(234,008)	(51,341)	(207,738)	(42,159)	(1,427,684)
Segment results							
Gross profit	81,635	78,428	17,786	38,783	95,655	23,763	336,050
Other segment items							
Amortisation	2,774	2,776	505	228	1,093	190	7,566
Depreciation	15,065	9,011	4,743	1,844	5,951	1,419	38,033
Provision/(reversal of) for impairment losses on financial assets and contract assets	375	23,232	5,988	2,399	(88)	(13)	31,893
Write-down/(reversal of write-down) of inventories	7,094	(3,038)	–	–	10,105	–	14,161
Share of net profit of investments accounted for using the equity method	6,385	346	–	–	–	–	6,731
Finance costs	7,586	1,935	2,088	810	1,349	669	14,437
Interest income	(1,663)	(1,056)	(376)	(48)	(117)	(30)	(3,290)
Losses on disposal of property, plant and equipment	355	312	–	–	–	183	850

* The revenue from customers did not contribute over 10% of the total revenue of the Group during the year.

The segment results for the year ended 31 December 2022 are as follows:

Continuing operations (restated):

	Liquid and Bioprocess System *RMB'000*	Clean Room and Automation Control and Monitoring System *RMB'000*	Powder and Solid System *RMB'000*	GMP Compliance Service *RMB'000*	Life Science Consumables *RMB'000*	Distribution and Agency of Pharmaceutical Equipment *RMB'000*	Total *RMB'000*
Segment revenue and results							
Segment revenue	962,062	678,636	293,034	98,858	391,805	39,290	2,463,685
Inter-segment revenue	(83,496)	(164,566)	(47,239)	(4,509)	(3,541)	(3,465)	(306,816)
Revenue*	878,566	514,070	245,795	94,349	388,264	35,825	2,156,869
Recognised at a point in time	73,821	25,564	10,613	7,205	388,264	25,354	530,821
Recognised overtime	804,745	488,506	235,182	87,144	–	10,471	1,626,048
Cost of sales	(738,062)	(421,313)	(194,093)	(51,321)	(241,596)	(21,688)	(1,668,073)
Segment results							
Gross profit	140,504	92,757	51,702	43,028	146,668	14,137	488,796
Other segment items							
Amortisation	3,058	306	200	58	891	21	4,534
Depreciation	12,047	8,519	4,253	1,366	5,777	513	32,475
(Reversal of)/provision for impairment losses on financial assets and contract assets	(2,603)	(2,252)	627	188	732	96	(3,212)
Write-down/(reversal of write-down) of inventories	698	(318)	(383)	(132)	4,625	(6)	4,484
Share of net profit of investments accounted for using the equity method	9,069	467	–	–	–	–	9,536
Finance costs	4,276	899	1,501	426	1,210	337	8,649
Interest income	(912)	(592)	(536)	(23)	(184)	(26)	(2,273)
Losses on disposal of property, plant and equipment	297	–	–	–	–	–	297

* The revenue from customers did not contribute over 10% of the total revenue of the Group during the year.

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

Continuing operations:

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000* (Restated)
Liquid and Bioprocess System	**81,635**	140,504
Clean Room and Automation Control and Monitoring System	**78,428**	92,757
Powder and Solid System	**17,786**	51,702
GMP Compliance Service	**38,783**	43,028
Life Science Consumables	**95,655**	146,668
Distribution and Agency of Pharmaceutical Equipment	**23,763**	14,137
Total gross profit for reportable segments	**336,050**	488,796
Selling and marketing expenses	**(167,323)**	(177,091)
Administrative expenses	**(133,666)**	(128,843)
Net impairment (losses)/gains on financial assets and contract assets	**(31,893)**	3,212
Research and development expenses	**(55,332)**	(70,163)
Other income	**11,706**	11,163
Other gains/(losses) – net	**10,464**	(10,702)
Finance costs – net	**(11,147)**	(6,376)
Share of net profit of investments accounted for using the equity method	**6,731**	9,536
(Loss)/profit before income tax from continuing operations	**(34,410)**	119,532

The segment assets as at 31 December 2023 and 2022 are as follows:

	As at 31 December 2023		As at 31 December 2022	
	Total assets	**Investments accounted for using the equity method**	Total assets	Investments accounted for using the equity method
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Liquid and Bioprocess System	**855,151**	**62,262**	1,034,779	60,737
Clean Room and Automation Control and Monitoring System	**516,136**	**19,848**	429,886	24,762
Powder and Solid System	**223,263**	**–**	140,264	–
GMP Compliance Service	**73,487**	**–**	48,626	–
Life Science Consumables	**226,352**	**–**	277,240	–
Distribution and Agency of Pharmaceutical Equipment	**19,649**	**–**	9,866	–
Total segment assets	**1,914,038**	**82,110**	1,940,661	85,499
Unallocated:				
Deferred income tax assets	**16,720**		12,783	
Assets classified as held for sale	**8,590**		–	
Headquarter assets	**219,624**		435,319	
Total assets	**2,158,972**		2,388,763	

All assets are allocated to operating segments other than deferred income tax assets, assets classified as held for sale and headquarter assets. Assets used jointly by operating segment are allocated on the basis of the revenue earned by individual operating segments.

The Group's borrowings are not considered to be segment liabilities, but are managed by the treasury function.

	As at 31 December 2023 Total liabilities *RMB'000*	As at 31 December 2022 Total liabilities *RMB'000*
Liquid and Bioprocess System	**373,442**	510,217
Clean Room and Automation Control and Monitoring System	**195,566**	241,315
Powder and Solid System	**128,555**	118,626
GMP Compliance Service	**45,200**	44,224
Life Science Consumables	**87,250**	142,989
Distribution and Agency of Pharmaceutical Equipment	**12,031**	23,310
Total segment liabilities	**842,044**	1,080,681
Unallocated:		
Deferred income tax liabilities	**37,843**	37,740
Short-term borrowings	**255,313**	172,254
Long-term borrowings	**110,848**	40,067
Current portion of long-term borrowings	**64,520**	45,670
Headquarter liabilities	**72,931**	128,770
Total liabilities	**1,383,499**	1,505,182

Geographical information

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

Continuing operations:

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000* (Restated)
Revenue from continuing operations		
Mainland China	**1,681,099**	2,073,560
Other locations	**82,635**	83,309
	1,763,734	2,156,869

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Non-current assets other than financial assets and deferred income tax assets		
Mainland China	**524,375**	501,499
Other locations	**44,058**	73,474
	568,433	574,973

4. FINANCE COSTS – NET

Continuing operations:

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000* (Restated)
Finance costs		
– Bank borrowings	**(10,916)**	(6,502)
– Lease liabilities	**(3,045)**	(3,092)
– Other financial liabilities	**(185)**	—
Exchange (losses)/gains, net	**(291)**	945
	(14,437)	(8,649)
Finance income		
– Bank deposits	**3,290**	2,273
	(11,147)	(6,376)

5. OTHER GAINS/(LOSSES) – NET

Continuing operations:

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000* (Restated)
Losses on disposal of property, plant and equipment	**(850)**	(297)
Gain on disposal of land use right classified as right-of-use asset	**4,954**	—
Exchange gains/(losses), net	**7,116**	(6,117)
Others	**(756)**	(4,288)
	10,464	(10,702)

6. EXPENSES BY NATURE

Continuing operations:

	For the year ended 31 December 2023 *RMB'000*	For the year ended 31 December 2022 *RMB'000* (Restated)
Raw materials used	**924,789**	1,209,541
On-site subcontract fee	**140,048**	166,573
Staff costs, including directors' emoluments *(Note 7)*	**459,799**	457,530
Depreciation		
– Property, plant and equipment	**19,795**	12,938
– Right-of-use assets	**18,238**	19,537
Amortisation	**7,566**	4,534
Travel expenses	**39,069**	30,486
Freight and port charges	**28,533**	28,347
Professional fee	**17,092**	22,659
Technical service fee	**26,814**	12,982
Sales tax and surcharges	**8,632**	11,365
Warranty provision	**15,496**	11,060
Office expenses	**11,650**	7,862
Business entertainment expenses	**8,597**	7,290
Write-down of inventories	**14,161**	4,484
Promotion expenses	**8,599**	5,831
Auditor's remuneration		
– Audit service		
– Moore CPA Limited	**2,780**	—
– PricewaterhouseCoopers	**—**	3,167
– Other auditors	**642**	448
– Non audit service		
– PricewaterhouseCoopers	**2,681**	85
– Other auditors	**—**	29
Repair and maintenance	**2,235**	1,941
Human resources management expenses	**1,372**	1,633
Labour productive cost	**645**	1,451
Bank charges	**1,612**	1,224
Communication expenses	**1,572**	1,035
Renovation expenses	**2,272**	490
Convention service expenses	**230**	437
Property management fee	**183**	59
Other operating expenses	**18,903**	19,152
	1,784,005	2,044,170

7. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

Continuing operations:

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000* (Restated)
Salaries and bonuses	**359,592**	348,885
Pension and social obligations	**100,207**	108,645
	459,799	457,530

8. INCOME TAX EXPENSE

Continuing operations:

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000* (Restated)
Current income tax expense	**3,096**	15,688
Deferred income tax (credit)/expense	**(2,717)**	3,205
	379	18,893

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

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

The taxation of the Group's subsidiaries in Hong Kong was calculated at 16.5% of the estimated assessable profits for the Year (2022: 16.5%), except for a subsidiary of the Group in Hong Kong which is a qualifying entity applicable to the two-tiered profits tax rates. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK$2 million of assessable profits will be lowered to 8.25%, and assessable profits above HK$2 million will continue to be subject to the rate of 16.5%.

Corporate income tax in the PRC is calculated based on the statutory profit or loss of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC Corporate Income Tax Law promulgated by the PRC government, the tax rate for the Company's PRC subsidiaries is 25%, except for certain subsidiaries which are taxed at preferential tax rates. Shanghai Austar Pharmaceutical Technology Equipment Ltd. ("**Shanghai Austar**"), Austar Pharmaceutical Equipment (Shijiazhuang) Ltd. ("**Austar SJZ**"), and Austar Hansen Lifesciences (Shanghai) Ltd. ("**Austar Hansen**") are high and new technology enterprises certified by relevant local authorities in the PRC. These entities are entitled to preferential corporate income tax rates of 15% upon fulfilment of certain conditions under the tax ruling. Austar SJZ has been enjoying preferential corporate income tax rate since 2015 and renewed its "High and New Technology Enterprise" qualification for another three years in 2021. Shanghai Austar and Austar Hansen have been enjoying preferential corporate income tax rate since 2013 and renewed their "High and New Technology Enterprise" qualification for another three years in 2022.

