AUSTAR

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

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

2015
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

PLACE OF LISTING
The Stock Exchange of Hong Kong Limited

STOCK CODE
6118

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

NON-EXECUTIVE DIRECTOR
Madam Ji Lingling

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

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

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

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

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

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

COMPANY SECRETARY
Madam Chan Pui Shan, Bessie

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

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
China Merchants Bank Co. Ltd., Hong Kong Branch

REGISTERED OFFICE
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
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No. 26 Chaowai Street
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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New Territories
Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW

Leung & Lau
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Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.austar.com.hk

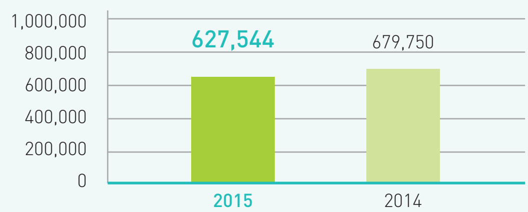
FINANCIAL HIGHLIGHTS

	2015 RMB'000	2014 RMB'000
Revenue	627,544	679,750
Gross profit	154,247	228,607
Profit before income tax	7,590	87,825
Profit attributable to the owners of the Company	6,384	65,193
Total assets	960,985	869,390
Net assets	550,984	549,056
Gross profit margin	24.6%	33.6%
Net profit margin	1.0%	9.6%
Current ratio	2.2	2.6
Gearing ratio	6.4%	6.4%
Net debt to equity ratio	Net Cash	Net Cash
Basic earnings per share (RMB) (Note 1)	0.01	0.17
Diluted earnings per share (RMB)	0.01	0.17
Proposed final dividend per share	Nil	HK$0.05

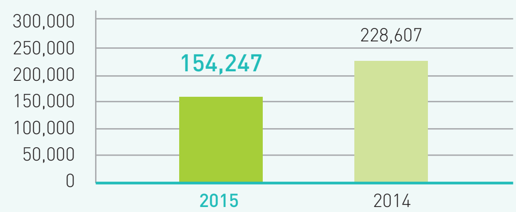
Note:

1. The calculation of earnings per share is based on the profit attributable to the owners of the Company for each of the year ended 31 December 2015 and 2014 and the weighted average number of shares during that year.

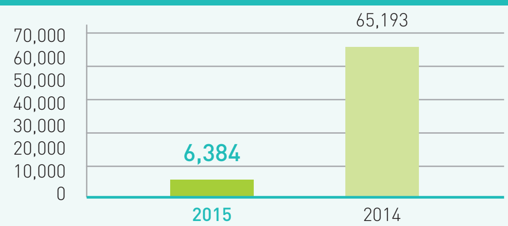
Revenue
RMB'000



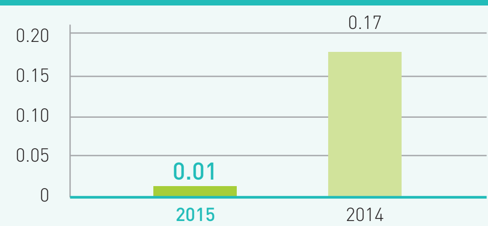
Gross profit
RMB'000



Profit attributable to the owners of the Company
RMB'000

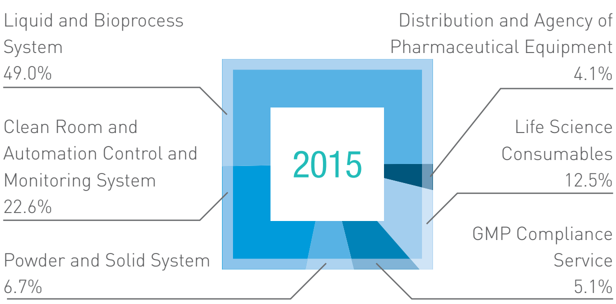


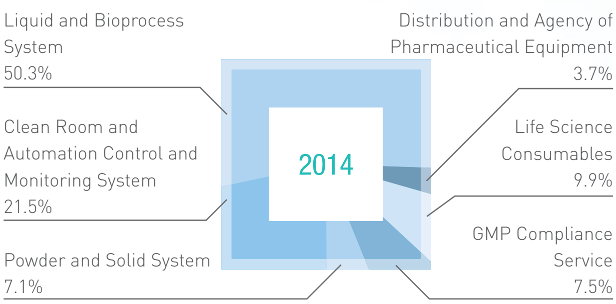
Earning per share (Basic and diluted)
(RMB)



REVENUE CONTRIBUTION BY BUSINESS SEGMENT

Revenue by business segment	For the year ended 31 December 2015 RMB'000	 2014 RMB'000
Liquid and Bioprocess System	**307,192**	342,063
Clean Room and Automation Control and Monitoring System	**141,899**	146,163
Powder and Solid System	**42,257**	48,406
GMP Compliance Service	**32,295**	50,810
Life Science Consumables	**78,465**	67,154
Distribution and Agency of Pharmaceutical Equipment	**25,436**	25,154
Total	**627,544**	679,750





OUR PATH OF GROWTH

2003

Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd was established and commenced the manufacturing of purified water generators, the foundation of Austar's Liquid and Bioprocess System business

2004

Austar Shijiazhuang Technology Centre was established and commenced Austar's Clean Room and Automation Control and Monitoring System business

2006

Austar formed a joint venture with STERIS Corporation

2007

Austar Clean Equipment (Shanghai) Co., Ltd. was established in Songjiang District, Shanghai and commenced business and processing of clean room enclosure systems

Austar formed a joint venture with ATMI Packaging N.V.

2008

Austar commenced its Liquid and Bioprocess System business

2011

Austar was certified as Siemens AG Solution Partner

2012

Austar was certified as Rockwell Automation, Inc. Recognized System Integrator

2013

Austar was certified as Siemens Gold Solution Partner

Austar assisted Chengdu Institute of Biological Products Co. Ltd to pass WHO pre-qualification of Japanese encephalitis vaccine

2014

Austar was appointed as an exclusive distributor in the PRC for Allentown Inc. on the supply of animal laboratory research products

Shares of Austar listed on The Stock Exchange of Hong Kong Limited

2015

Mar

Austar entered the first signed contract of process configuration system in cosmetics industry in the PRC

Jun

Austar entered into the first signed contract of bioprocess configuration system for human vaccine in the PRC

Austar entered into the licence agreement with GF S.p.A. for manufacture and sale of inspection machines for pharmaceutical products

Oct

Austar' self developed and produced oral solid dosage granulation system has been displayed at 2015 Autumn China International Pharmaceutical Machinery Exposition (CIPM)

Austar' self developed and produced freeze-drying system including isolator, vial loading and unloading system and freeze-dryer has been displayed at 2015 Autumn CIPM

Nov

Austar patented a negative pressure isolator for laboratory animal breeding

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board ("**Board**") of directors ("**Directors**") of Austar Lifesciences Limited ("**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively as the "**Group**" or "**Austar**") for the year ended 31 December 2015 ("**Year**").

Year 2015 had been a challenging year for the Company with its profits significantly decreased as compared to 2014 due to a number of unforeseen reasons. In spite of more severe market competition, thanks to our management's efforts, our order-in-take in the Year was still very strong, not only reaching a similar level as in 2014, but also achieved a slight increase. Our cash position at yearend was good, thanks to our improved internal control process execution. At the front of all the challenges, our management has a clear vision with strong commitment and well-established strategy to tackle the issues which have arisen from the market. With clear corporate strategies, the Company continued to develop its products and technologies and to improve its management in the Year to prepare itself for challenges ahead in 2016.

PRODUCT AND TECHNOLOGICAL DEVELOPMENT

With our continuous and persistent efforts of product and technological development, during the Year, the Group enriched our product line and increased our competitiveness by successfully launching (i) our self-manufactured freeze-dryers, which could be used to extract active components from a mixture liquid form and keep them intact in solid form for longer storage and easier transfer; and (ii) oral solid dosage granulation equipment, a necessary equipment in the oral solid dosage manufacturing process which allows the Group to enhance its solutions in powder handling and oral dosage fields; and (iii) biological process-related single-use vessels and automation platform for bioprocess single-use technologies, which would make traditional biopharmaceutical process, in which stainless steel equipment are widely used, to be easier, cheaper and more flexible. In particular, with the newly launched freeze-dryers and the single use products, it is expected that the Group could expand its business and complete its solution in the biopharmaceutical industry with other equipment including bioreactor, chromatography and filling line which are either already developed or currently under development.

Apart from launching various new products and technologies, as an integrated solution provider for bioprocess systems, the Company continued to invest in research and development of upstream and downstream equipment in order to offer more competitive technical solution to the market in the Year. Further, the Group had strengthened competence on containment material transfer technologies which was evidenced by a significantly increased order-in-take and increased product scope development and enhancement in the Year.

Finally, to reduce the Group's reliance on purely capital expenditure ("**CAPEX**") related business which may be affected in the down-turn cycle of the industry, the Company had introduced into the market services such as cleaning and disinfection services in the Year.

MANAGEMENT IMPROVEMENT

To serve our customers with a more harmonised and synergetic team and interfaces, the Company has in the last quarter of the Year initiated the establishment of our project engineering execution centre combining all the key functions from different business units into a single team under one leadership. We believe that with the aforementioned centralisation of our project engineering execution process, the Company will be able to offer more cost-effective and better customer-interface-platform and better customer-satisfaction benefits, and in the mid-long term, bring higher revenue and higher returns to the Company.

By improving the Company's internal controls and procedures, and following the streamlining of the supply chain function with new leadership in the last quarter of 2015, we were able to facilitate more effective communications with vendors which would create win-win partnerships between the Company and its key suppliers. We believe that positive results could be generated from these management improvement initiatives in the next two years.

CORPORATE STRATEGIES

During the Year, the Company continued to implement the following corporate strategies:

1. to continue to enhance the Company's technical competences of various product lines by partnerships with established technological companies and own innovative creation and invention of technologies without significant CAPEX investment;

2. to focus on the pharmaceutical industry yet maintain steady expansion in the areas of medical device and laboratory animal research;

3. to maintain a sound cash position and to be ready for further expansion should any opportunity arise in the coming future; and

4. to improve the core competences of system integration capacity and individual component technologies of biologics processes.

RESULTS

In spite of the market downturn in 2015, the Group still maintained a good position in the overall order-in-take amounted to approximately RMB818.5 million in the Year and achieved a slight increase of approximately 0.7% from approximately RMB812.8 million for the year ended 31 December 2014 mainly due to the Group's strategic positioning as an integrated engineering solutions provider at the high end market with a diverse scope of products and services.

However, due to (i) prolonged execution time for certain projects undertaken by the Group and (ii) certain projects with a relatively lower gross profit margin being undertaken by the Group for the purpose of retaining customers during the Year, the Group's revenue decreased by approximately 7.7% to approximately RMB627.5 million from approximately RMB679.8 million for the year ended 31 December 2014 and the gross profit decreased by approximately RMB74.4 million or 32.5%

from approximately RMB228.6 million for the year ended 31 December 2014 to approximately RMB154.2 million for the year ended 31 December 2015. The profit attributable to owners of the Company decreased to approximately RMB6.4 million, representing a decrease of approximately 90.2% as compared to 2014.

For the year ended 31 December 2015, the Group had cash and cash equivalents of approximately RMB393.4 million, representing an increase by approximately RMB10.8 million from approximately RMB382.6 million for the year ended 31 December 2014, and net cash generated from operating activities of approximately RMB61.5 million mainly attributable to good cash control.

BUSINESS OVERVIEW

The Group's strategic positioning as an integrated engineering solution provider at the high-end market with a diverse scope of products and services was proven to be correct in the Year, considering that in spite of the market downturn, the Group was able to maintain a good position in the overall order-in-take volume and achieved a slight increase, whereas it was observed that a lot of other smaller local competitors faced a severe decline in their order-in-take.

Our determination and commitment on our visions remained strong and a lot of product and market development improvement initiatives have been vigorously executed in the Year. The core competence elements of the Group further improved in the Year which have furnished us with better tools for growth should the market factors become more positive.

Since the biologics research and drug clinical registration remain very strong in the Year, the Group's focus on the biologics sector has been gaining good order-in-take, creating a stronger shield from the negative factor of reduction on CAPEX in general by the industry. We believe that in coming few years, opportunities brought by biologics drugs, especially monoclonal antibody drugs, are still the driving force for our growth.

INDUSTRY UPDATES

In the Year, our order-in-take maintained the same level as that in 2014 with slight improvement even though the momentum of investment in capital equipment in the pharmaceutical industry has been losing its drive force in midst of the overall economic growth slowdown in China. In any case, the performance of biopharmaceutical industry in the Year in general is still better than many other conventional industries.

As the pharmaceutical industry is a highly regulated market, it is highly influenced by government policies. In the Year, while the industry suffered short-term pains following the new reform and policies issued by the China Food and Drug Administration ("**CFDA**") which had laid a solid foundation for a healthier industry with more innovative drug launches and more disciplined in compliances in good x practices (GxPs), these reform and policies are in favour of the Company's growth strategies and philosophies and the Company will continue to provide integrated engineering solution which complies with the requirement of the CFDA to the market.

PROSPECTS

The Company continues to dedicate its efforts in finding and discussing with qualified technology partners to integrate their products and technologies into our integrated solutions. In particular, our containment and isolation technologies and Biologics-related equipment such as freeze-dryers was launched in the last quarter of the Year, and since then the Company together with our partner ROTA Verpackungstechnik GmbH & Co. KG and ROTA Verpackungstechnik Verwaltungsgesellschaft mbH (collectively, "**ROTA**") have commenced to offer a complete liquid filling and freeze-drying integrated solutions to our clients in 2016. The Company believes that this additional scope of product can contribute significant increase on our revenue in the coming years.

The government of the People's Republic of China ("**PRC**" or "**China**") encourages manufacturing industries to adopt more digitised and information technologies. It is expected that some of the core technical competences of the Company such as automation technologies, analytical and measurement technologies, information system applications and regulatory compliance knowledge would assist the Company to strengthen its position in the coming years. It is also expected that the increase in CAPEX investment on automation and information systems in the pharmaceutical industry in China which is supported and encouraged by the PRC government authority with clearer policies would contribute further driving forces to the Company's growth.

The several rules and policies issued by the CFDA in the Year addressing issues such as data integrity and drug approval submissions creates challenges to those pharmaceutical companies which lacked discipline and/or experiences and knowledge, and offers tremendous opportunities to consultancy service providers with comprehensive knowledge such as quality systems, drug development process, industry rules and regulations, automation and information technologies. We believe that the Company's knowledge set is ready to take on such opportunities. Through further partnership with reputed consultancy firms, the Company will be able to sharpen its competitive edges, and offer more comprehensive services to China's pharmaceutical research and manufacturers for meeting the stricter rules and regulations imposed by the Chinese authorities.

As to comparative medicines, stricter laboratory animal research facilities are needed in the pharmaceutical research industry to offer qualified animals for preclinical and medical research studies. In view of the large gap in those facilities between China and USA, during the Year, the Company spent significant efforts in sales and marketing and product development in the area of laboratory animal research facilities. In particular, our own research and development team, supported by reputed university professors, succeeded in obtaining invention patents for our innovative animal cages, meanwhile we have achieved satisfactory sales results with the animal cages offered by our partner Allentown INC within a short period of time of the product's entry into the market. Great opportunities ahead are the new CAPEX investment on renovation and new facilities of laboratory animal houses, initiated by strict enforcement of the rules and policies of good laboratory practice (GLP) and good clinical practice (GCP) by the Chinese authorities and the Company would continue to devote its effort to explore business opportunities in this area.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to thank our valued shareholders and various stakeholders for their continuous support. Also, I would like to express my appreciation to the Directors and our staff for their efforts, commitments and contribution to the Group in this challenging year.

Ho Kwok Keung, Mars
Chairman

29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Year 2015 marked the last year of the "Twelfth Five-Year Plan" by the Fifth Plenary Session of the Seventeenth Central Committee of the PRC government and the PRC government has finished a series of economic reconstruction plans announced by it before 2010, in particular, the PRC has finished the industry improvement of equipment manufacture and completed basic medical system as planned which have brought good opportunities to the Group. GDP of the PRC has grown from approximately RMB40.89 trillion in 2010 to approximately RMB67.67 trillion in 2015. China's macro economy was still undergoing an important stage of structural adjustment and transformation in 2015, and it will continue with this new path of development in the next few years.

To improve the economic environment and further deepen the reforms, the PRC government adopted a series of growth stabilising and industries upgrading measures. The central bank cut both interest rates and the reserve requirement ratio for five times during the Year, and GDP growth slowed down to approximately 6.9%, and the total profits of industrial enterprises shrank by approximately 2.3% year-on-year, indicating increasing downward pressure for economic growth.

Despite the rather painful stage of current economic growth, new hopes of PRC's pharmaceutical industry was fostered in such a process initiated by the PRC authorities with a series of new policies formed to enhance industry upgrade and economic realignment. As a result of this round of adjustment many out-dated production capacities would be eliminated and the pharmaceutical industry is expected to be growing in a healthier trend.

Year 2015 was the deadline of new good manufacturing practice (GMP) implementation, with 140 pharmaceutical companies' GMP certifications having been withdrawn by the PRC regulatory authorities. In the backdrop of slowdown in economic growth and stricter policies in the pharmaceutical industry, growth in the pharmaceutical industry also showed a slowing trend. The revenue growth of the pharmaceutical manufacturing industry reduced year-on-year to approximately 9.1% in 2015 but the performance of the industry was still better as compared to the overall downtrend of the macro economy of the PRC.

In June 2015, the "People's Republic of China Pharmacopoeia" (2015 edition) ("**PRC Pharmacopeia**") was published, addressing upgrading of the pharmacopoeia which demands higher technical requirements for pharmaceutical companies. The new drug authority policies under the PRC Pharmacopeia mainly focus on strengthening drug safety and drug efficacies, requiring full utilisation of international advanced quality control techniques and knowledge, enhancing the overall level of Pharmacopoeia standards in a medium long term, and encouraging PRC's pharmaceutical enterprises to improve the quality and technological progress.

In August 2015, the State Council issued the "Opinions Concerning the Reform of the Review and Approval System for Drugs and Medical Devices"《國務院關於改革藥品醫療器械審評審批制度的意見》asking for new drug approval listing standards, promoting quality conformance evaluation of generic drugs, and promoting the quality of generic drugs to reach that of the brand innovative drugs. Generic quality conformance assessment requires pharmaceutical companies acquiring sufficient clinical data to prove the consistency of its safety and efficacy. Some products that cannot meet the standard may be eliminated from the drug list in the PRC. This policy aims to promote generic drugs reaching the international advanced level, which requires the whole pharmaceutical industry to improve itself from drug research to manufacturing.

The CFDA identified certain drug clinical trials as unreliable and false, with existence of fraud issues, which seriously affect the normal drug review and approval tasks of the CFDA. The CFDA now requires pharmaceutical companies to conduct self-check on drug clinical trial data, mainly on data integrity issues to systems quality. Following the last day of 2015, 154 pharmaceutical companies have withdrawn 224 drug applications for clinical trial registration. After 20 January 2016, the CFDA issued a public notice stating that another 128 pharmaceutical companies have withdrawn 199 drug applications for registration. Such withdrawals reflect the determination of the CFDA to improve drug quality on one hand and to encourage domestic and foreign pharmaceutical companies to develop innovative drugs on the other hand.

Accordingly, those pharmaceutical companies with quality concerns, innovative drug pipelines and discipline in compliance with the standards of the CFDA will stand out in the market. As a result, pharmaceutical manufacturers in China have given higher requirements to its suppliers. Only solution providers with international quality standard could provide qualified products to pharmaceutical companies under the new policies and only a few domestic players are capable of providing comprehensive and customised turnkey solutions which meet the standards of the Drug and Food Administration ("**FDA**") of the United States, the European Medicines Agency ("**EMA**") and the World Health Organization ("**WHO**"). Serving such high-end market requires strong research and development (R&D) capability, deep understanding of regulations, project management capabilities, cutting edge manufacturing capabilities, advanced technology and heavy investment, which eliminate more old-fashioned players without significant technology investment, limit the entering of new low-tier players and bring more opportunities for the Group to take over other players' shares in the market.

BUSINESS REVIEW

The Group is a leading integrated engineering solutions provider targeting reputable pharmaceutical manufacturers and research institutes in the PRC and the emerging countries. The Group dedicates to provide equipment-engineering-service-consumables turnkey solutions and promote industry advancement and create value for the PRC pharmaceutical industry. Under the changing circumstances in pharmaceutical industry brought by new policies of the PRC authorities, the Group continues to develop more cutting edge technologies and solutions with its innovation and aspires to expand its market and supply its products to more manufacturers in the cosmetic and medical device industries by leveraging its technological competence to reduce risk caused by market transformation and consolidate sales revenue and profit.

The Group offers high-end turnkey solutions for its customers to set up production facilities and also build up a clean environment which are both critical for pharmaceutical production. During the Year, the Group has increased its R&D investment and enhanced cooperation with world leading pharmaceutical equipment or engineering solutions and technology suppliers, institutes and universities to shift the science to industrial products and expand its product lines. The Group is still in the industry technology-leading position and the only supplier in the market who could provide the most comprehensive turnkey solutions to pharmaceutical manufacturers.

The Group's main business can be categorised onto six segments, namely, (1) Liquid and Bioprocess System; (2) Clean Room and Automation Control and Monitoring System; (3) Powder and Solid System; (4) GMP Compliance Service; (5) Life Science Consumables; and (6) Distribution and Agency of Pharmaceutical Equipment. The Group's ability to provide comprehensive services and products across these business segments in different stages of a pharmaceutical product lifecycle enables the Group to solidify its working relationships with our customers.