9. DISCONTINUED OPERATIONS

As set out in the Company's announcements dated 3 August 2023 and 29 August 2023, H+E Pharma and S-Tec, the then indirect non-wholly-owned subsidiaries of the Company, filed for insolvency under self-administration (debtor-in-possession) proceedings in Germany on 3 August 2023.

As the business operations of the Germany Operations were considered as a separate geographical area of operations, and it was a component of an entity comprises operations and cash flows that was clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group, so it was considered and accounted for as the Discontinued Operations for the year ended 31 December 2023.

Accordingly, the carrying amount related to the net liabilities of the Discontinued Operations was deconsolidated from the consolidated financial statements of the Group as of 3 August 2023. The results, other comprehensive income and cash flows of the Discontinued Operations were separately presented in the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2023, respectively. The comparative information including the financial performance and cash flows from the Discontinued Operations has been re-presented and restated to conform to the current year's presentation.

The net liabilities relating to the Discontinued Operations were RMB113,320,000 upon deconsolidation as at 3 August 2023 and an aggregate one-off loss upon deconsolidation of the Discontinued Operations was recognised during the period and included in the losses from discontinued operations.

The loss for the period/year from the discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present this business as discontinued operations.

	Period from 1 January 2023 to 3 August 2023	Year ended 31 December 2022
	RMB'000	*RMB'000*
Revenue	**45,632**	71,775
Cost of sales	**(89,630)**	(97,902)
Gross loss	**(43,998)**	(26,127)
Selling and distribution expenses	**(787)**	(1,568)
Administrative expenses	**(6,160)**	(5,771)
Other (losses)/gains — net	**(18,627)**	1,072
Operating loss	**(69,572)**	(32,394)
Finance costs	**(3,225)**	(653)
Loss before income tax	**(72,797)**	(33,047)
Income tax credit	**46**	152
Loss for the period/year from discontinued operations	**(72,751)**	(32,895)
Add: One-off gains recognised upon the deconsolidation of the Discontinued Operations attributable to owners of the Company	**56,924**	–
Less: Reclassification of cumulative translation reserve upon the deconsolidation of the Discontinued Operations	**(3,182)**	–
Less: Impairment loss on amounts due from the Discontinued Operations	**(97,505)**	–
Loss for the period/year from discontinued operations	**(116,514)**	(32,895)

The major classes of assets and liabilities relating to the Discontinued Operations as at 3 August 2023 were set out below:

	As at 3 August 2023 ***RMB'000***
Deconsolidated assets	**36,294**
Deconsolidated liabilities	**149,614**
Deconsolidated net liabilities	**(113,320)**
Deconsolidated net liabilities attributable to non-controlling interests	**(56,396)**
Deconsolidated net liabilities attributable to owners of the Company	**(56,924)**

The net cash flows incurred relating to the Discontinued Operations are as follows:

	Period from 1 January 2023 to 3 August 2023 ***RMB'000***	Year ended 31 December 2022 *RMB'000*
Operating activities	**12,217**	1,206
Investing activities	**–**	(218)
Financing activities	**(9,627)**	(702)
Effect of foreign exchange rate changes	**234**	79
Net cash inflow	**2,824**	365

10. (LOSS)/EARNINGS PER SHARE

From continuing operations

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to owners of the Company and the weighted average number of ordinary shares of approximately in issue during the year.

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000* (Restated)
(Loss)/profit for the year attributable to owners of the Company	**(113,473)**	87,461
Less: loss for the period/year from discontinued operations attributable to owners of the Company	**80,866**	16,776
(Loss)/profit for the purpose of calculating basic and diluted (loss)/earnings per share from continuing operations	**(32,607)**	104,237

	For the year ended 31 December 2023	For the year ended 31 December 2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purposes of the basic and diluted (loss)/earnings per share	**512,582**	512,582

As the Company had no potential ordinary shares for each of the years ended 31 December 2023 and 2022, diluted (loss)/earnings per share for the years ended 31 December 2023 and 2022 are the same as basic (loss)/earnings per share.

From continuing and discontinued operations

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000* (Restated)
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(113,473)**	87,461

The denominators used are the same as those detailed above for basic and diluted (loss)/earnings per share from continuing operations.

From discontinued operations

For the year ended 31 December 2023, basic and diluted loss per share for the discontinued operations is RMB15.78 cents per share (2022: RMB3.27 cents losses per share), based on the loss for the year attributable to owners of the Company from the discontinued operations of RMB80,866,000 (2022: RMB16,776,000) and the denominators used are the same as those detailed above for basic and diluted (loss)/earnings per share from continuing operations.

11. DIVIDENDS

The Board did not propose any final dividend for the year ended 31 December 2023 (2022: nil).

12. TRADE AND NOTES RECEIVABLES

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*	**349,258**	413,202
Notes receivables *(Note (b))*	**52,078**	33,432
	401,336	446,634
Less: loss allowance	**(49,553)**	(30,121)
	351,783	416,513

Notes:

(a) The ageing analysis of gross trade receivables (including amounts due from related parties of trading in nature for RMB11,292,000 (2022: RMB14,379,000)) based on sales contracts at the respective balance sheet dates is as follows:

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Within 6 months	**202,822**	274,285
6 months to 1 year	**47,895**	43,379
1 to 2 years	**42,710**	56,769
2 to 3 years	**32,764**	23,506
Over 3 years	**23,067**	15,263
	349,258	413,202

Most of the trade receivables are due within 90 days in accordance with sales contracts.

(b) Most of the notes receivables are bank acceptance with maturity dates within six months (2022: within six months). At 31 December 2023, notes receivables of RMB31,899,000 (2022: RMB10,407,000) were classified as financial assets at fair value through other comprehensive income.

13. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Contract assets	**662,881**	591,660
Less: loss allowance	**(19,975)**	(7,767)
	642,906	583,893
Costs incurred to obtain contracts	**–**	1,471
Total contract assets	**642,906**	585,364
Contract liabilities	**(180,190)**	(382,707)

14. TRADE AND OTHER PAYABLES

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Trade payables	**405,927**	426,204
Payroll and welfare payable	**69,953**	126,830
Accrued expenses	**32,596**	34,031
Payable to vendors of construction, machinery and equipment	**99,564**	81,784
Indirect taxes payable	**9,781**	17,690
Warranty provision	**20,781**	16,499
Employee payable	**1,890**	2,378
Loan from a non-controlling shareholder of a subsidiary	**–**	1,299
Others	**22,944**	32,888
	663,436	739,603

The ageing analysis of trade payables (including amounts due to related parties of trading in nature of RMB35,421,000 (2022: RMB25,937,000)) based on invoice dates is as follows:

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Within 6 months	**266,485**	348,478
6 months to 1 year	**90,876**	55,297
1 to 2 years	**31,209**	7,997
2 to 3 years	**4,679**	4,014
Over 3 years	**12,678**	10,418
	405,927	426,204

15. LONG-TERM BORROWINGS

	As at 31 December 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Bank borrowings, secured *(Note (a))*	**77,810**	85,737
Bank borrowings, unsecured *(Note (b))*	**97,558**	—
Total long-term borrowings	**175,368**	85,737
Less: Long-term borrowings due within one year	**(64,520)**	(45,670)
	110,848	40,067

The carrying amounts of the above borrowings are repayable*:

Within one year	**64,520**	45,670
Within a period of more than one year but not exceeding two years	**88,968**	40,067
Within a period of more than two years but not exceeding five years	**21,880**	—
	175,368	85,737
Less: amount due within one year shown under current liabilities	**(64,520)**	(45,670)
Amounts shown under non-current liabilities	**110,848**	40,067

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(a) As at 31 December 2023, the secured long-term bank borrowings were denominated in RMB and secured by the Group's buildings, construction in progress, right-of-use assets and assets classified as held for sale. For the year ended 31 December 2023, the secured long- term bank borrowings bore interest rates ranging from 3.95% to 4.35% (2022: 4.45% to 4.65%) per annum.

(b) As at 31 December 2023, the unsecured long-term bank borrowings were denominated in RMB and bore interest rates ranging from 3.50% to 3.65% (2022: nil) per annum. As at 31 December 2023 and 2022, certain bank borrowings were guaranteed by certain subsidiaries of the Group.

As at 31 December 2023, the fair value of the borrowings (including long-term borrowings due within one year) was not materially different to their carrying amounts, since the interest payable on those borrowings was close to current market rates.

16. SHORT-TERM BORROWINGS

	As at 31 December 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Bank borrowings, secured *(Note (a))*	**61,425**	21,464
Bank borrowings, unsecured *(Note (b))*	**193,888**	150,790
	255,313	172,254

Notes:

(a) As at 31 December 2023, the secured short-term bank borrowings were denominated in RMB and secured by the Group's buildings, right-of-use assets and assets classified as held for sale. For the year ended 31 December 2023, the secured short-term bank borrowings bore interest rates ranging from 2.40% to 4.00% (2022: 4.00% to 4.52%) per annum and were repayable within one year.

(b) As at 31 December 2023, the unsecured short-term bank borrowings were denominated in RMB (2022: RMB and EUR) and bore interest rates ranging from 3.10% to 4.10% (2022: 3.80% to 7.00%) per annum and were repayable within one year. As at 31 December 2023 and 2022, certain bank borrowings were guaranteed by certain subsidiaries of the Group.

MARKET REVIEW

Since the beginning of 2023, it is evident that the biopharmaceutical industry has experienced a slowdown in capital expenditure (CAPEX) investments, and biopharma manufacturers have exercised caution in investments in research and development (R&D) and commercialized investments. Some of the industry's leading companies have changed their direction to establishing a pipeline focusing on differentiation and competitiveness, and willing to invest even in long-term innovative technologies such as AI-driven drug discovery. However, instead of capital intensive in-house manufacturing facilities, these companies prefer Contract Manufacture Organization (CMO) outsourcing or building manufacturing facilities to accommodate multiple product portfolios such as monoclonal antibodies and vaccines.

The arrival of powerful new drugs for obesity has reshaped the pharmaceutical industry, transforming Eli Lilly and Novo Nordisk to become the sector's most valuable companies and pushing others, including drug researchers and manufacturers in China, scrambling to catch up. It is believed that such GLP-1 drug development or anti-obesity drug enthusiasm will continue for many years, leading to new waves of investment on research and manufacturing facilities.

Antibody-drug conjugate (ADC) is a growing class of biologics. Based on China's policy to support pharmaceutical enterprises and the increasing R&D in these enterprises, the China ADC technology platform and research pipeline have been rapidly recognized by global biotech enterprises. It is believed that ADC is another hot topic besides GLP-1 in 2023.

The continuous increase of new anti-tumor drugs, ADC drugs, nucleic acid drugs and polypeptide drugs provided support for the R&D and production of featured active pharmaceutical ingredients (API). The expansion of oral anti-tumor preparations and relevant Contract Development and Manufacturing Organization (CDMO) production capacities have created business opportunities in engineering technology system and solutions.

The rapid expansion of the medical beauty market and demand for the prevailing hyaluronic acid, recombinant collagen protein and botulinum toxin have also brought business opportunities in fermentation and sterile powder equipment and technologies.

Supported by national policies in China, and along with the continuous improvement of pharmaceutical process key technology and core equipment development and production, there has been a notable acceleration process in domestic substitution in China. Due to their advantages in cost performance, stable supply chain ability and effective after-sales-service, the domestic pharmaceutical service vendor companies from consumables to equipment are expected to have more growth potentials and gain more market share from the European and US vendors.

In terms of policies and regulations:

- Since September 2023, the Center for Drug Evaluation and the Center for Food and Drug Inspection of NMPA (National Medical Products Administration) have successively issued the "2022 Drug Evaluation Report", "China Investigational New Drug Application Annual Report (2022)", and "2022 Drug Inspection Work Report". Anti-tumor drugs are still the main focus, shown in the indication of drugs in INDA and NDA.

- In September 2023, NMPA submitted a formal application to PIC/S (Pharmaceutical Inspection Co-operation Scheme), and PIC/S confirmed its official applicant status in November, 2023. NMPA's participation in PIC/S will promote the progress of China's drug inspection system and standards, improve the drug inspection quality management system and the inspector team building, and enhance the modernization of drug supervision in China.

- The EU GMP Annex 1 Manufacture of Sterile Medicinal Products took effect in August 2023. The new regulation has established new requirements for the sterile products industry in terms of cleanroom cleaning and disinfection, as well as process system cleanliness and sterility assurance. Such revised regulations will drive pharmaceutical manufacturers to improve their equipment, facilities and processes not only in Europe but also in all countries following the WHO (World Health Organization) and PIC/S GMP guidelines.

- "Q13: Continuous Manufacturing of Drug Substances and Drug Products", the guideline of International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, will promote the realization of digitalization, informatization and validation, as well as quality management system of continuous manufacturing in the pharmaceutical industry.

- "The Announcement on Strengthening the Supervision and Management of Contract Manufacturing by Drug Marketing Authorization Holder" and "Guidelines for Site Inspection of Contract Manufacturing by Drug Marketing Authorization Holder"have provided clear requirements for Marketing Authorization Holders (MAH) on licensing management, quality management, regulatory inspection of contract manufacturing, indicating strengthening management on MAH.

- The NMPA GMP Annex Blood Products (exposure draft), which aims to implement the main responsibility of the blood product MAH for product quality and safety, will further promote the information management of blood product production and testing processes, and ensure the quality and safety of blood products.

BUSINESS REVIEW

For the Year, the Group recorded approximately RMB1,763.7 million in revenue, order-in-take has decreased by approximately 32.7% as compared to 2022 due to the reduction of number of projects and delay on project schedule caused by CAPEX investment slow down after recovery from the COVID-19 pandemic.

The profitability in 2023 has been negatively affected by the reduced order-in- take and shortfalls in some businesses in incubation and early maturity phases. It is believed that by improvement in those businesses with poor profitability performance through better leadership and governance, and strengthening the competence elements of profitable product lines by deploying more corporate-level resources, will both contribute to a stronger profit in the coming years.

The Group has been working on continuous upgrading of technical solutions. The API product line has developed an oligonucleotide technology turnkey service, which integrates the containment scheme, and meet both GMP and Environment, Health, and Safety (EHS) requirements. This represents a shift in our core competitiveness from original equipment Occupational Exposure Band (OEB) protection to systematic Containment Performance Target (CPT) protection, and we could now provide clients with overall containment concept and solutions instead of only equipment, and help clients to have a safer and more economical production workshop.

The launch of the oral solid dosage (OSD) continuous manufacturing platform to the market has received industry attention. Such new manufacturing facility requires new technologies, equipment and system like formulation, continuous blending, material transfer technologies, process analytical technology (PAT), continuous granulation and drying, process technologies, sophisticated engineering integration and automation technologies. AUSTAR is one of the few companies in the world with all such fundamental knowledge and experience under one roof, and further investments in developing such technology will be done in partnership with academic institutions and strategy partners.

The Group has been undergoing a serious review on its business structure and product lines, with a focus on establishing a more synergized and efficient business model, and finding new technical solutions to offer the most cost-effective integrated solutions. This business restructuring effort will contribute to competence improvement and enable the Group to be more resilient under the increasingly competitive circumstances. The Group is proudly looking forward to a more precise positioning as a technological company with comprehensive knowledge and experience in life sciences process technology and applications as well as industry regulatory rules and practices, which would enable the Group to help clients to address issues in quality, compliance, and operation excellence.

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

ORDER-IN-TAKE FROM CONTINUING OPERATIONS

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

	For the year ended 31 December				
	2023		2022		Change
Order-in-take by business segment	***RMB'000***	***%***	*RMB'000*	*%*	*%*
Liquid and Bioprocess System	**462,057**	**29.9%**	712,301	31.1%	-35.1%
Clean Room and Automation Control and Monitoring System	**469,719**	**30.4%**	647,892	28.3%	-27.5%
Powder and Solid System	**159,989**	**10.4%**	328,414	14.3%	-51.3%
GMP Compliance Service	**58,204**	**3.8%**	108,255	4.7%	-46.2%
Life Science Consumables	**321,061**	**20.8%**	426,165	18.6%	-24.7%
Distribution and Agency of Pharmaceutical Equipment	**71,776**	**4.7%**	68,286	3.0%	5.1%
Total	**1,542,806**	**100.0%**	2,291,313	100.0%	-32.7%

During the Year, the total order-in-take from continuing operations amounted to approximately RMB1,542.8 million, representing a decrease of approximately RMB748.5 million or 32.7% from approximately RMB2,291.3 million for the year ended 31 December 2022 due to the reduction of number of projects and delay on project schedule caused by CAPEX investment slowdown after recovery from the COVID-19 pandemic.

Liquid and Bioprocess System

The order-in-take amount of the business segment of Liquid and Bioprocess System amounted to approximately RMB462.1 million for the Year, showing a decrease of approximately RMB250.2 million or 35.1%, comparing to approximately RMB712.3 million for the year ended 31 December 2022. The overall demand of the market decreased after years of rapid development. It is expected that the industry will gradually show signs of steady recovery alongside the improvement of the overall economic environment and the stabilization of the market. At the same time, the filling line system and the freeze-dryer system have extended their coverage into chemical drugs, nutriceuticals, medical-beauty, and other related fields, as well as the biopharmaceutical field. Geographically, there is also expansion to other regions outside of the China market.

Clean Room and Automation Control and Monitoring System

The order-in-take amount of the business segment of Clean Room and Automation Control and Monitoring System amounted to approximately RMB469.7 million for the Year, representing a decrease of approximately RMB178.2 million or 27.5% from approximately RMB647.9 million for the year ended 31 December 2022. The new construction and renovation in pharmaceutical industry slowed down in China. Due to shortage of customer funds and hesitations in investment decisions, the required time to secure an order intake has been prolonged. For 2024, the pharmaceutical automation engineering business is expected to grow, particularly in the factory construction of innovative drug projects. Besides, with the development of the market in the Yangtze River Delta, it has brought new business opportunities to facility design services.

Powder and Solid System

The order-in-take amount of the business segment of Powder and Solid System amounted to approximately RMB160.0 million for the Year, showing a decrease of approximately RMB168.4 million or 51.3% from approximately RMB328.4 million for the year ended 31 December 2022. During the Year, this business segment experienced challenges including investment slowdown, increased cost pressure, and significant decrease on number of larger projects. At the same time, pharmaceutical companies are also diversifying their procurement sources, so that the local equipment manufacturers, with improved technology and lower cost, benefited from more sales opportunities, where the market used to favour traditional European and American players. Internally, more cross-team cooperation projects are being launched with the aim to secure more strategic turn-key projects.

GMP Compliance Service

The order-in-take amount of the business segment of GMP Compliance Service amounted to approximately RMB58.2 million for the Year, showing a decrease of approximately RMB50.0 million or 46.2% from approximately RMB108.2 million for the year ended 31 December 2022. During the Year, the GMP Compliance Service business was adversely affected by investment slowdown in the pharmaceutical industry and the delay of new construction and expansion projects. Besides, after the recovery of the COVID-19 pandemic, a certain number of contracts have been cancelled; in other cases, the contract size has been significantly reduced, including those for COVID-19 vaccine R&D and manufacturing companies.

At the same time, the inspections of domestic drug production sites by European and American drug regulatory agencies and international organizations such as the WHO are intensified with less restrictions on international travel. EU GMP Annex 1 Manufacture of Sterile Medicinal Products has taken into effect from August 2023. The demand for high-end compliance consulting services is expected to expand in the future. The Group is promoting the expansion of high-end compliance consulting business through on-site visits by experienced consultants to meet the needs of different customer groups. The Group is also implementing visits to customer based on analysis of collected MAH information to promote order-in-take.

Life Science Consumables

The order-in-take amount of the business segment of Life Science Consumables decreased by approximately RMB105.1 million or 24.7% from approximately RMB426.2 million for the year ended 31 December 2022 to approximately RMB321.1 million for the Year. The equipment and service orders of biopharmaceutical companies have decreased mainly due to investment slowdown in biopharmaceutical market, cost savings measures on the customers' side, and production capacity reduction of pharmaceutical companies. At the same time, driven by accelerated process on domestic substitution in China, demand for imported consumables has decreased. The Group is developing and promoting equipment and consumables with its own brand to secure more orders at more competitive price and with shorter delivery lead time.