The Group's solutions could assist its customers in key phases of a pharmaceutical product lifecycle, from research, development, pilot plant and commercial production to product launch. The Group, together with its joint ventures, also engages in the manufacture, sale and distribution of various types of high-end pharmaceutical equipment and life science consumables.

For the Year, the Group's revenue amounted to approximately RMB627.5 million, representing a decrease of approximately 7.7% from approximately RMB679.8 million for the year ended 31 December 2014.

ORDER-IN-TAKE

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

	For the year ended 31 December				
	2015		2014		Change
Order-in-take by business segment	**RMB'000**	**%**	RMB'000	%	%
Liquid and Bioprocess System	**407,317**	**49.8%**	429,335	52.8%	(5.1%)
Clean Room and Automation Control and Monitoring System	**162,953**	**19.9%**	189,992	23.4%	(14.2%)
Powder and Solid System	**77,527**	**9.5%**	38,750	4.8%	100.1%
GMP Compliance Service	**30,726**	**3.8%**	42,394	5.2%	(27.5%)
Life Science Consumables	**98,718**	**12.0%**	80,659	9.9%	22.4%
Distribution and Agency of Pharmaceutical Equipment	**41,277**	**5.0%**	31,643	3.9%	30.4%
Total	**818,518**	**100.0%**	812,773	100.0%	0.7%

During the Year, the total order-in-take amounted to approximately RMB818.5 million, representing a slight increase of approximately 0.7% from approximately RMB812.8 million for the year ended 31 December 2014, which was mainly attributable to the increase in order-in-take amount of the business segments of Powder and Solid System and Life Science Consumables but partially offset by the decrease in order-in-take amount of the business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System and GMP Compliance Service. In spite of the market downturn in the Year, the Group was able to maintain a good position in the overall order-in-take volume and achieved a slight increase mainly due to the Group's strategic positioning as an integrated engineering solutions provider at the high-end market with a diverse scope of products and services.

LIQUID AND BIOPROCESS SYSTEM

Since the biologics research and drug clinical registration remain very strong in the Year, the Group has successfully gained a number of biopharmaceutical projects including monoclonal antibody projects, insulin projects and vaccine projects of reputable domestic and multi-national pharmaceutical manufacturers, thereby creating a stronger shield from the decreasing conventional pharmaceutical chemicals projects. The order-in-take amount of the business segment of Liquid and Bioprocess System amounted to approximately RMB407.3 million for the year ended 31 December 2015, representing a decrease of approximately RMB22.0 million or 5.1% from approximately RMB429.3 million for the year ended 31 December 2014. In the coming few years, biologics drugs, especially monoclonal antibody drugs, are still the driving force for the growth and the Group will continue to place efforts in pursuit of biopharmaceutical projects.

CLEAN ROOM AND AUTOMATION CONTROL AND MONITORING SYSTEM

During the Year, in response to the keen market competition on low margin clean room enclosure components and system, the Group focused on acquiring high value-added automation control and monitoring system projects. The order-in-take amount of the business segment of Clean Room and Automation Control and Monitoring System decreased by approximately RMB27.0 million or 14.2% to approximately RMB163.0 million for the year ended 31 December 2015 from approximately RMB190.0 million for the year ended 31 December 2014.

POWDER AND SOLID SYSTEM

During the Year, in response to the changing demand and requirements in the market, the Group has introduced certain latest and critical equipment in order to capture the fast growing formulation technology market and the containment and isolation technology market which led to an increase in the order-in-take amount of the business segment of Powder and Solid System by approximately RMB38.7 million or 100.1% from approximately RMB38.8 million for the year ended 31 December 2014 to approximately RMB77.5 million for the year ended 31 December 2015.

GMP COMPLIANCE SERVICE

During the Year, in light of the market opportunities in the emerging countries, the Group diversified its focus to explore and develop the overseas markets by undertaking turnkey projects, providing project design and management services and supporting our other business units, with an aim to pursue geographical expansion as well as higher margin projects. For such purpose, the Group strategically re-allocated resources from our GMP Compliance Service department to the newly established business unit. As a result, the order-in-take amount of the business segment of GMP Compliance Service decreased by approximately RMB11.7 million or 27.5% from approximately RMB42.4 million for the year ended 31 December 2014 to approximately RMB30.7 million for the year ended 31 December 2015.

LIFE SCIENCE CONSUMABLES

Subsequent to the introduction of the new products types including the latest pharmaceutical instrument for quality assurance and control use and animal laboratory research products in 2014, the market demand for the life sciences consumables increased and led to an increase in order-in-take in this business segment. The order-in-take amount of the business segment of Life Science Consumables increased by approximately RMB18.0 million or 22.4% from approximately RMB80.7 million for the year ended 31 December 2014 to approximately RMB98.7 million for the year ended 31 December 2015. The Group will continue to launch more diversified life science consumables with latest technology to its customers.

DISTRIBUTION AND AGENCY OF PHARMACEUTICAL EQUIPMENT

During the Year, the Group, together with its joint ventures, engaged in the sale and distribution of various types of high-end pharmaceutical equipment which led to the increase in the order-in-take amount of the business segment of Distribution and Agency of Pharmaceutical Equipment by approximately RMB9.7 million or 30.4% from approximately RMB31.6 million for the year ended 31 December 2014 to approximately RMB41.3 million for the year ended 31 December 2015.

BACKLOGS

Set out below is a breakdown of the Group's closing value of backlogs (excluded VAT) and the corresponding number of contracts by business segment as at 31 December 2015.

	As at 31 December 2015			
Backlogs by business segment	**Number of Contracts**	**%**	**RMB'000**	**%**
Liquid and Bioprocess System	151	21.0%	218,024	47.2%
Clean Room and Automation Control and Monitoring System	258	35.8%	125,127	27.1%
Powder and Solid System	62	8.6%	43,420	9.3%
GMP Compliance Service	73	10.1%	31,895	6.9%
Distribution and Agency of Pharmaceutical Equipment	176	24.5%	43,886	9.5%
Total	720	100.0%	462,352	100.0%

PRODUCTION

In the Year, the Group has undergone further streamlining of its manufacturing team by restructuring its organisation, consolidating functions from different business units, which help improve cost-effectiveness of production and delivery, with an expectation that positive effects can benefit our cost outlook in the coming quarters of 2016. More component and metalwork machining equipment were installed at the Group's production facility in Shijiazhuang to improve production capacity, reducing outsourcing delivery time and cost pressure for certain of our products.

In order to improve the supply of bioprocess systems, during the Year, additional production capacity of pressure vessels were installed at the Group's production facilities in Shanghai and Shijiazhuang to cater for the in-house supply of vessels required for our growing business of bioprocess systems. We believe that all key vessels required for our bioprocess systems can be manufactured in-house in 2017. Our vessel manufacturing platform can support the production of newly introduced oral-solid-dosage granulation system, which has already been launched at the 50th (2015 Autumn) China International Pharmaceutical Machinery Exposition ("**CIPM**"), attracting much attention from customers with appreciation of all the new innovative functions.

New technically-upgraded clean room enclosure system production equipment was acquired during the Year. It has been installed and test run in the first quarter of 2016 and it is expected to be manufactured starting from April 2016. With this new equipment being installed in our Shijiazhuang production facility, it is foreseen that the Group can further improve the quality of its clean room system, maintain good reputation in existing market and the newly added production capacity can support further expansion of our domestic market.

In the Year, our joint venture, PALL-AUSTAR Lifesciences Limited, was equipped with the new 3D bioprocess vessel manufacturing equipment, test runs of which have been completed. Samples were delivered to our customers and small quantity orders have been successfully secured. It is expected this new product supply would leverage our Single-Use Technology offers in the coming years apart from our own newly generated profit margin.

RESEARCH AND DEVELOPMENT

In the Year, the freeze-drying system including isolator, vial loading and unloading system and freeze-dryer has been launched following 2 years of efforts of our R&D team with partnerships with a team of consultants from Germany, the United States, the United Kingdom and France. Since then the Company, together with our business partner ROTA, is able to offer a complete liquid filling and freeze-drying integrated solutions to our clients in 2016. With all the process tests and validated with full documents, the freeze-drying system is now available for inspection and order by our customers at our facility in Nanjing.

Thanks to the R&D effort by our Single-Use Technology team, in the Year, the Company successfully developed and secured orders for our through-wall systems and process automation control platform system, which are parts of our biological process-related single-use vessels, respectively. Biological process-related single-use vessels involve fast growing business of products and services, supporting our customers in the field of the booming biosimilar and monoclonal antibody drugs.

In the Year, our Liquid Process System team continued to undergo in-depth research on our newly developed bioreactors and chromatography unit in partnership with foreign technical consultants. It is expected that both of the unit skids would be launched and exhibited in the coming CIPM Spring and Autumn 2016 respectively. These new products would certainly facilitate our entry into the veterinary animal vaccine industry by integrating with our existing system for a complete technical solution.

Our Powder and Solid System team obtained the grant of one invention patent from the PRC patent office for our newly created contained animal cage for serious virus containment meanwhile satisfactory sales results have been reached with the animal cages offered by our partner Allentown Inc within a short period of time of entry into the market. The great opportunities ahead are the new CAPEX investment on renovation and new facilities of laboratory animal houses, initiated by strict enforcement of the rules and policies of good laboratory practice (GLP) and good clinical practice (GCP) by the PRC authorities. In the Year, a research laboratory was established for solid and particle studies. A number of new equipment related to formulation technology and material transfer have been in the final stage of research phase and are expected to be launched in 2016. As at 31 December 2015, the Group had obtained 10 registered patents and 18 patent applications were in progress.

SALES AND MARKETING

The Group primarily sells and markets its products in the PRC and exports its products outside of the PRC to overseas, especially the emerging countries. Most of the Group's sales revenue is generated from pharmaceutical manufacturers and medicine research institutes facilities. In the Year, apart from penetrating deeper into the existing markets, the Group has also successfully penetrated into new market segment by leveraging existing technologies and knowledge including disease control facilities, cosmetic manufacturers, medical device manufacturers and nuclear-industry with containment concerns. The Group's services and products are mainly sold directly to the customers in the PRC to consolidate the sales channel. In the overseas market the Group sells its products in a direct and distributing mixture method. The Group currently has sales offices and representative offices in major cities in the PRC, including but not limited to Chengdu and Guangzhou. In 2015 the Group has also initiated a study on the online consumable sales model and has started to look for suitable logistics providers to develop new sales model for our consumables.