Distribution and Agency of Pharmaceutical Equipment

The order-in-take amount of the business segment of Distribution and Agency of Pharmaceutical Equipment had a slight increase by approximately RMB3.5 million or 5.1% from approximately RMB68.3 million for the year ended 31 December 2022 to approximately RMB71.8 million for the Year. The Group continues to promote comprehensive technological transformation services by upgrading renovation services based on "AUSTAR Technology Services" to help existing "old" factories meet the new GMP requirements.

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 31 December 2023:

	As at 31 December 2023			
Backlogs by business segment	*Number of contracts*	*%*	*RMB'000*	*%*
Liquid and Bioprocess System	381	26.3%	327,260	32.3%
Clean Room and Automation Control and Monitoring System	399	27.5%	412,286	40.7%
Powder and Solid System	184	12.7%	95,587	9.4%
GMP Compliance Service	97	6.7%	72,159	7.1%
Distribution and Agency of Pharmaceutical Equipment	389	26.8%	106,550	10.5%
Total	1,450	100.0%	1,013,842	100.0%

PRODUCTION, EXECUTION AND ORGANIZATION

The facility of AUSTAR UK Limited ("**AUSTAR UK**"), a wholly-owned subsidiary of the Company, in Huddersfield, West Yorkshire, the United Kingdom, has successfully retained its ISO 9001 & 14001 certifications without any non-conformance for the third consecutive year. Furthermore, the team has also obtained accreditation from Alcumus SafeContractor, a market-leading health & safety accreditation system, helping contractors and organizations to become healthier, safer, and stronger whilst safeguarding AUSTAR's safety reputation.

Based on the AUSTAR Production System (APS) and two new production sites being put into operation, the three equipment manufacturing centres in Shanghai, Shijiazhuang and Nanjing have entered into a relatively mature stage of lean operation; continuous improvements have been made in terms of product quality, cost saving, and on-time delivery. These equipment manufacturing platform and sites are undergoing a restructuring process, so as to invite joint venture and licensing partners such as Noozle, STERIS-AUSTAR and C-True team to utilize the approximately 50,000 sq.m. facilities in total. The overall upgrading of manufacturing conditions will provide more space for new product research and manufacturing, and offer opportunities for improvement, including production process and quality management, digitalization tools enhancement, and key production process optimization. In terms of informatization, the new production sites have established a standardization and display of data information, largely improving the efficiency

in data analysis. This manufacturing capacity improvement will allow the Group to increase its strength in equipment R&D of its own equipment products with its own intellectual property rights, eventually completing its mission of core equipment self-reliant to replace the previous role as core equipment agent. Such manufacturing space investment in 2023 is believed to be sufficient for at least 3 to 5 years.

To improve the onsite operator working capability, the production team has introduced a "lean operation room" approach which integrates multi-functions such as training, stimulation, sand table, and practical operation. Going beyond purely theoretical knowledge, the transformation of learning method could provide more practical operation and help onsite operators to quickly improve their working skills.

A methodology in man-hours reduction has been established, and improvements have been made in the areas of technology, personnel and system. We believe this will help the production sites to make continuous progress in working- hour reduction and working efficiency improvement.

In 2023, besides adopting the Manufacturing Execution System (MES) as the main system, the manufacturing centres have also set up their own information management system, covering the management scope of factory daily operation, workshops and shifts. The information management system can provide data support for different management purposes, including but not limited to key indicators, business performance, risk warning, production status and inventory etc., to improve the overall productivity and optimize operational efficiency.

Based on AUSTAR's digital platform and the interworking of self-developed software and international software platform, the Group's Project Execution Centre (PEC) has realized the digital integrated management of project execution and achieved a seamless transition from conceptual design to project completion. Coping with the Group's global expansion strategy and serving clients worldwide, the team has established a technical platform for R&D by introducing talents from the industry for more up-to-date technical solutions. The team formulates scientific and reasonable construction plans, coordinates resources, and strictly follows the safety standards and norms of the industry to ensure the safety and compliance of each project and timely delivery with high quality.

The PEC is committed to implementing the philosophy that project quality is based on good design engineering, and has successfully established a unified EPLAN database for the whole product line through human resources and technology experience accumulation and optimization of software design tools.

By integrating production process and user experience into customized, module program function solutions, this database can largely improve clients' automation capability, and help improve their production efficiency and product quality.

Following customer focus and result orientation as the working principle, the PEC enables a full life-cycle operation and aims for continuous improvements to win customer satisfaction. In 2023, the PEC has executed more than 650 projects, covering a wide range of fields such as CDMO innovation and transformation platform for cell and gene therapy (CGT), intelligent platform for innovative biopharmaceuticals, OSD workshop, GMP filling workshop, etc., and has expanded our service areas by providing clients with full life-cycle services in new projects for radiopharmaceuticals, blood products, and medicinal products.

SALES AND MARKETING

The Group's internal sales cooperation model is designed to encourage sales teams from different sectors and different product lines to support each other to offer a more relevant solution to our clients. This model is facilitated by a sophisticated business-intelligent information system of customer relations management to ensure our clients are properly taken care of and our sales teams are working cost-effectively.

In China, through years of sales talent and organization development, the Company's sales process is relatively mature, covering the area of biological and chemical medicine, medical device, animal health, Chinese medicine, cosmetics, nutria-pharmaceuticals etc. The China sales teams are focusing on the China market with more key account managers to support the business growth, and specific matter experts and technology application team are supporting territory sales for technical support and proposal preparation and presentation.

For global expansion, we have been building up the team gradually according to execution strategies, as in the last few years, European and Southeast Asia teams were recruited to directly take care of the related sales leads and enquiries, but due to the travel restrictions under the COVID-19 pandemic, the sales performance in other global regions was not satisfactory. Early 2023, a new leadership team was established to initiate some organization change by optimizing the existing team member and introducing some new members. From the sales order-in-take information, it appears that such organization change has a positive effect indicated by the drastic improvement in orders especially in India and South-East Asia. It is believed that the Group's revamped global sales team is able to gradually contribute a greater portion share of the sales order-in-take in the near future.

In 2023, brand promotion and marketing have made good progress, and the Group has successfully established and released three brands, namely Research and Manufacturing Operation Information Integrated System (REMOIIS), a platform integrating automation control and informatization capabilities to facilitate pharmaceutical companies to build and become world- class informatized research and manufacturing enterprises; C-True, a product brand focusing on visual inspection solutions; SCHEDIO-AUSTAR, a product brand focusing on jet mill technology. By the end of 2023, the Group already possesses a brand portfolio of 16 professional product and business brands.

In 2023, the Group had a good exposure with the participation and organization of 55 events worldwide, including 16 expos, 26 industry meetings, 11 self-organized online and offline seminars and 2 bio-medical Park workshops. We believe the diversified events held in different countries and regions could help us increase and strengthen the AUSTAR brand recognition in global and local markets. With the new manufacturing center put into operation, technology seminars with production site open day were proved to be a good way to show our overall capability in leading technology and production capability.

In order to support business development in Russia, the Resource Center of the Group website has added a Russian language version for brochure online reading and download. As of the end of 2023, there are about 200 brochures online for public sharing, and resulting in more than 94,000 online reading. We believe it is a good way to share product and technology information. Compared to hard copies, electronic copies could be updated timely and are more environmental friendly.

In 2023, a total of 330 news and articles being released via 16 social media accounts, which created over 750,000 times online reading, together with 102 promotion videos produced, the Group's social media achieved good performance. Order inquiries coming from social media and website channel are increasing, and we believe digital marketing is a good way based on its promptness and large scale influence.

Strategic improvements has been made on webinars. Instead of single topic sharing, series topic focusing on the 12 technology applications were released. As of the end of the Year, 40 webinars have been organized with an attendance of over 16,300 audience in online sharing, and all these online activities obtained positive feedback and created good business interactions.

RESEARCH AND DEVELOPMENT

As at 31 December 2023, the Group owns 418 patents. During the Year, the Group obtained 57 registered patents, and applications for 62 patents are currently in progress.

A testing laboratory for clean room panel was established in the new manufacturing centre, and the continuous optimization of clean room panel production process has improved the production efficiency and quality control of clean room panels and windows. High-quality clean room materials and professional clean engineering installation services have strengthened AUSTAR's competitiveness.

In response to the national carbon dioxide emissions peak and carbon neutrality policy, the Group has carried out a special research project in clean room air conditioning energy saving. By introducing international clean room dynamic energy-saving concept to carry out real operation simulation of clean room air conditioning energy saving, this will further enhance AUSTAR's technical capabilities in clean engineering.

In 2023, a pilot laboratory intelligent production platform project for biopharmaceuticals was completed by Zhejiang University and AUSTAR. This platform has connected an AI prediction model with R&D equipment, realized the recipe-based flexible automatic production, and reduced the number of laboratory operators. This platform could ensure data integrity, realize data analysis, and achieve continuous data model and production process optimization.

Through integrating AI energy-saving technology into software solutions for one of our clients, and after conducting a joint calculation and analysis, we could see a reduction of around 8% to 10% in public auxiliary system energy consumption after operation, which at the same time achieved the client's expectation of establishing a digital computer room and reducing human operation and maintenance costs, and met the needs of automatic control and intelligent energy-saving control strategy of utility and auxiliary systems.

A project of designing and manufacturing polypeptide synthesizers and high-pressure chromatography equipments was initiated, which aims to provide core equipment and technologies for polypeptide technical solutions, and enhance AUSTAR's market competitiveness in this field. These high-value core equipments in polypeptides and oligonucleotide drugs manufacturing processes can help AUSTAR to improve its offerings as a full turnkey project solution provider.

A medium specification of automatic powder filling equipment of 100 – 1000g capacity was developed, which has filled a specification gap in the market, as the current common specification in the China market primarily focus on the 1-100g grade and kilogram grade range. The product was equipped with an advanced 6-axis robot, which can resist Vaporized hydrogen peroxide (VHP) sterilization.