During the Year, the Group has been regularly participating in a number of international conferences and exhibitions including the CIPM and the International Society For Pharmaceutical Engineering (ISPE) annual meetings, and over 25 seminars and conferences which were held mainly in the PRC. The Group has also attended overseas international exhibitions and conferences such as ACHEMA, CPhI and P-MEC, where the Group showcased its products with a view to solicit business opportunities and maintain an international corporate image. During the Year, the Group has also successfully penetrated into new markets in Dominica and Vietnam. The Group has also organised various marketing activities to enhance its professional image in technology and brand awareness among high-end key accounts. With the collaboration of food and drug administrations, the Group also held technology exchange seminars, training sessions and forums, during which domestic and overseas experts were invited to brief the provincial inspectors in the PRC and the Group's customers on the latest technological and regulatory requirements in the pharmaceutical industry. The Group has also held comprehensive seminars for our key clients to present its turnkey solutions so that our key clients could have a better and clearer understanding of the Group's product lines and advantages.

PROSPECTS

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

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

Increase the market share in the PRC and the emerging countries

PRC

In spite of the PRC economic slowdown, the Group believes that the pharmaceutical industry still has a large growth capacity in view of the nature of healthcare as a necessity and the policies laid down by the PRC authorities for the betterment and regulation of the healthcare industry. Even though the number of hot and active projects in the market is still large enough to support our order-in-take growth in the Year, the Group realises the challenges of competition from western and local competitors who are trying to enter into our existing market due to shrinkage in their own markets. Facing these challenges, the Group has been organising more sophisticated sales and marketing tools for its sales team, staff e-learning system with more educational programs, supporting sales team and management with a more effective customer-relationship management software, and reorganising the sales team to create more collaboration and synergy among sales staff.

The Group's sales force is still under growth with more sales staff recruited to cover new areas and allow placement of more experienced staff into more strategic areas such as South China and the Middle East.

Emerging countries

Since 2014, some emerging countries such as Russia, Uzbekistan, Turkey and the Middle East with which the Group has significant overseas business are under political challenges and currency fluctuations. As a result, the order-in-take from these regions had been seriously affected in the Year. Nevertheless, the Group still enjoyed good orders in areas such as Indonesia and Malaysia. The Group has been putting efforts in exploring new territories of emerging countries, for example, in Africa and South America. The Group believes that in spite of the present political turmoil in certain regions, due to the policies of localisation of pharmaceutical manufacture in key emerging countries, new CAPEX and facility constructions are still on demand on medium and long term basis.

Improve our service and products offerings

Liquid and Bioprocess System

To capture the expected growth of biopharmaceutical market especially in vaccines and monoclonal antibodies in the PRC, the Group has successfully developed its bioreactor and freeze-dryer in the Year under the support from EU and US partners and consultants. This newly developed equipment has more competitive advanced technologies which could fit the requirements of PRC/EU/US GMP. Currently, new products such as chromatography system, filling lines, culture medium are under development. The Group is able to offer leading and integrated biopharmaceutical process solutions to biopharmaceutical enterprises. In addition, through a combination of the Group's own automation control, verification and disposable sterile technologies, in 2016, the Group will be able to provide a hybrid (with stainless steel and disposable) overall program to biopharmaceutical companies. Based on the business of equipment and automation systems, the Group is putting efforts on the development of biopharma consumables so as to provide more comprehensive product lines to its customers.

Apart from biopharmaceutical industry, the Group has also invested in sales and marketing in market segments such as environment control, traditional Chinese medicine and cosmetic industries to leverage its liquid process capabilities in new industries to achieve fast market expansion while taking relatively lower market risks.

Clean Room and Automation and Monitoring System

In the Year, the Group restructured its project execution organisation and set up a Project Execution Centre, to eliminate boundaries of execution among different business units within the Group. Human resources for project execution can also be shared. Project execution can be harmonised at customers' sites which enables instant response to customer demand and facilitates more efficient implementation of turnkey projects and to improve customer satisfaction. With such initiative, the Group could implement a turnkey project with more flexible structure and leverage different business units to introduce technologies in the traditional cleanroom business to develop unique solutions in the market.

In addition, the Group has established its own facility design team during the Year and will enhance the cooperation with foreign high-end engineering design companies to obtain design contracts so as to gradually instill the Group's turnkey concept to customers with an aim to increase the chance of winning high-end turnkey projects.

The Group has been spending efforts in enhancing our technical competence in pharmaceutical Manufacturing Execution System, which is an important information system to be linked to enterprise resource planning (ERP) and automation systems. As the PRC pharmaceutical industry is steering its visions onto the industrialisation 4.0, the Group's gaining skills and knowledge would be very helpful to our business development in this specific sector.

Powder and Solid System

To meet customers' standards of occupational safety and containment manufacturing in the pharmaceutical and nuclear industries, the Company has integrated more world leading technologies into its technical solutions. During the Year, the Group has developed a series of powder or liquid transfer products which could transfer objects between areas of different grades in the clean room so that the Group could provide more comprehensive and flexible solutions to its customers. To complete its oral solid dosage (OSD) product line, the Group has successfully developed fluid bed and wet granulation equipment to strengthen its capabilities to provide total-solution concept in the OSD field.

The more the pharmaceutical industry stresses on environmental, health and safety (EHS) issues, the more opportunities ahead for the Group are expected from this business segment.

GMP Compliance Service

Our GMP Compliance Service team comprised of local and foreign regulation experts who could rapidly complete various researches on new regulations on a worldwide basis to develop different solutions for pharmaceutical companies to comply with new regulation requirements put forward by regulatory authorities in a short time. Based on the researches on the regulations announced in 2015, including the State Council's "Opinions Concerning the Reform of the Review and Approval System for Drugs and Medical Devices" and CFDA's requirement of pharmaceutical companies to conduct self-checking on drug clinical trial data, the Group has been further developing additional elements into the following services to expand its consultancy service scope:

1. cold chain consultancy services addressing the improved China's good supply practice (GSP);

2. operational excellence consultancy services through offering gap analysis and improvement initiative advice and management tools;

3. quality management system consultancy services pursuant to regulators' newly encouraged pharmaceutical quality systems;

4. registration support services, assisting pharmaceutical manufacturers or research organisations to register their pharmaceutical products with the FDA, the EMA and the WHO;

5. consistency evaluation service which provides customised improvement scheme for generic drug manufacturers; and

6. data integrity consultancy service, assisting the pharmaceutical manufacturers in their data process and management in R&D and manufacture phases.

Strengthen our research and development and product design and development capabilities

The Group has established cooperation with local and international universities and institutes such as Chinese Academy of Science, East China University of Science and Technology, Bradford University, etc. Through the cooperation with the research facilities of these institutions, the Group could not only transfer most cutting edge sciences into products, but also develop process and new products to support technical solutions of pharmaceutical companies.

Meanwhile the Group has increased its capital investment in strengthening its own research capabilities. During the Year the Group established powder and solid process laboratory in its Shijiazhuang facility, and in 2016 the Group is in the plan of establishing more new laboratories to develop new process and technologies based on the equipment technologies transferred from its partners with an aim to help customers improve their process, formulations and equipment.

Expand by opportunistic and strategic acquisition of business and/or companies

The Group's merger and acquisition target is to synergise its present business. As set out in note 35 of the Notes to the Financial Statements for the year ended 31 December 2015, on 29 January 2016, the Group entered into an agreement with Mr. Rebhan for the proposed acquisition of 33.33% interest in ROTA from Mr. Rebhan ("**ROTA Acquisition**"). The ROTA Acquisition has not yet been completed as at the date of this report.

ROTA is a German company having over 20 years' manufacturing and process experiences, presence in fill-finish market with strength in ampoule and vial filling technologies compared to manufacturers in the PRC and Asia and has gained customer satisfaction in emerging markets. The Group has recently developed freeze-dryer, vial loading and unloading technologies and sterile isolators which can leverage technically with ROTA to offer the Group's customers a complete integrated filling and freeze-drying technical solution from one single source. It was expected that following the completion of the ROTA Acquisition, the Group will share knowledge with ROTA on German and European level of equipment design and equipment manufacturing techniques. With the support of ROTA, the Group is expected to be able to create a new brand, ROTA-AUSTAR, for its PRC market to compete against local competitors.

Through negotiation between potential targets in the Year, the Group identified some other potential targets and has been undertaking in-depth communications and putting forward proposal with a number of companies. The Group's targets to acquire world-class specific technology leading companies with a view to bring additional brand value and specific high-end technology value to the Group and to complete its product lines as well as to provide more comprehensive solutions to its customers throughout the PRC and the emerging countries.

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 RMB627.5 million, representing a decrease of approximately 7.7% over 2014, primarily due to the decrease in revenue from the business segments of Liquid and Bioprocess System, Powder and Solid System and GMP Compliance Service which had partially offset the increase in revenue from the business segments of Life Science Consumables and Distribution and Agency of Pharmaceutical Equipment.

The following table sets forth, for the years ended 31 December 2015 and 2014, the breakdown of the Group's revenue by business segment:

	For the year ended 31 December				
	2015		2014		Change
Revenue by business segment	RMB'000	%	RMB'000	%	%
Liquid and Bioprocess System	**307,192**	**49.0%**	342,063	50.3%	(10.2%)
Clean Room and Automation Control and Monitoring System	**141,899**	**22.6%**	146,163	21.5%	(2.9%)
Powder and Solid System	**42,257**	**6.7%**	48,406	7.1%	(12.7%)
GMP Compliance Service	**32,295**	**5.1%**	50,810	7.5%	(36.4%)
Life Science Consumables	**78,465**	**12.5%**	67,154	9.9%	16.8%
Distribution and Agency of Pharmaceutical Equipment	**25,436**	**4.1%**	25,154	3.7%	1.1%
Total	**627,544**	**100.0%**	679,750	100.0%	(7.7%)

Liquid and Bioprocess System

The Group's revenue from the business segment of Liquid and Bioprocess System decreased by approximately RMB34.9 million or 10.2% from approximately RMB342.1 million for the year ended 31 December 2014 to approximately RMB307.2 million for the year ended 31 December 2015. The decrease was mainly due to prolonged execution time for certain projects undertaken by the Group resulting in a decrease in revenue as compared with the corresponding period in 2014.

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 RMB4.3 million or 2.9% from approximately RMB146.2 million for the year ended 31 December 2014 to approximately RMB141.9 million for the year ended 31 December 2015. The decrease was mainly due to the decrease in acceptance of clean room enclosure projects with lower profit margin in the Year.

Powder and Solid System

The Group's revenue from the business segment of Powder and Solid System decreased by approximately RMB6.1 million or 12.7% from approximately RMB48.4 million for the year ended 31 December 2014 to approximately RMB42.3 million for the year ended 31 December 2015. The decrease in revenue was primarily resulted from (i) decrease in the amount of backlog in the business segment of Powder and Solid System at the year end of 2014; and (ii) certain amount of order-in-take in the business segment of Powder and Solid System in 2015 has not yet recognised as revenue for the Year.