The OSD business has completed the construction of an innovative process laboratory, which means that such business has attained preliminary OSD process trial test and scale up abilities. We have also obtained a license from SCHEDIO for the localization production of a pilot type jet mill, its FBDGC70 fluid bed for scale-up services was issued with explosive-proof ATEX certificate by TÜV Rhineland.

A continuous weighing and dispensing, continuous blending, continuous drying and automatic control systems was developed, and the ContiFlex10 flexible continuous manufacturing system has been launched; the system will promote the development of continuous manufacturing in China from the concept and planning stage to commercial stage of product selection and project implementation.

The successful launch of the laboratory freeze-dryer has led to a continuous increase of our product presence in the freeze-dryer market. There are more than 20 different sizes of freeze-dryers, from lab to pilot and commercial production scale, which could be applied to different stages from research to mass production.

With the continuously growing development and system integration capabilities, a Guideless Robotic Pushers (GRP) Automatic Loading and Unloading System (ALUS) of freeze-dryer with innovative design was introduced to the market, the cart of which is fully electrical controlled with no risk of pneumatic and hydraulic leaks, and the adoption of wireless communication guarantees product compliance to GMP requirements. We believe it will be widely adopted by high-end pharmaceutical clients in the future.

The launch of the medium-speed 100% in-process control (IPC) filling machine received positive feedback in 2023. This product could combine with an isolator, with simplified structure and compact design, making it easy to operate and enabling 100% online weighing, meeting clients' requirements to a greater extent.

The R&D of the self-developed cleaning and disinfecting robot was completed and officially launched. This product could solve the difficulties of cleaning and disinfection needs in core areas of sterile preparation, and avoid the irreversible risks of sterile environment contamination and sterile drug quality problems caused by improper human operation. Customized service on technical requirements and solutions for clients could be made based on their needs.

Following the increasing demand for freeze-thaw technology of biologics drug substance, AUSTAR has been providing imported single use systems (SUS) equipment capable of handling large volume of drug substance in the field of antibodies, vaccines, mRNA, and gene therapy, helping clients to expand the range of process options, improve production efficiency, and reduce project costs.

Lipid nanoparticles (LNPs), which are widely used for the delivery of small molecule and nucleic acid drugs, attracted attention due to its being used as a COVID-19 mRNA vaccine delivery platform. In 2023, AUSTAR completed its self-developed LNP preparation system with the characteristics of high throughput, automation, and compliance with GMP regulations, which could provide better process solutions for nucleic acid drugs clients worldwide.

PROSPECTS

Starting from 2024, the Group will consolidate its six business segments into three business segment groups: (1) Integrated Process and Packaging Systems, which basically combines the original business segments of Liquid and Bioprocess System and Powder and Solid System; (2) Consulting, Digitalization and Construction, which consolidates all the services and engineering construction business into one business segment, from the original business segments of Clean Room and Automation Control and Monitoring System, GMP Compliance Service, and a majority of Distribution and Agency of Pharmaceutical Equipment; and (3) Life Science Equipment and Consumables, in which the business segment of Life Science Consumables will remain as it is but renamed as such.

Integrated Process and Packaging Systems

The business segment of Integrated Process and Packaging Systems is focused on the business and technology direction of advanced manufacturing and process in life sciences industry. Its establishment has been formed naturally in response to the growing urge within the pharmaceutical industry to have a turnkey supplier which has technical and knowledge capacity combinations for both liquid and solid systems, chemical synthesis and biological process, sterility, and non-sterility, from milling to freeze-drying, to tackle some complex formulation and complete API requirements. An obvious benefit of such competence is its ability to deliver turnkey solutions of polypeptides and oligonucleotide drugs.

Continuous manufacturing (CM) has become critically significant in replacing the conventional batch manufacturing methods and offering various technical and economic benefits, especially in terms of CAPEX and operational costs. Recognizing such importance, our chief executive officer Mr. Ho Kwok Keung Mars, led our expert team in supporting the translation and publication of the Chinese edition of the book titled "How to design and implement Powder-to-tablet Continuous Manufacturing Systems". In 2023, the Group organized the first product trial and demo of one OSD CM system developed by AUSTAR. Such success is based on the long-term effort and resources allocated to talent knowledge development of aspects such as digitalization, PAT, pharmaceutical formulation and data processing technology. CM is a disruptive technology in pharmaceutical manufacturing. The recent enthusiasm on demand for CM applications on innovative and generic drugs following the launch of our CM product and publication has strengthened our confidence that the CM applications can bring tremendous business opportunities in terms of service and equipment in the mid-long term. In the short term, the Group is ready to offer consulting services and pilot equipment to support clients' clinical and formulation development tasks.

In order to win the orders of centralized purchase policy by cost and scale, a digitalized manufacturing facility of extraordinary scale of production in the magnitude of 10 billion tablets/capsules per year had been a challenging but now a realistic competitive edge for pharmaceutical manufacturers to pursue. AUSTAR has assisted clients to implement such facility by our digitalization consulting and critical equipment and systems. The AUSTAR OSD integrated system, developed with solid client references, is able to capture more market share in this market segment.

In the area of Freeze-drying, Filling & Inspection technology, the Group will work on product R&D and system integration in various product lines, including prefilled syringe (PFS) systems, powder dosing, high-speed liposome filling line, ampoule product lines, liquid nitrogen freeze-dryers, and fully automated aseptic filling system without manual intervention. The Group has evolved from solely providing freeze-drying machines to developing freeze-drying systems (freeze-dryer + sterile isolation + ALUS), and aims to become a comprehensive solution provider for liquid reagents from design to manufacturing and validation, covering core equipment of freeze-dryer, sterile isolator, ALUS, washer, dehydrogenation tunnel, filling and stoppering machine, capping machine, and inspection machine. Through continuous improvements in products, service and spare parts, the Group can enhance its overall competitiveness in global market.

Integrated Filling & Freeze-drying system is now combined with the business segment of Powder and Solid System, bringing additional technical strength to freeze-dryers with its powder handling and highly potent active pharmaceutical ingredient (HPAPI) containment expertise. Vial and Prefilled Syringe Filling Lines and Freeze-Dryers are important core equipment in the pharmaceutical and medical beauty industry. From being a representative for European suppliers to become an equipment manufacturer with its own research and development capabilities, AUSTAR has gone through such tough development process with a classical case like filling line and freeze-dryers, as products from concept to high maturity taking years to complete due to high technical barriers and clients' typical conservative attitudes on new vendor qualification in the pharmaceutical industry. With the new EU GMP Annex I rules followed by WHO and PIC/S new GMP guidelines, the adoption of more stringent sterility assurance approaches will definitely help the Group's filling line and isolator equipment and system business.

The C-True visual inspection machines recently launched in the end of 2023 are expected to obtain a relatively satisfactory number of orders in 2024 as the feedback from the market in the past few months has been exciting. The adoption of its unique "camera non-tracking" visual inspection technology and AI deep-learning technology can ensure stable image acquisition and to tackle defect identification. This product, together with our vial and syringe filling line, is our starting point of business growth journey from primary packaging to secondary packaging.

The AUSTAR UK facility with its research and development, and manufacturing competence can help the Group to develop its business in Europe.

The equipment company Noozle, with AUSTAR as a minority shareholder, has been delivering satisfactory results; its performance improvement through the Group's operation support is evident in its 2023 financial results. Noozle's core equipment of powder micronization and nano homogenization has tremendous potentials in complex drug research and manufacturing. Noozle and AUSTAR are able to bundle our products together to provide competitive offerings.

Consulting, Digitalization and Construction

The scope of the business segment of Consulting, Digitalization and Construction covers services from consulting on front-end engineering, concept and detailed design, digitalization, automation and information systems, GMP compliance and quality systems, facility construction project management and up to facility turnkey solutions in the life sciences industry focusing in the biopharmaceutical sectors. Its strength is based on the Group's sophisticated IT-based project execution processes, pharmaceutical process knowledge and automation and information system engineering knowledge of the REMOIIS platform. Such services are able to meet clients' facility management and equipment maintenance and system upgrading requirements.

The Group has been delivering turnkey solutions including clean room engineering in regions other than China such as Middle-East and South-East Asia. The skills and knowledge gained in China allow the Group to tackle various kinds of project complexity in the other regions to deliver very competitive and cost-efficient design to build projects as compared to other regional competition players. One of the key business development directions is to explore global expansion opportunities as the profit margin in other regions is better in general.

The design and construction of a high-end CGT facility in hospitals can be one growth driver for this business segment. Our recently acquired project for one National Regional Medical Center in Northeast China sets a good example for such application. In this project, the Group will deliver comprehensive turnkey services and full equipment and system for a smart and modern hospital integrating stem cell transplantation and cell therapy laboratories, medical preparation and intervention in compliance with international standards and the China national tertiary level A general hospital standards.

The Group's knowledge and experience in digitalization and regulatory compliance in the pharmaceutical industry has been allowing the Group to acquire projects with challenging requirements of fully integrated system with intelligent information systems, distinguishing AUSTAR from the other equipment and system competitors. Such automation and digitalization project requirements are simply coming from the urgent need of clients facing the challenges of operation cost-down pressure, especially in China, due to all the currently implemented drug price-down policies.

The importance and urgency of digitalization transformation in terms of Pharma 4.0 have well been recognized in the developed countries. Research and manufacturing companies in life sciences in the emerging countries including China have gradually realized that they must speed up their pace in digitalization transformation in order to catch up with their peers in the developed countries. The Group has addressed such development and trend in the past several years by spending serious efforts into developing talents and skills in the segment of technologies. A sophisticated structure of the REMOIIS platform was created by the Group to facilitate software vendors and partners to offer solutions to clients, with the Group's capacity to act as a system integrator and provide infrastructure including data processing and analytics, by covering levels from level 0 to level 3 throughout the whole product life cycle.

The Group has a strong and experienced service team to offer classical repair and maintenance, automation system upgrading up to facility management services. The market demand of services on facility and equipment maintenance has been increasing as pharmaceutical researchers and manufacturers are focusing their resources on core competencies instead of developing staff for repair and maintenance. Outsourcing repair and maintenance to other service vendors instead of executing such operation by clients themselves is a current market trend. The regulatory requirements on computer system validation will bring about technical challenges for our clients to upgrade their automation systems for the updated regulatory compliance.