GMP Compliance Service

The Group's revenue from the business segment of GMP Compliance Service decreased by approximately RMB18.5 million or 36.4% from approximately RMB50.8 million for the year ended 31 December 2014 to approximately RMB32.3 million for the year ended 31 December 2015, which was primarily attributable to (i) the Group's decision to minimise order-in-takes and increase training to its execution team in order to enhance execution level; and (ii) assignment of certain team members of GMP Compliance Service to the Group's newly established business unit in pursuit of overseas turnkey projects.

Life Science Consumables

The Group's revenue from the business segment of Life Science Consumables increased by approximately RMB11.3 million or 16.8% from approximately RMB67.2 million for the year ended 31 December 2014 to approximately RMB78.5 million for the year ended 31 December 2015, which was primarily attributable to the increase in the Group's distribution of life science consumables manufactured by its joint venture. The increase was also driven by the launch of new pharmaceutical instruments which have a wider scope of use in research institutes.

Distribution and Agency of Pharmaceutical Equipment

The Group's revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment stably increased by approximately RMB0.2 million or 1.1% from approximately RMB25.2 million for the year ended 31 December 2014 to approximately RMB25.4 million for the year ended 31 December 2015, which was primarily attributable to the Group's increased focus on the sale and distribution of various types of high-end pharmaceutical equipment.

The following table sets forth the breakdown of the Group's revenue by geographical regions for the year ended 31 December 2015 and 2014:

	For the year ended 31 December				
	2015		2014		Change
Revenue by business segment	**RMB'000**	**%**	RMB'000	%	%
Mainland China	**581,111**	**92.6%**	620,008	91.2%	(6.3%)
Other locations	**46,433**	**7.4%**	59,742	8.8%	(22.3%)
Total	**627,544**	**100.0%**	679,750	100.0%	(7.7%)

The Group derived its revenue mainly from the business operations in the Mainland China, which accounted for approximately 92.6% of the total revenue for the year ended 31 December 2015 (2014: approximately 91.2%).

Cost of sales

The Group's cost of sales increased by approximately RMB22.2 million or 4.9% from approximately RMB451.1 million for the year ended 31 December 2014 to approximately RMB473.3 million for the year ended 31 December 2015. Such increase was mainly due to increase in costs of raw materials and staff costs.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB74.4 million or 32.5% from approximately RMB228.6 million for the year ended 31 December 2014 to approximately RMB154.2 million for the year ended 31 December 2015. The gross profit margin decreased from approximately 33.6% for the year ended 31 December 2014 to approximately 24.6% for the year ended 31 December 2015, which was mainly resulted from the decrease in gross profit margin from the business segments of Liquid and Bioprocess System, Clean Room and Automation Control and Monitoring System, Powder and Solid System and GMP Compliance Service.

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

	For the year ended 31 December					
	2015			2014		
Gross profit and gross profit margin by business segment	**RMB'000**	**%**	**Gross profit margin %**	RMB'000	%	Gross profit margin %
Liquid and Bioprocess System	**47,489**	**30.8%**	**15.5%**	89,455	39.1%	26.2%
Clean Room and Automation Control and Monitoring System	**36,365**	**23.6%**	**25.6%**	48,295	21.1%	33.0%
Powder and Solid System	**11,750**	**7.6%**	**27.8%**	21,096	9.2%	43.6%
GMP Compliance Service	**15,103**	**9.8%**	**46.8%**	29,808	13.1%	58.7%
Life Science Consumables	**34,034**	**22.1%**	**43.4%**	28,363	12.4%	42.2%
Distribution and Agency of Pharmaceutical Equipment	**9,506**	**6.1%**	**37.4%**	11,590	5.1%	46.1%
Total	**154,247**	**100.0%**	**24.6%**	228,607	100.0%	33.6%

Liquid and Bioprocess System

The Group's gross profit from the business segment of Liquid and Bioprocess System decreased by approximately RMB42.0 million or 46.9% from approximately RMB89.5 million for the year ended 31 December 2014 to approximately RMB47.5 million for the year ended 31 December 2015. The gross profit margin from the business segment of Liquid and Bioprocess System decreased from approximately 26.2% for year ended 31 December 2014 to approximately 15.5% for the year ended 31 December 2015, which was mainly resulted from (i) prolonged execution time for certain projects undertaken by the Group due to subsequent modification of users requirements for liquid and bioprocess projects undertaken by the Group; and (ii) certain projects undertaken during the Year carried a relatively lower gross profit margin for the purpose of penetrating into the bioprocess market and retaining long term customers.

Clean Room and Automation Control and Monitoring System

The gross profit from the business segment of Clean Room and Automation Control and Monitoring System decreased by approximately RMB11.9 million or 24.7% from approximately RMB48.3 million for the year ended 31 December 2014 to approximately RMB36.4 million for the year ended 31 December 2015. The gross profit margin from the business segment of Clean Room and Automation Control and Monitoring System decreased from approximately 33.0% for the year ended 31 December 2014 to approximately 25.6% for the year ended 31 December 2015, which was mainly attributable to prolonged execution time for certain projects due to subsequent modification of users requirements for certain projects undertaken by the Group.

Powder and Solid System

The Group's gross profit from the business segment of Powder and Solid System decreased by approximately RMB9.3 million or 44.3% from approximately RMB21.1 million for the year ended 31 December 2014 to approximately RMB11.8 million for the year ended 31 December 2015. The gross profit margin from the business segment of Powder and Solid System decreased from approximately 43.6% for the year ended 31 December 2014 to approximately 27.8% for the year ended 31 December 2015, which was mainly resulted from the launching of our new model of powder and solid system, which despite having a lower gross profit margin, formed a key component in the Group's provision of integrated engineering solutions.

GMP Compliance Service

The Group's gross profit from the business segment of GMP Compliance Service decreased by approximately RMB14.7 million or 49.3% from approximately RMB29.8 million for the year ended 31 December 2014 to approximately RMB15.1 million for the year ended 31 December 2015. The gross profit margin from the business segment of GMP Compliance Service decreased from approximately 58.7% for the year ended 31 December 2014 to approximately 46.8% for the year ended 31 December 2015, which was mainly due to (i) increase in staff costs during the Year; (ii) decrease in revenue recognised due to decrease in acceptance of order-in-take in the business segment of GMP Compliance Service in the Year.

Life Science Consumables

The Group's gross profit from the business segment of Life Science Consumables increased by approximately RMB5.6 million or 20% from approximately RMB28.4 million for the year ended 31 December 2014 to approximately RMB34.0 million for the year ended 31 December 2015. The gross profit margin from the business segment of Life Science Consumables remained relatively stable at approximately 43.4% for the year ended 31 December 2015 as compared with approximately 42.2% for the year ended 31 December 2014.

Distribution and Agency of Pharmaceutical Equipment

The Group's gross profit from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased by approximately RMB2.1 million or 18% from approximately RMB11.6 million for the year ended 31 December 2014 to approximately RMB9.5 million for the year ended 31 December 2015. The gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased from approximately 46.1% for the year ended 31 December 2014 to approximately 37.4% for the year ended 31 December 2015, which was mainly due to the decreased in amount of agency service provided for pharmaceutical equipment which had higher gross profit margin.

Other income

Other income increased by approximately RMB0.8 million or 36.4% to approximately RMB2.9 million for the year ended 31 December 2015 from approximately RMB2.1 million for the year ended 31 December 2014, mainly attributable to the increase in the subsidies granted by local government authorities of the PRC in the Year.

Other gains/losses

Other gain improved by approximately RMB566,000 to a gain of approximately RMB278,000 for the year ended 31 December 2015 from a loss of approximately RMB288,000 for the year ended 31 December 2014, mainly attributable to gain on derivatives financial assets at fair value during the Year.

Selling and marketing expenses

Selling and marketing expenses increased by approximately RMB5.9 million or 9.0% to approximately RMB71.0 million for the year ended 31 December 2015 from approximately RMB65.1 million for the year ended 31 December 2014. The increase was primarily due to the increase in the staff costs and market promotion expenses.

Administrative expenses

Administrative expenses decreased by approximately RMB1.1 million or 1.9% to approximately RMB56.2 million for the year ended 31 December 2015 from approximately RMB57.3 million for the year ended 31 December 2014. The decrease was primarily due to decrease in legal and professional fees of approximately RMB11.0 million incurred for the year ended 31 December 2014 as a result of the Group's preparation for listing on the Stock Exchange but such decrease was partially offset by the increase in staff costs by approximately RMB3.4 million or 14.9%, mainly attributable to increase in salary increase of management staff.

Research and development expenses

As at 31 December 2015, the Group had 29 research and development personnel which accounted for approximately 3.5% of the Group's total number of employees. The Group cooperated with well-known academic institutions in order to upgrade the Group's technology level. The Group's research and development expenses increased by approximately RMB3.3 million or 14.0% to approximately RMB26.9 million for the year ended 31 December 2015, compared to approximately RMB23.6 million for the year ended 31 December 2014, mainly due to our continuous efforts to enhance research and development activities.

Finance expenses – net

Finance – net changed from net finance expenses of approximately RMB809,000 for the year ended 31 December 2014 to net finance expenses of approximately RMB928,000 for the year ended 31 December 2015, which was mainly due to (i) the increase in interest expenses of approximately RMB147,000 primarily resulting from the increase in average bank borrowings for the year ended 31 December 2015; and (ii) increase of exchange loss by approximately RMB2.2 million due to devaluation of the RMB which was partially offset by the increase in interest income by approximately RMB2.2 million.

Share of profit of joint ventures

The Group's share of profit of joint ventures increased by approximately RMB1.1 million, from approximately RMB4.2 million for the year ended 31 December 2014 to approximately RMB5.3 million for the year ended 31 December 2015, which was primarily due to the increase in profit contribution from STERIS-AUSTAR Pharmaceutical Systems Hong Kong Limited and PALL-AUSTAR Lifesciences Limited.

Profit before income tax

The Group's profit before income tax decreased by approximately 91.4% from approximately RMB87.8 million for the year ended 31 December 2014 to approximately RMB7.6 million for the year ended 31 December 2015 which was primarily due to the factors as described above in this section.

Income tax expense

Income tax expense decreased by approximately RMB21.4 million to approximately RMB1.2 million for the year ended 31 December 2015 from approximately RMB22.6 million for the year ended 31 December 2014, mainly due to the decrease in profit before income tax.

Profit for the year

The Group's profit for the year decreased by approximately RMB58.8 million or 90.2% to approximately RMB6.4 million for the year ended 31 December 2015 from approximately RMB65.2 million for the year ended 31 December 2014. The net profit margin decreased from approximately 9.6% for the year ended 31 December 2014 to approximately 1.0% for the year ended 31 December 2015, which was primarily due to the factors as described above in this section.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	**61,526**	(64,401)
Net cash (used in)/generated from investing activities	**(24,956)**	18,714
Net cash (used in)/generated from financing activities	**(22,284)**	288,772
Net increase in cash and cash equivalents	**14,286**	243,085

For the year ended 31 December 2015, the Group had net cash generated from operating activities of approximately RMB61.5 million mainly as a result of the profit before income tax of approximately RMB7.6 million generated in the Year, which was primarily adjusted for:

i. the increase in trade and other payables of approximately RMB72.1 million;

ii. the decrease in the trade and other receivables of approximately RMB28.4 million; and

iii. the increase in amounts due from customers for contract work of approximately of RMB45.5 million mainly resulting from prolonged project execution undertaken for the year 2015.