The GMP compliance and pharmaceutical quality management services offered by the Group are highly recognized in the biopharmaceutical sectors in China and Asia regions. Such experience can be applied to other industrial sectors within life sciences to leverage the reputation gained in the biopharmaceutical sectors, such as animal health, medical beauty, radiopharmaceutical and medical devices, which requires more and more GMP production practices due to the more stringent regulatory inspections by authorities.

Life Science Equipment and Consumables

The conventional business of the business segment of Life Science Equipment and Consumables is related to service, consumable and equipment. With more than 20 years of dominance in the market in China in sterility assurance for bio decontamination, we have demonstrated a good track record of client loyalty and profit margin. Although it appears to be like a buy-and-resell business model, a deeper examination into this business reveals that its strength and competitiveness rely on its knowledge on decontamination – washing, disinfection and sterilization. One of our key growth initiatives is the launching of our own-brand products several years ago by cooperating with third-party vendors and existing partners with its China manufacturing facilities. As such, we can cover more price-sensitive sectors with higher sales quantities. Another growth momentum driver for this decontamination product and service business is being driven by the regulatory requirements of the EU GMP Annex 1 especially with the efforts PIC/S-EMA-WHO Joint Implementation Working Group on Revised Annex 1 (manufacture of sterile medicinal products) announced in 2023. New sectors like high-value medical beauty, polypeptides and oligonucleotide and other complex drugs can be a new revenue generation source for this business. The CGT sector is a very exciting opportunity for those vendors who are able to offer sterility assurance consulting, supporting services and consumables to those clients where product and patient safety are critical.

Services and products related to the aseptic transfer and single-use bioprocess consumables mainly refers to the clean steam bags and bioprocess bags from our previously joint-venture of PALL-AUSTAR. After the disposal of our interests in this joint-venture to Cytiva-Danaher in 2021, such business as a sales distributor was severely affected. The Group is working out a new business model to tackle the issues and explore such product market opportunities. For aseptic transfer, the Group has partnered with CAPE Europe France ("**CAPE Europe**"), a joint venture of AUSTAR located in France with innovative rapid transfer port (RTP) products, for sales and technical cooperation. More RTP products will be launched in the coming months and years. For single-use bioprocess consumables, without proper strategies it would be too tough to regain the market share, as client perception and vendor capacities have all changed in the last few years especially during the COVID-19 pandemic period. By leveraging multiple-use stainless steel bioprocess equipment and system knowledge owned by the Group, the Group can offer hybrid bioprocess system engineering products and services.

A strategic direction of the business segment lies in advanced therapies and advanced bioprocess technology in collaboration with the business segment of Integrated Process and Packing Systems. Specifically, the Group has been delivering bioreactors, freeze and thaw equipment and isolators. In the past one to two years, in order to help our clients to tackle the challenges in the advanced therapy medicinal products (ATMP) sector with corresponding solutions, the Group has provided (1) customization of process development and optimization, where the main products are in cell preparation segment and involved in the scaling up process, such as wave bioreactor, glass bioreactor, honeycomb cell culture system and isolator, cell preparation station and cell storage programmable cooling device; and (2) contamination control and containment material handling and transport in its commercial production including cell preparation isolators, sterile transport spare parts and equipment, environmental monitoring systems.

In 2024, there are certain uncertainties in the development and investment of various process routes in the industry. We will adopt a strategy of agent distribution, own brand products (OBP), and continue to expand the market share of our independently developed products at the same time, where (a) AUSTAR will act as an agent for products of the leading companies of international giants, mainly involving process equipment such as separation and sorting, cell counting, and cell transfection that are not yet matured in domestic technology; (b) AUSTAR will leverage its many years of experience in consumable production to develop OBP products for consumables in the cell therapy industry, mainly focusing on breaking through the separation of packaging consumables, cryopreserved consumables, transshipment consumables and related packaging equipment, programmed cooling equipment and isolation equipment to form a comprehensive solution for packaging and cryopreservation processes; and (c) the Group will take advantage of the business segment of Life Science Equipment and Consumables' ability to combine contamination control processes and ATMP processes to help customers to solve problems such as automation, sealed processing, contamination control, and information traceability in commercial production, mainly

expanding the market share of cell culture isolators, cell culture reactor series, sterile transfer devices, and contamination control strategy consulting. At the same time, we will develop and sell products and services with AUSTAR's unique technologies such as automatic cleaning robots and cell tracing system software.

Strong Technical Competence and Knowledge

The Group has been developing 12 technology applications in our competence and knowledge model, and individual specific technology application teams have been established step by step over the past years. The Group has set up 12 technology application teams, namely 1) Pharmaceutical Automation & Digitalization, 2) Cleaning, Sterilization & Disinfection, 3) Clean Utilities, 4) Biopharma Process and Technology, 5) Containment Technology, 6) Clean Room/HVAC/EMS/BMS, 7) Freeze-drying, Filling & Inspection, 8) Biosafety Technology and Facilities, 9) Laboratory Technology & Facilities 10) Pharmaceutical Formulation Technology, 11) Regulatory Compliance & Operation Excellence, and 12) Analytics Measurement Technologies, where regular workshops were held for the purpose of better unification of the technology capability of individual product lines into comprehensive technology solutions. It is believed that with these cross-business-unit professional technical application teams, more up-to-date technology solutions can be provided to the clients.

Service Business Opportunities

Our enthusiasm on the development of the service business has been prevailing among all major business units and product lines, as the service business does not apparently require heavy working capital to achieve performance as compared with the equipment and engineering systems business. The service business depends on established human capital and streamlined process, and more importantly, the brand recognition gained from long-time client loyalty and satisfaction. It is believed that AUSTAR possesses all these elements.

The service business accounted for approximately 14% of total order-in-take in 2023. In 2021, it accounted only for approximately 9%. It is believed that the percentage of service business will further increase in coming years. The scope of the Group's service offerings under the service business has been gradually increasing to enhance its differentiation from competition. It is not easy for competitors to copy the service business, which offers reasonable profit margin contributions to the Group. A dedicated service business growth initiative team was established around two years ago to adopt more aggressive approach and action plans to increase the service business revenue. With the ratio of the Group's service business increasing, the gross margin contributions therefrom would become more significant.

Global Expansion

For global expansion, we have been gradually building up our team according to our execution strategies, as in the past few years, European and Southeast Asia teams were recruited to directly take care of the related sales leads and enquiries. It is believed that the Group's global sales team is able to contribute a greater portion of sales order-in-take gradually in the near future. It is evident that selling standardized equipment products is easier compared to services and customized-products and systems. The more integrated the system, the more challenging for communicating with clients on technical and commercial proposals and project execution. In the last 10 years the Group has been gradually developing a more standardized core equipment in our product portfolios, which was more convenient to sell than systems in some regions other than China. The Group's global project execution team, through team competence building, has demonstrated its capability in professional project management with very high levels of client satisfaction and client loyalty in the Middle East, North Africa and South East Asia.

Complex Drugs

The US FDA (Food and Drug Administration) has defined complex drugs with the following categories:

1. Products with complex active ingredients (e.g., polypeptides, polymeric compounds, complex mixtures of active pharmaceutical ingredients); complex formulations (e.g., liposomes, colloids); complex routes of delivery (e.g., locally acting drugs, complex ophthalmological products and otic dosage forms that are formulated as suspensions, emulsions, or gels); or complex dosage forms e.g., implantable, transdermal, metered dose inhalers, extended release injectables.

2. Complex drug-device combination products (e.g., auto-injectors, inhalers).

3. Other products where complexity or uncertainty concerning the approval pathway or possible alternative approach would benefit from early scientific engagement.

While complex products are gaining popularity with hundreds of advanced delivery platforms being currently under development, only a handful of technologies are of practical use at this time. Product technology examples in this sector include nanoparticles, drug-eluting systems/devices, liposomes, polymeric microparticles, and others. Complex processing challenges include, among others, aseptic manufacturing, the inclusion of highly potent compounds, milling/particle engineering, spray drying, extrusion, and microfluidization.

In 2022, the Group acquired a 40% share in Noozle, a company which manufactures some of the core equipment of the above-mentioned processes, namely micro and nano particle homogenization including jet milling and microfluidization equipment. For the time being, most of the clients are in the research phases with laboratory and pilot scale equipment and facilities, but it is expected that revenue will increase significantly after these clients have successfully obtained new drug approvals and turn to commercial phases with larger production scales. It is an important supplementary product strategy for the Group to offer complete turnkey solutions with the core equipment available in the scope of Noozle.

Advanced Therapies Medicinal Products

Due to the release and enforcement of the EU GMP new regulations and process requirements of CGT, sterility assurance in the whole manufacturing process have become stringent and a key consideration in equipment and system engineering. It is believed that with AUSTAR UK, our subsidiary in the United Kingdom, CAPE Europe, our joint venture in France, and the Group's manufacturing facility for sterile transfer and isolation technology in China having joined forces with a strategic goal to offer most competitive sterile protection and assurance scheme globally, will contribute to substantial growth in revenue and profit to the Group.

New therapeutics research and commercialization is one of the key business growth driving forces for life sciences service providers like AUSTAR. It is believed that CGT technology and process are still at an early development phase where there is still much room for innovative and creative service providers to initiate a lot of new business and new products and services in this field. The optimism surrounding this sector has brought about enthusiasm for investment and dedication of resources towards R&D and manufacturing plans in life sciences, as clearly witnessed now in Asia. The Group is getting more and more involved in this sector from strategic and engineering consulting to equipment and consumable supply. Such proactive involvement would help us develop more knowledge and experience to create and innovate products and services in this potential sector.

With the rapid development trend of the CGT sector globally, the approval of Car-T drugs represented that the ATMP products has entered into a stage of rapid development. The Group is dedicated to helping clients to build a compliant, lean and flexible cell therapy facilities, providing engineering and process solutions from conceptual design, clean engineering to core cell therapy process equipment, and building traceable cell therapy automation and information solutions. In 2023, more cell-related equipment and systems in the ATMP sector were being launched, including some products developed and manufactured by the Group with its own intellectual property rights. The strong pipelines of products and services under development, through the corporate level Innovative and Research Centre and through the business unit R&D teams, can support further growth in the Group's business. The recent slower pace of investment in this sector in China seems as a temporary phenomena. Medium-long term trend in the CGT sector is optimistic.

RESULTS OF OPERATIONS

Revenue

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

For the Year, the Group's total revenue amounted to approximately RMB1,763.7 million, representing a decrease of approximately 18.2% over the year ended 31 December 2022. It was primarily attributable to the decrease in revenue from the business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System and Life Science Consumables, partially offset by the increase in revenue from the business segments of Powder and Solid System, and Distribution and Agency of Pharmaceutical Equipment.

The following table sets forth, for the years ended 31 December 2023 and 2022, the breakdown of the Group's revenue by business segment from continuing operations:

	For the year ended 31 December				
	2023		2022		Change
Revenue by business segment	***RMB'000***	***%***	*RMB'000* (Restated)	*%*	*%*
Liquid and Bioprocess System	**611,292**	**34.7%**	878,566	40.7%	-30.4%
Clean Room and Automation Control and Monitoring System	**441,209**	**25.0%**	514,070	23.8%	-14.2%
Powder and Solid System	**251,794**	**14.3%**	245,795	11.4%	2.4%
GMP Compliance Service	**90,124**	**5.1%**	94,349	4.4%	-4.5%
Life Science Consumables	**303,393**	**17.2%**	388,264	18.0%	-21.9%
Distribution and Agency of Pharmaceutical Equipment	**65,922**	**3.7%**	35,825	1.7%	84.0%
Total	**1,763,734**	**100.0%**	2,156,869	100.0%	-18.2%

Liquid and Bioprocess System

The Group's revenue from the business segment of Liquid and Bioprocess System decreased by approximately RMB267.3 million or 30.4% from approximately RMB878.6 million for the year ended 31 December 2022 to approximately RMB611.3 million for the year. The decrease was mainly due to the decrease in opening backlog and lower order-in-take during 2023.

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 RMB72.9 million or 14.2% from approximately RMB514.1 million for the year ended 31 December 2022 to approximately RMB441.2 million for the Year. The revenue decrease was mainly due to lower order-in-take in 2023.

Powder and Solid System

The Group's revenue from the business segment of Powder and Solid System increased by approximately RMB6.0 million or 2.4% from approximately RMB245.8 million for the year ended 31 December 2022 to approximately RMB251.8 million for the Year. This was mainly due to higher opening backlog.

GMP Compliance Service

The Group's revenue from the business segment of GMP Compliance Service decreased by approximately RMB4.2 million or 4.5% from approximately RMB94.3 million for the year ended 31 December 2022 to RMB90.1 million for the Year. The decrease was mainly due to lower order-in-take, and the lower conversion for the COVID-19 related projects in the opening backlog after the pandemic situation has subsided.

Life Science Consumables

The Group's revenue from the business segment of Life Science Consumables decreased by approximately RMB84.9 million or 21.9% from approximately RMB388.3 million for the year ended 31 December 2022 to approximately RMB303.4 million for the Year. The decrease was mainly due to lower order-in-take in 2023.

Distribution and Agency of Pharmaceutical Equipment

The Group's revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB30.1 million or 84.0% from approximately RMB35.8 million for the year ended 31 December 2022 to approximately RMB65.9 million for the Year. The increase was mainly due to higher opening backlog, and the improvement of project execution efficiency in 2023.

The following table sets forth the breakdown of the Group's revenue from continuing operations geographical regions for the years ended 31 December 2023 and 2022:

	For the year ended 31 December				
	2023		2022		Change
Revenue	***RMB'000***	***%***	*RMB'000*	*%*	*%*
Mainland China	**1,681,099**	**95.3%**	2,073,560	96.1%	-18.9%
Other locations	**82,635**	**4.7%**	83,309	3.9%	-0.7%
Total	**1,763,734**	**100.0%**	2,156,869	100.0%	-18.2%

The Group derived its revenue mainly from customers in Mainland China, which accounted for approximately 95.3% of the total revenue for the Year (2022: approximately 96.1%).

Cost of sales

The Group's cost of sales decreased by approximately RMB240.4 million or 14.4% from approximately RMB1,668.1 million for the year ended 31 December 2022 to approximately RMB1,427.7 million for the Year. The decrease is in line with the drop in revenue.

Gross profit and gross profit margin

The Group's gross profit from continuing operations decreased by approximately RMB152.7 million or 31.2% from approximately RMB488.8 million for the year ended 31 December 2022 to approximately RMB336.1 million for the Year. The Group is taking actions to improve the businesses with poor profitability performance by better leadership and governance, and strengthen the competence elements of profitable product lines by deploying more corporate-level resources.

The following table sets forth the breakdown of the Group's gross profit and gross profit margin from continuing operations by business segment for the years indicated.

Gross profit and gross profit margin for continuing operations by business segment	For the year ended 31 December 2023			For the year ended 31 December 2022		
	RMB'000	*%*	Gross profit margin *%*	*RMB'000* (Restated)	*%*	Gross profit margin *%*
Liquid and Bioprocess System	**81,635**	**24.3%**	**13.4%**	140,504	28.7%	16.0%
Clean Room and Automation Control and Monitoring System	**78,428**	**23.3%**	**17.8%**	92,757	19.0%	18.0%
Powder and Solid System	**17,786**	**5.3%**	**7.1%**	51,702	10.6%	21.0%
GMP Compliance Service	**38,783**	**11.5%**	**43.0%**	43,028	8.8%	45.6%
Life Science Consumables	**95,655**	**28.5%**	**31.5%**	146,668	30.0%	37.8%
Distribution and Agency of Pharmaceutical Equipment	**23,763**	**7.1%**	**36.0%**	14,137	2.9%	39.5%
Total	**336,050**	**100.0%**	**19.1%**	488,796	100.0%	22.7%

Notes:

1. Gross profit margin by business segment represents gross profit divided by revenue of the respective business segment for the year.

2. Total gross profit margin represents gross profit divided by total revenue for the year.

Liquid and Bioprocess System

The gross profit from the business segment of Liquid and Bioprocess System decreased by approximately RMB58.9 million or 41.9% from approximately RMB140.5 million for the year ended 31 December 2022 to approximately RMB81.6 million for the Year. The gross profit margin from the business segment of Liquid and Bioprocess System decreased from approximately 16.0% for the year ended 31 December 2022 to approximately 13.4% for the year. Gross profit margin decrease reflected the impact of higher project costs due to longer project execution time and the impact of higher mix of strategic projects which are of lower margin. It is expected the gross profit and gross profit margin will be gradually improved with the growth of market share and the expansion of globalization in the coming years.

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 RMB14.4 million or 15.5% from approximately RMB92.8 million for the year ended 31 December 2022 to approximately RMB78.4 million for the Year. The gross profit margin from the business segment of Clean Room and Automation Control and Monitoring System slightly decreased from approximately 18.0% for the year ended 31 December 2022 to approximately 17.8% for the Year. The gross profit decrease is in line with the revenue decrease. The Group will continue to work on the improvement of project execution efficiency by technology upgrading, better project execution control, and technical skill improvement.

Powder and Solid System

The gross profit from the business segment of Powder and Solid System decreased by approximately RMB33.9 million or 65.6% from approximately RMB51.7 million for the year ended 31 December 2022 to approximately RMB17.8 million for the Year. The gross profit margin from the business segment of Powder and Solid System decreased from approximately 21.0% for the year ended 31 December 2022 to approximately 7.1% for the Year. The decrease of gross profit margin was mainly due to more intensive price competition in the market as a result of customers' strategy for cost down under the pressure of volume-based procurement and increased labour costs. In the coming years, more cross-team cooperation projects will be launched with the aim to secure more strategic turn-key projects and Group will focus on new technology solution and project execution efficiency improvement.

GMP Compliance Service

The gross profit from the business segment of GMP Compliance Service decreased by approximately RMB4.2 million or 9.8% from approximately RMB43.0 million for the year ended 31 December 2022 to approximately RMB38.8 million for the Year. The gross profit margin from the business segment of GMP Compliance Service decreased from approximately 45.6% for the year ended 31 December 2022 to approximately 43.0% for the Year. The gross profit margin decrease was mainly due to the slowdown in the pharmaceutical industry and the delay of new construction and expansion projects. At the same time, the Group is promoting the expansion of high-end compliance consulting business through on-site visits by higher-end consultants to meet the needs of different customer groups.

Life Science Consumables

The gross profit from the business segment of Life Science Consumables decreased by approximately RMB51.0 million or 34.8% from approximately RMB146.7 million for the year ended 31 December 2022 to approximately RMB95.7 million for the Year. The gross profit margin from the business segment of Life Science Consumables decreased from approximately 37.8% for the year ended 31 December 2022 to approximately 31.5% for the Year. The decrease of gross profit margin was mainly due to the change in the product mix including new product launch. New product's competitiveness is slightly weaker due to high cost at product's growth stage. The Group will strengthen the promotion through more proactive marking activities to improve new product market share. Meanwhile, lean production and improved supply chain management in the business segment are expected to play an important role to improve the 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 increased by approximately RMB9.7 million or 68.8% from approximately RMB14.1 million for the year ended 31 December 2022 to approximately RMB23.8 million for the Year. The gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased from approximately 39.5% for the year ended 31 December 2022 to approximately 36.0% for the Year. The decrease in gross profit margin was mainly due to the impact from more intensive competitions in small to medium sized projects and customers' cost down strategy. The Group will provide more customized designs and solutions to different customer groups and optimize the pricing strategy. At the same time, the Group will continue to work on the improvement of project execution efficiency to further improve gross profit margin.

Selling and marketing expenses

Selling and marketing expenses decreased slightly by approximately RMB9.8 million or 5.5% to approximately RMB167.3 million for the Year from approximately RMB177.1 million for the year ended 31 December 2022. The decrease was a combined result of decrease of personnel cost and increase of promotion expenses, after sales service expense and travelling expense.

Administrative expenses

Administrative expenses increased slightly by approximately RMB4.9 million or 3.8% to approximately RMB133.7 million for the Year from approximately RMB128.8 million for the year ended 31 December 2022. The increase was a combined result of decrease of personnel cost, agent fee, and increase of audit fee, travelling expense and professional service fee.

Net impairment (losses)/gain on financial assets and contract assets

Net impairment losses on financial assets and contract assets of approximately RMB31.9 million were recorded for the Year, while net impairment gain on financial assets and contract assets of approximately RMB3.2 million was recorded for the year ended December 2022. The impairment losses mainly reflected the impact of credit risk individual assessment for certain higher-risk customers and projects after the consideration of the likelihood of recovering from specific debtors.