For the year ended 31 December 2015, the Group had net cash used in investing activities of approximately RMB25.0 million, which was mainly attributable to:

i. the prepayment to Shijiazhuang government authority of approximately RMB16.3 million in connection with the acquisition of the relevant land use right; and

ii. purchase of property, plant and equipment of approximately RMB14.2 million which consisted of machinery and equipment purchased for various business segment.

For the year ended 31 December 2015, the Group had net cash used in financing activities of approximately RMB22.3 million mainly as a result of dividends paid to shareholders of the Company in 2015.

As at 31 December 2015 and 31 December 2014, the Group had cash and cash equivalents of approximately RMB393.4 million and RMB382.6 million respectively, and balances of pledged bank deposits under the current assets were approximately RMB21.4 million and RMB4.2 million respectively.

Net current assets

The Group's net current assets as at 31 December 2015 had decreased by approximately RMB20.8 million, from approximately RMB494.7 million as at 31 December 2014 to approximately RMB473.9 million as at 31 December 2015.

As at 31 December 2015, the Group's total current assets amounted to approximately RMB867.1 million, which was an increase of approximately RMB67.7 million as compared with approximately RMB799.4 million as at 31 December 2014. The increase was primarily due to:

i. the increase in contract work-in-progress of approximately RMB45.5 million primarily resulting from prolonged project execution undertaken for the year 2015;

ii. the increase in cash and cash equivalents of approximately RMB10.8 million during the Year;

iii. the increase in restricted cash of approximately RMB17.3 million during the Year but such increase was partially offset by the decrease in trade and notes receivables of approximately RMB23.8 million as a result of improved trade receivables control.

As at 31 December 2015, the Group's total current liabilities amounted to approximately RMB393.3 million, which was an increase of approximately RMB88.6 million as compared with approximately RMB304.7 million as at 31 December 2014. The increase was primarily due to:

i. the increase in trade and other payables of approximately RMB72.4 million; and

ii. the increase in amounts due to customers for contract work in the amount of approximately RMB21.2 million.

Borrowings and gearing ratio

As at 31 December 2015, the total interest-bearing borrowings amounted to approximately RMB35.0 million, which remained unchanged as compared with that as at 31 December 2014, all denominated in RMB and carry interest rates of 5.62% to 6.16% (31 December 2014: 6.30%).

The Group's gearing ratio was approximately 6.4% as at 31 December 2015 (31 December 2014: 6.4%). The ratio is calculated based on the total debts as of the respective dates divided by total equity as of the respective dates and multiplied by 100%.

Pledged assets

As at 31 December 2015, save for pledged bank deposits of approximately RMB21.4 million, the Group had buildings and land use rights having a total carrying amount of approximately RMB9.3 million and approximately RMB6.0 million (31 December 2014: approximately RMB10.1 million and approximately RMB6.1 million respectively) which are pledged as security for short-term bank borrowings with carrying value of approximately RMB20 million (31 December 2014: approximately RMB35 million).

Contingent liabilities

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

HUMAN RESOURCES

As at 31 December 2015, the Group had 840 full-time employees for, inter alia, research and development, sales and marketing, administration, project management and execution and manufacturing, representing a decrease of approximately 16.3% as compared with 1,003 employees as at 31 December 2014. The employee costs (including the Directors' remuneration) were approximately RMB139.0 million, which was an increase of approximately 14.3% as compared with approximately RMB121.6 million for the year ended 31 December 2014.

Employee costs of the Group increased mainly due to the Group's efforts in ensuring the attractiveness of its employee remuneration packages and granting of performance-based bonuses in accordance with general standards set out in the Group's remuneration policy.

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

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 contributions to statutory mandatory provident fund scheme for its employees in Hong Kong.

CAPITAL COMMITMENTS

Capital expenditure of property, plant and equipment authorised by the Board which has not been contracted for as of 31 December 2015 amounted to RMB141,435,000 (31 December 2014: Nil).

FOREIGN EXCHANGE RISK

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

EVENT AFTER THE REPORTING YEAR

Save as disclosed above in this section, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2015 and up to the date of this report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Our Board comprises eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The following tables sets forth certain information relating to our Directors:

Name	Age	Position
Executive Directors		
Mr. Ho Kwok Keung, Mars	53	Chairman and Chief Executive Officer
Mr. Ho Kin Hung	58	Executive Director
Mr. Chen Yuewu	49	Executive Director
Madam Zhou Ning	43	Executive Director
Non-executive Director		
Madam Ji Lingling	33	Non-executive Director
Independent Non-executive Directors		
Mr. Cheung Lap Kei	44	Independent non-executive Director
Madam Chiu Hoi Shan	39	Independent non-executive Director
Mr. Raco Ivan Jordanov (alias Racho Jordanov)	68	Independent non-executive Director

EXECUTIVE DIRECTORS

Mr. Ho Kwok Keung, Mars ("Mr. Mars Ho") (何國強), aged 53, is the founder of the Group and was appointed as a director of the Company on 9 January 2014 and became an executive Director with effect from June 2014. He is the chairman of the Board and the chief executive officer of the Company. Mr. Mars Ho is also the chairman of the nomination committee ("**Nomination Committee**") and a member of the corporate governance committee ("**Corporate Governance Committee**") of the Board, and a director of certain subsidiaries of the Company. He is responsible for overseeing the business, corporate strategy, long-term planning all-round development of the Group. Mr. Mars Ho has over 30 years of experience in the pharmaceutical industry. Prior to founding the Group, Mr. Mars Ho worked as an assistant manager in the Pharmaceutical Equipment Department of Sun Hung Kai (China) Limited* from June 1985 to April 1988, where he was responsible for marketing of pharmaceutical equipment. Sun Hung Kai (China) Limited was primarily engaged in a number of businesses, including property development, hotels, infrastructures, telecommunications and property management. From May 1988 to October 1990 he worked as a sales manager of Pharmaceutical and Chemical Industry for Leybold Limited (Hong Kong), where he was primarily responsible for the sales and marketing of products in the pharmaceutical, chemical and vacuum coating industries. Leybold Limited (Hong Kong) was primarily engaged in vacuum technology, vacuum process engineering, measuring and analytical technology. Mr. Mars Ho also worked as a sales manager for China Fen Hin Industrial Co., Ltd from November 1990 to April 1991 where he was responsible for managing and supervising the sales department and designing marketing plans. China Fen Hin Industrial Co., Ltd was engaged in the export and wholesale of Chinese medicine and health products. Since 1991, Mr. Mars Ho started his own business of an equipment agent company. Through co-operating with various reputable companies and by founding various pharmaceutical related companies, Mr. Mars Ho has been exposed in different aspects of the pharmaceutical industry. Mr. Mars Ho has also been serving some of the multinational pharmaceutical companies clients and pharmaceutical research institutes and manufacturers in the PRC. His technical knowledge has been acquired from his execution of projects and business with various partners over the past decades.

** For identification purpose.*

In recognition of Mr. Mars Ho's dedication and achievements in the pharmaceutical industry, he was selected and awarded the honor of pharmaceutical 中國醫藥「60年60人」("60 Elites of 60 years" in China Pharmaceutical) in November 2009, which is a recognition of his effort in influencing and contributing to the pharmaceutical industry in China. He served as the chairman of China Affiliate of International Society of Pharmaceutical Engineering (ISPE) from 2011 to 2012, which is an organisation established with the mission of connecting the world of pharmaceutical industry professionals and he has been a member of the ISPE China Board of directors and executive council since 2013. Mr. Mars Ho co-edited a number of pharmaceutical professional books such as Pharmaceutical Process Validation Manual, Microbial Control in Pharmaceutical Cleanroom, Pharmaceutical Liquid Process, and Pharmaceutical Water Systems. He is the current technical consultant and a member of the board of directors of China National Pharmaceutical Packaging Association. Mr. Mars Ho obtained a bachelor of science degree in engineering from The University of Hong Kong in Hong Kong in November 1985. Mr. Mars Ho is a director of Standard Fortune Holdings Limited, which is interested in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**") (Cap. 571 of the Laws of Hong Kong).

Mr. Ho Kin Hung ("Mr. Ho") (何建紅), aged 58, joined the Group on 20 August 2003. He was appointed as a director of the Company on 9 January 2014 and became an executive Director with effect from 20 June 2014. Mr. Ho is also a director of a subsidiary of the Company. He is responsible for overall management of operations and sales of the Group. He has approximately 34 years of experience in the pharmaceutical industry. Prior to joining the Group, Mr. Ho worked as a marketing executive at China Fen Hin Medicine Co., Ltd from February 1981 to January 1992, where he was responsible for marketing. China Fen Hin Medicine Co., Ltd was primarily engaged in the export and wholesale of Chinese medicine and health products. He obtained a higher diploma in china trade awarded jointly by the Hong Kong Management Association and the Institute of Research on Economics of SEZs, Hong Kong and Macau Jinan University, China in October 1987. Mr. Ho is a director of True Worth Global Limited, which is interested in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Chen Yuewu ("Mr. Chen") (陳躍武), aged 49, joined the Group on 1 August 2005 and was appointed as an executive Director with effect from 20 June 2014. He is also a member of the risk management committee ("**Risk Management Committee**") of the Board and a director of a subsidiary of the Company. Mr. Chen is responsible for overall management of operations and managing technology centre of the Group. Mr. Chen has approximately 26 years of experience in the pharmaceutical industry. Prior to joining the Group, he worked as a production manager at 河北聯合製藥有限公司 (Hebei Union Pharmaceutical Company Limited*) from September 1990 to March 2000 where he was responsible for managing the engineering department and the production department. 河北聯合製藥有限公司 (Hebei Union Pharmaceutical Company Limited*) was engaged in pharmaceutical production. Mr. Chen has been a technical services manager in a company controlled by Mr. Mars Ho, the chairman of the Board, the chief executive officer and one of the controlling shareholders (as defined under the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**")) of the Company prior to joining the Group. Mr. Chen obtained a bachelor's degree of electrical engineering in industrial electrical and automated production in July 1990 from 河北工學院 (Hebei Institute of Technology*) in China. He further completed a one-year course in economics and management strategy at 北京大學 (Peking University*) in October 2012. In December 2014, Mr. Chen obtained the qualification certificate as senior engineer in pharmaceutical engineering from the Title Reform Leading Group Office of Hebei Province.

** For identification purpose.*

Madam Zhou Ning ("Madam Zhou") (周寧), aged 43, joined the Group on 10 April 2014 and was appointed as an executive Director with effect from 20 June 2014. She is also the chairman of each of the Corporate Governance Committee and Risk Management Committee and a member of the remuneration committee ("**Remuneration Committee**") of the Board. Madam Zhou is also a director of certain subsidiaries of the Company. She is responsible for overall management of operations and internal control of the Group. Madam Zhou has over 10 years of experience in the pharmaceutical industry. Prior to joining the Group, Madam Zhou worked as project manager at 北京國際經濟技術公司 (Beijing International Economics and Technology Co., Ltd*) from July 1995 to December 1999, where she was responsible for the operations of international exhibitions. 北京國際經濟技術公司 (Beijing International Economics and Technology Co., Ltd*) is a subsidiary of 北京市貿促會 (China Council for the Promotion of International Trade Beijing Sub-council*), which was engaged in the promotion of international trade and exchange of technology between different countries and the PRC, and it is a sub-council of 中國國際貿易促進委員會 (China Council for the Promotion of International Trade*). Before joining the Group in April 2014, from November 2005 to February 2014, Madam Zhou had been employed by a company controlled by Mr. Mars Ho, the chairman of the Board, chief executive officer and one of the controlling shareholders (as defined under the Listing Rules) of the Company, as an assistant to Mr. Mars Ho, assisting the coordination and communication of different business segments, and as the chief financial officer, where she was responsible for procurement and financial matters. Madam Zhou graduated with a bachelor's degree of arts from 北京師範大學 (Beijing Normal University*) in China in June 1995 and a master's degree in business administration from 北京大學 (Peking University*) in China in January 2006.

NON-EXECUTIVE DIRECTOR

Madam Ji Lingling ("Madam Ji") (季玲玲), aged 33, was appointed as a non-executive Director with effect from 20 June 2014, on which she joined the Group. She is also a member of each of the audit committee ("**Audit Committee**") of the Board and Risk Management Committee. Madam Ji is a qualified lawyer in the PRC and has approximately 10 years' experience in legal compliance. Prior to becoming the Chairman's assistant in 2005, she worked as a sales assistant in 北京啟迪世紀通訊技術有限公司 (Beijing Unismobile Communication Technology Co*) which is a company engaged in the research and development of communication and computer products from May 2004 to July 2005. Since July 2005, Madam Ji has been employed by a company controlled by Mr. Mars Ho, the chairman of the Board, chief executive officer and one of the controlling shareholders (as defined under the Listing Rules) of the Company, as an assistant to Mr. Mars Ho, assisting the Chairman in overseeing all legal matters. Madam Ji graduated from 中國人民大學 (Ren Min University of China*) in China with a bachelor's degree in laws in July 2004 and from 北京大學 (Peking University*) in China with a master's degree in laws in January 2012 respectively.

** For identification purpose.*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Lap Kei ("Mr. Cheung") (張立基), aged 44, was appointed as an independent non-executive Director with effect from 21 October 2014. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. Mr. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants since October 1998 and a member of Certified Public Accountants of Australia since March 1998. He has approximately 22 years of experience in auditing and accounting field. Mr. Cheung worked as an audit assistant for George Yau & Co, a certified public accountants' firm from May 1994 to February 1996. From December 1996 to December 1998, he worked as a staff accountant for Ernst & Young. He worked for KPMG from October 1999 to January 2005. By the time he left KPMG, he was a manager. Both Ernst & Young and KPMG are certified public accountants' practice offering a variety of professional services including audit and assurance, consultancy, corporate finance and tax. He also served as the group financial controller, qualified accountant, authorised representative and company secretary of China Ruifeng Renewable Energy Holdings Limited (Stock code: 527), from February 2005 to January 2008. Mr. Cheung served as the chief financial officer, qualified accountant, authorised representative and company secretary of United Photovoltaics Group Limited (Stock code: 686), from July 2008 to January 2009, shares of both companies are listed on the Main Board of the Stock Exchange. Mr. Cheung received a bachelor's degree in commerce from Australian National University in Australia in September 1994, and a master's degree in business administration from Deakin University in Australia in August 2006. Mr. Cheung currently serves as chief financial officer, company secretary and authorised representative of China Zhongwang Holdings Limited (Stock code: 1333), shares of which are listed on the Main Board of the Stock Exchange since 30 December 2008.

Madam Chiu Hoi Shan ("Madam Chiu") (趙凱珊), aged 39, was appointed as an independent non-executive Director with effect from 21 October 2014. She is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, Nomination Committee and Corporate Governance Committee. Madam Chiu obtained a Bachelor of Laws degree and a Postgraduate Certificate in Laws from The University of Hong Kong in December 1998 and June 1999 respectively. She has been practising as a solicitor in Hong Kong since August 2001 and her practice has been focusing on civil litigation and corporate commercial matters. She is currently a partner at S.H. Leung & Co. which is a solicitor's firm in Hong Kong engaged in the provision of various legal services. Madam Chiu is also the company secretary of Chongqing Machinery & Electric Co., Ltd., a company whose shares are listed on the Main Board of the Stock Exchange (Stock code: 2722).

Mr. Raco Ivan Jordanov (alias Racho Jordanov) ("Mr. Jordanov"), aged 68, was appointed as an independent non-executive Director on 21 October 2014. Mr. Jordanov has over 32 years of experience in building and leading manufacturing operations in development-stage and multi-national biopharmaceutical companies. He spent approximately 20 years in Genentech Inc. as senior director in Singapore Operations, where he established outsourcing capabilities for pharmaceutical product substance and products, medical devices and developed manufacturing facilities. Genentech Inc. is a company which engages in the research, discovery, development, manufacture and marketing of biotechnology products. Mr. Jordanov also served as management in various companies such as Telios Pharmaceuticals and Serono S.A. before he established his own company JHL Biotech in 2012 which provides process development and manufacturing services to emerging and established biopharmaceutical companies seeking to commercialise high-quality, affordable medicine. He obtained his bachelor's degree in science in biology at the University of California, U.S.A in 1975, bachelor's degree in mechanical engineering at the Sofia Institute of Technology, Bulgaria in June 1969 and a master degree in business administration at the National University, San Diego, U.S.A in 1980.

SENIOR MANAGEMENT

Name	Age	Position
Madam Wang Wei, Lena	42	Vice-president
Madam Tang Xiangdi	38	Financial controller

Madam Wang Wei, Lena ("Madam Wang") (王瑋), aged 42, was appointed as the Group's vice-president in October 2015 and she is primarily responsible for the marketing of the Group. Madam Wang joined the Group in October 2003 and was responsible for sales marketing and operation of consumables, instrument and equipment in Lifesciences industry until June 2015. From June 2015, Madam Wang takes charge of full operations of Lifesciences Instrument & Consumables Business Unit. She was also appointed as General Manager of Austar Hansen Lifesciences (Shanghai) Limited in June 2015. Prior to join the Group, Madam Wang worked for NCPC Genetec Biotechnology Co. Limited as quality assurance supervisor from 2000 to 2003 and served as leader of Strain Breeding Group, Hebei Welcome Pharmaceutical Co., Ltd. from 1995 to 1999. Madam Wang obtained a bachelor degree from Hebei University of Science and Technology on 5 January 2010.

Madam Tang Xiangdi ("Madam Tang") (唐湘娣), aged 38, was appointed as our Group' s financial controller from 1 November 2013 and she is primarily responsible for the financial management of our Group. Madam Tang joined our Group in January 2013. She has over 11 years of experience in financial reporting and treasury management. From July 2000 to May 2002, she worked as an accountant at 北京匯金科技有限責任公司 (Beijing Nasoft Co. Ltd*), a company engaged in the research and development of software and information systems and she was responsible for preparing the accounting documents, and tax returns. She worked as a finance manager in 樂金電子(中國)有限公司(北京營業部) (LG Electronics (China) Co., Ltd (Beijing Sales office)*), a company engaged in the manufacturing, sales, and the research and development of various electronic products, and home appliances, from May 2002 to June 2007 and she was responsible for reviewing the daily, monthly and annual financial reports. From June 2007 to April 2009 she worked as a finance manager responsible for reviewing, examining and monitoring the revenue and expenses in the daily operations, audit reports and inventory level at 北京同樂寒舍國際餐飲有限責任公司 (My Humble House in Beijing (Restaurant) Company Limited*), a company engaged in catering business. She has been a finance manager since April 2009 in a company controlled by Mr. Mars Ho, our chairman, chief executive officer and one of our controlling shareholders (as defined under the Listing Rules), prior to joining our Group. Madam Tang obtained a bachelor's degree in management at 中南財經政法大學 (Zhongnan University of Economics and Law*) in June 2000. She also obtained a master's degree of business administration from 北京大學 (Peking University) in June 2014.

** For identification purpose.*

The Board is pleased to present this annual report together with the audited consolidated financial statements ("**Consolidated Financial Statements**") of the Company for the year ended 31 December 2015 ("**Year**").

CORPORATE INFORMATION AND USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands on 9 January 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company ("**Shares**") have been listed on the Main Board of the Stock Exchange since 7 November 2014.

On 7 November 2014, the ordinary shares of the Company were first listed on the Stock Exchange following the completion of its initial public offering ("**IPO**"). As at 31 December 2015, out of the aggregated net proceeds from the IPO of approximately HK$411.8 million, (i) as to approximately RMB11.3 million (equivalent to approximately HK$14.0 million) had been utilised for general research and development; (ii) as to approximately RMB3.8 million (equivalent to approximately HK$4.8 million) had been utilised for sales and marketing; (iii) as to approximately RMB28.5 million (equivalent to approximately HK$36.0 million) had been applied for as general working capital of the Group; (iv) as to approximately RMB16.3 million (equivalent to approximately HK$20.4 million) had been applied for prepayment of premium in connection with acquisition of land use right as explained below; and (v) the remaining of approximately RMB260.1 million (equivalent to approximately HK$336.6 million) has been deposited into the banks and has not yet been utilised. Such proceeds are intended to be applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of proceeds" in the prospectus of the Company dated 28 October 2014.

As at 31 December 2015, land premium of approximately RMB16.3 million (including approximately RMB12.5 million paid in June 2015 and approximately RMB3.8 million paid in July 2015) ("**Premium**") had been prepaid to the Shijiazhuang Government in connection with the acquisition of the land use right of a piece of land in the Shijiazhuang High-New Technology Industry Development Zone ("**Zone**"). The Company was given to understand that the Premium paid to the Shijiazhuang Government was for the purpose of facilitating the land expropriation process and increasing the lands available for tender in the Zone by the Shijiazhuang Government. Based on information currently available to the Company, it is intended by the Shijiazhuang Government that a parcel of land with an area of approximately 54,000 sq. m. will be listed for tender and transferred by the third quarter of 2016. Subject to the signing of a legally binding agreement between the Shijiazhuang Government and the Company, the Premium paid by the Company shall be applied as part payment of the consideration for the acquisition of the land use rights of a piece of land in the Zone.