Research and development expenses

The Group's research and development expenses decreased by approximately RMB14.9 million or 21.1% to approximately RMB55.3 million for the Year from approximately RMB70.2 million for the year ended 31 December 2022, mainly due to the headcount decrease and decrease of material consumption during the Year.

Other income

Other income increased by approximately RMB0.5 million or 4.5% to approximately RMB11.7 million for the Year from approximately RMB11.2 million for the year ended 31 December 2022, because of the increase in the tax subsidies granted by local government authorities of the PRC in the Year.

Other gains/(losses) – net

The Group recorded a net other gain of approximately RMB10.5 million for the Year, which was mainly due to the exchange gains of approximately RMB7.1 million and the disposed gain of right of use assets of approximately RMB5.0 million, offset by a loss on disposal of property, plant and equipment of approximately RMB0.9 million. For the year ended 31 December 2022, there was exchange losses of approximately RMB6.1 million.

Finance costs – net

Finance costs – net increased from approximately RMB6.4 million for the year ended 31 December 2022 to approximately RMB11.1 million for the Year, mainly due to the increase of interest expense as a result of new borrowings during the Year.

Share of net profit of investments accounted for using the equity method

The Group's share of net profit of investments accounted for using equity method decreased by approximately RMB2.8 million, from approximately RMB9.5 million for the year ended 31 December 2022 to approximately RMB6.7 million for the Year, primarily due to the decrease in profit contribution from the Group associates, Steris-Austar Pharmaceutical Systems (Shanghai) Ltd.

(Loss)/profit before income tax

The Group recorded a loss before income tax of RMB34.4 million for the Year as compared to a profit before income tax of approximately RMB119.5 million for the year ended 31 December 2022, which was due to the factors as described above in this section.

Income tax expense

Income tax expense decreased by approximately RMB18.5 million, from approximately RMB18.9 million for the year ended 31 December 2022 to approximately RMB0.4 million for the Year, which was mainly due to the decrease of profit before income tax.

(Loss)/profit for the year

The Group recorded a loss for the year of RMB151.3 million for the Year as compared to a profit for the year of approximately RMB67.7 million for the year ended 31 December 2022, which was primarily attributable to the factors as described above in this section.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000*
Net cash used in operating activities	**(62,649)**	(37,926)
Net cash used in investing activities	**(54,467)**	(153,143)
Net cash from financing activities	**147,115**	125,301
Net increase/(decrease) in cash and cash equivalents	**29,999**	(65,768)

For the Year, the Group had net cash used in operating activities of approximately RMB62.6 million mainly attributable to:

i. the loss before income tax from continuing operations for the Year of approximately RMB34.4 million, plus the depreciation of property, plant, equipment and right-of-use assets in total of approximately RMB38.0 million and the amortization of intangible assets of approximately RMB7.6 million;

ii. the decrease in contract liabilities of approximately RMB203.5 million; and the increase in contract assets of approximately RMB71.1 million; and the decrease in trade and other payables of approximately RMB75.0 million;

iii. partially offset by the decrease in inventory of approximately RMB85.5 million; and the decrease in trade and other receivables of approximately RMB68.7 million.

For the Year, the Group had net cash used in investing activities of approximately RMB54.5 million, which was mainly attributable to the purchase of property, plant, equipment and intangible assets in a total amount of approximately RMB70.9 million, partially offset by proceeds from disposal of land use right of approximately RMB12.4 million.

For the Year, the Group had net cash generated from financing activities of approximately RMB147.1 million mainly due to the proceeds from borrowings of approximately RMB442.4 million, partially offset by the repayments of borrowings of approximately RMB261.6 million, principal elements of lease payments of approximately RMB10.2 million and interest paid of approximately RMB13.9 million.

As at 31 December 2023 and 31 December 2022, the Group had cash and cash equivalents of approximately RMB163.8 million and RMB133.6 million respectively, and balances of pledged bank deposits under the current assets were approximately RMB36.4 million and RMB103.9 million respectively, and term deposits with initial term of over three months of approximately RMB10.0 million and RMB14.5 million respectively.

Net current assets

The Group's net current assets as at 31 December 2023 decreased by approximately RMB45.1 million or 10.2% from approximately RMB441.2 million as at 31 December 2022 to approximately RMB396.1 million as at 31 December 2023, was driven by decrease of revenue.

As at 31 December 2023, the Group's total current assets amounted to approximately RMB1,573.8 million, which represented a decrease of approximately RMB227.2 million as compared with that of approximately RMB1,801.0 million as at 31 December 2022.

As at 31 December 2023, the Group's total current liabilities amounted to approximately RMB1,177.7 million, which represented a decrease of approximately RMB182.1 million as compared with that of approximately RMB1,359.8 million as at 31 December 2022.

Borrowings and gearing ratio

As at 31 December 2023, the total short-term interest-bearing bank borrowings amounted to RMB255.3 million. The secured short-term bank borrowings amounted to RMB61.4 million, bearing interest rates ranging from 2.40% to 4.00% per annum (2022: 4.00% to 4.52% per annum), and the unsecured short-term bank borrowings amounted to RMB193.9 million, bearing interest rates ranging from 3.10% to 4.10% per annum (2022: 3.80% to 7.00% per annum). The long-term bank borrowings amounted to RMB110.8 million, bearing interest rates from 3.50% to 4.35% per annum (2022: 4.45% to 4.65%). The long-term borrowings due within one year amounted to RMB64.5 million, bearing interest rates from 3.50% to 4.35% per annum (2022: 4.45% to 4.65%).

The Group's gearing ratio was approximately 39.2% as at 31 December 2023 (31 December 2022: 27.8%). The ratio was calculated based on the total debts as of the respective dates divided by total capital equity as of the respective dates and multiplied by 100%.

Pledged assets

As at 31 December 2023, in addition to pledged bank deposits of approximately RMB36.4 million, the Group had buildings and right-of-use assets having a total carrying amount of approximately RMB229.9 million and approximately RMB61.8 million respectively (31 December 2022: approximately RMB4.1 million and approximately RMB68.8 million respectively), Nil construction in progress (31 December 2022: approximately RMB124.4 million) and assets classified as held for sale having a total carrying amount of approximately RMB8.6 million (31 December 2022: nil) which were pledged as security for short- term bank borrowings and long-term bank borrowings with carrying amount of approximately RMB139.2 million (31 December 2022: approximately RMB107.2 million).

Contingent liabilities

As at 31 December 2023, the Group provides guarantee to banks in respect of two irrevocable letters of credit utilized by ROTA KG, an investment accounted for using the equity method, totalling EUR887,000 approximated at RMB6,971,000. It sets forth the maximum exposure of these guarantees to the Group.

HUMAN RESOURCES

As at 31 December 2023, the Group had 1,610 full-time employees for research and development, sales and marketing, administration, project management and execution and manufacturing, decreased by 303 employees as compared with the number of employees as at 31 December 2022. The employee costs (including the Directors' remuneration) were approximately RMB459.8 million for the Year, which represented a decrease of approximately 1.9% as compared with that of approximately RMB457.5 million for the year ended 31 December 2022.

Employee costs of the Group decreased mainly due to the Group's decrease in its number of employees for the purpose of organizational structure optimization and stimulate organizational vitality.

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

The Group has established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group has also made statutory contributions for its employees in Hong Kong, Taiwan, India, Indonesia, Germany, UK and Malaysia.

The Group has formulated provisions and rules on employees' training, such as the "Training and Development Control Procedures" and the "Training Management Control Procedures", detailing the implementation of training and accountability in training. In addition, in the "Staff Handbook", the Group divides training into orientation, overseas training, management training, professional skills training and corporate culture training.

CAPITAL COMMITMENT

Capital expenditure of property, plant and equipment and intangible assets which have been contracted for but not yet incurred as of 31 December 2023 amounted to approximately RMB2.1 million, which was mainly from the unpaid commitment of construction of the new facilities in Shanghai and Shijiazhuang, which have been completed before end of the Year.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Except for the discontinued operations of H+E Pharma and S-Tec as discussed in note 9 to the consolidated financial statements herein, there were no significant investments, material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the Year.

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 Euro, US dollar and HK dollar. Foreign exchange risk arises from the ending balances of the internal borrowings amounted the Group's subsidiaries which have different functional currencies, the foreign currencies held by the Group's subsidiaries and offices and the sales of the Group's products and services to overseas customers who settle payments in foreign currencies. The Directors do not consider the foreign exchange rate risks as material to the Group and therefore, did not carry out any financial instruments such as forward currency exchange contracts to hedge the risks.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2023 and up to the date of this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company scheduled to be held on Friday, 31 May 2024 ("**2024 AGM**"), the register of members of the Company will be closed from Monday, 27 May 2024 to Friday, 31 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer of Shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre,16 Harcourt Road, HongKong by 4:30 p.m. on Friday, 24 May 2024.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company ("**Shareholders**") as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**").

Save for the deviation from code provision C.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 Year.

Code provision C.2.1 of the Corporate Governance Code requires the roles of the chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ho Kwok Keung, Mars assumes the roles of both of the chairman of the Board and the chief executive officer of the Company. The Board believes that vesting 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.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 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 Year.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

AUDIT COMMITTEE

The Board established the audit committee ("**Audit Committee**") on 21 October 2014 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and the Corporate Governance Code. The Audit Committee currently comprises two independent non–executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and the 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 auditor of the Company. The terms of reference of the Audit Committee are published on the Company's website and the website of the Stock Exchange.

The primary duties of the Audit Committee are to review the half-yearly and annual results of the Company and to supervise the Group's financial report process and internal control system, and to formulate or review polices relating 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 Audit Committee has reviewed the consolidated financial statements of the Company for the Year.

SCOPE OF WORK OF MOORE CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Moore CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.austar.com.hk). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Company would like to take this opportunity to thank all 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 Lifesciences Limited
Ho Kwok Keung, Mars
Chairman and Chief Executive Officer

HongKong, 26 March 2024

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ho Kwok Keung, Mars, Mr. Ho Kin Hung, Mr. Chen Yuewu and Madam Zhou Ning; one non-executive Director, namely Madam Ji Lingling; and three independent non-executive Directors, namely Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Leung Oi Kin.

** For identification purpose only*