As at the date hereof, the Company's intention to build the Shijiazhuang R&D and Production Centre on such land remains unchanged and the remaining net proceeds from the IPO allocated for such purpose will remain to be held by the Company for the planned future construction.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group's operations are substantially conducted through its subsidiaries in the PRC. The Group is principally engaged in providing integrated engineering solutions to pharmaceutical manufactures and research institutes, as well as manufacturing and distribution of pharmaceutical equipment and consumables in the PRC under six business 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. Details of principal activities of the subsidiaries of the Company are set out in Note 34 to the Consolidated Financial Statements of this annual report.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report.

Key relationships

a) *Employees*

Human resources are one of the greatest assets of the Group and the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety. The Group maintains a good relationship with its employees. Staff salary payment and promotion will be measured against their progressive performance level, contribution, and achievement against the objectives set by the Group. The annual performance evaluation will be conducted annually. During the Year, recreational activities and team building activities were held to enhance internal communication, reinforce a sense of belonging and promote staff team building.

b) *Customers*

To maintain customer intimacy and keep good relationship with key customers, the Group has implemented a series of policies including customer complaints management, customer satisfaction survey, top management random inspection and after sales service.

In the Year, the Group has organized more than 16 public training and seminars in 10 cities nationwide with attendees of more than 2,000 people from pharmaceutical companies who are mainly from production, quality, and engineering departments. The introduction of advanced concepts is deemed to improve the overall level of the pharmaceutical industry

c) *Suppliers*

The Group has developed stable relationships with many of its key suppliers and generally retain at least one to three suppliers for each principal raw material. At the beginning of each year the management will discuss with major suppliers about price deduction, payment terms improvement and enter into master procurement agreements. Every year the Group will also conduct annual appraisal on key suppliers and new suppliers so as to ensure materials produced by those suppliers are in line with the Group's quality requirement.

Environmental policies

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group's production plants discharge pollutants such as waste water and solid wastes. The Group's discharge of waste water is free of industrial or corrosive substance and is channeled to local wastewater treatment plants in accordance with applicable environmental standards and subject to periodic inspections by local environmental protection authorities. The Group has also engaged professional waste management firms to manage the disposal of solid and hazardous wastes, including waste metals, photosensitive materials and waste oil-water mixtures in order to fully comply with applicable environmental laws, rules and regulations.

Compliance with laws and regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 December 2015 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in the PRC and Hong Kong.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the Consolidated Financial Statements on pages 65 to 70 of this annual report.

The Directors do not recommend the payment of any dividend for the Year.

FINANCIAL SUMMARY

A summary of the published financial results and of the assets and liabilities of the Group for the Year, together with the financial results and of the assets and liabilities of the Group for the four years ended 31 December 2014 is set out in the section headed "Five-year Financial Summary" of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the Group's property, plant and equipment during the Year are set out in Note 6 to the Consolidated Financial Statements of this annual report.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2015 are set out in Note 20 to the Consolidated Financial Statements of this annual report.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in Note 18 to the Consolidated Financial Statements of this annual report.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the Consolidated Statement of Changes in Equity on page 69 and in Note 19 to the Consolidated Financial Statements of this annual report.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the shareholders of the Company ("**Shareholders**") as at 31 December 2015 amounted to RMB429,385,000 (31 December 2014: RMB435,704,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed minimum percentage of public float during the Year and up to the date of this annual report as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association ("**Articles**") or applicable laws of the Cayman Islands where the Company is incorporated.

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report were:

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

Non-executive Directors
Madam Ji Lingling
Mr. Enzo Barazetti (resigned with effect from 19 June 2015)

Independent non-executive Directors
Mr. Cheung Lap Kei
Madam Chiu Hoi Shan
Mr. Raco Ivan Jordanov (alias Racho Jordanov)

In accordance with Article 84(1) of the Articles and pursuant to the code provision A.4.2 of Appendix 14 to the Listing Rules, Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Raco Ivan Jordanov will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has been by way of a letter of appointment appointed for a fixed term of two years with effect from 20 June 2014.

Each of the non-executive Director and the independent non-executive Directors has been by way of a letter of appointment appointed for a fixed term of one year with effect from their respective dates of appointment and subject to renewal upon expiry of the existing term.

None of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers all of the independent non-executive Directors are independent in accordance with rule 3.13 of the Listing Rules.

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

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

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

Notes:

(1) Such Shares were registered in the name of SFH, a company wholly-owned by Mr. Mars Ho. By virtue of the provisions of Part XV of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares held by SFH. Mr. Mars Ho is a director of SFH.

(2) Such Shares were registered in the name of Honour Choice Ventures Limited ("**HCV**"), a company wholly-owned by Madam Gu Xun ("**Madam Gu**"), the spouse of Mr. Mars Ho. By virtue of the provisions of Part XV of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares in which Madam Gu is interested or deemed to be interested.

(3) As at 31 December 2015, SFH was the holding company of the Company and thus an associated corporation of the Company.

(4) Such Shares were registered in the name of True Worth Global Limited ("**TWG**"), a company wholly-owned by Mr. KH Ho. By virtue of the provisions of Part XV of the SFO, Mr. KH Ho is deemed to be interested in all the Shares held by TWG.

Save as disclosed above, as at 31 December 2015, none of the Directors and/or chief executive of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

Change in Director's information since the date of the 2015 interim report of the Company is set out below:

– Madam Ji Lingling, a non-executive Director, agreed to reduce her annual director's fee to RMB296,400 with effect from 1 January 2016.

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and controlling shareholders of the Company (as defined under the Listing Rules) nor their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to rule 8.10 of the Listing Rules during the Year and up to the date of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had not entered into any transactions which constituted non-exempt connected transactions or non-exempt continuing connected transactions under the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Year, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 32 to the Consolidated Financial Statements of this annual report.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No transaction, arrangements or contract of significance to which the Company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director or a controlling shareholder (as defined in the Listing Rules) of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in Note 25 to the Consolidated Financial Statements of this annual report. The Directors' remunerations, bonuses and other compensation are determined or recommended by the remuneration committee of the Board with reference to the Directors' duties, responsibilities and the Group's performance and results.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The Articles provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Save for the above, at no time during the year ended 31 December 2015 and up to the date of this annual report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

RETIREMENT SCHEMES

The Group participates in a state-managed retirement scheme operated by the PRC government which covers the Group's eligible employees in the PRC and the Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 25 to the Consolidated Financial Statements of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or substantial part of the business of the company were entered into or existed during the Year.

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

As at 31 December 2015, to the best knowledge of the Directors and the senior management of the Company, the table below listed out the persons (other than the Directors or chief executives of the Company), who had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Division 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

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

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2015, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its Shareholders as a whole. The Company has adopted and committed to the code provisions of the Code of Corporate Governance Practices ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules and has prepared the corporate governance report, which is set out in the section headed "Corporate Governance Report" of this annual report. The Board will continue to review and monitor the practices of the Company with an aim to maintaining the highest standard of corporate governance.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the largest customer and the largest supplier of the Group accounted for approximately 3.1% and 11.6% of the Group's total revenue and total purchases respectively, and the five largest customers and the five largest suppliers of the Group accounted for approximately 13.2% and 26.1% of the Group's total revenue and total purchases respectively.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers and suppliers at any time during the Year.

AUDIT COMMITTEE

The Company established the Audit Committee in 2014 with terms of reference. The Audit Committee comprised three independent non-executive Directors, namely Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Madam Ji Lingling.

The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2015.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers, who shall retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution for the reappointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ho Kwok Keung, Mars
Chairman

29 March 2016

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. The Company has adopted a code of corporate governance, containing the code provisions set out in the Corporate Governance Code.

Save for the deviation stated in relation to the chairman of the Board and chief executive officer being the same individual as described below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the Year and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

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

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code as 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.

BOARD OF DIRECTORS

Function of the Board

The Board is responsible for establishing the Group's strategic goals, leading and monitoring the Group's development and achieving established strategic goals to protect and maximise the interests of the Company and its Shareholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board is also required to approve the Group's strategic development plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks.

Daily business operations and administrative functions of the Group are delegated to the management.

Board Composition

The Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The Directors of the Company during the Year and up to the date of this Annual Report were:

Executive Directors	
Mr. Ho Kwok Keung, Mars	Chairman of the Board Chief executive officer of the Company Chairman of the Nomination Committee Member of the Corporate Governance Committee
Mr. Ho Kin Hung	
Mr. Chen Yuewu	Member of the Risk Management Committee
Madam Zhou Ning	Chairlady of both the Corporate Governance Committee and the Risk Management Committee Member of the Remuneration Committee
Non-executive Directors	
Mr. Enzo Barazetti *(resigned on 19 June 2015)*	
Madam Ji Lingling	Member of both the Audit Committee and the Risk Management Committee
Independent Non-executive Directors	
Mr. Cheung Lap Kei	Chairman of the Audit Committee Member of both the Remuneration Committee and the Nomination Committee
Madam Chiu Hoi Shan	Chairlady of the Remuneration Committee Member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee
Mr. Raco Ivan Jordanov (alias Racho Jordanov)	

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the Corporate Governance Code requires the responsibilities between the chairman and chief executive officer should be separated and should not be performed by the same individual. The chairman of the Board is responsible for the overall leadership of the Company and for strategies and planning of the Group. The chief executive officer of the Company is responsible for the day-to-day management of the Group's business and operations.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the Year, the Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The Company has received an annual confirmation of independence from Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Raco Ivan Jordanov, being all the independent non-executive Directors, in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all independent non-executive Directors are independent.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The non-executive director and all independent non-executive Directors are appointed for a term of one year, subject to renewal upon expiry of the existing term.

Each of such appointments is subject to the rotation and retirement provisions in the Articles.

BOARD COMMITTEES

The Board has established five specialised committees, namely Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee and Risk Management Committee (collectively, the "**Board Committees**"). Each committee has its own written terms of reference and is responsible to make recommendations to the Board. All of the Board Committees are allocated with sufficient resources to discharge their duties.

AUDIT COMMITTEE

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

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

During the Year, the Audit Committee has held two meetings, at which the members of the Audit Committee principally reviewed the Group's annual financial statements for the year ended 31 December 2014, recommended of the re-appointment of the external auditors and reviewed the Group's interim financial statements for the six months ended 30 June 2015 respectively. The Audit Committee also discussed and confirmed with the management the effectiveness of the Group's financial reporting process and internal control system.

REMUNERATION COMMITTEE

The Board established the Remuneration Committee on 21 October 2014 and the Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and one executive Director, namely, Madam Zhou Ning. Madam Chiu Hoi Shan is the chairlady of the Remuneration Committee. Details of the terms of reference of the Remuneration Committee are set out on the Company's website and the website of the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior managements, to set up a formal and transparent procedure for determination of such remuneration policies and to access the performance of the Directors and approve the terms of the Directors' service contracts.

The remuneration of the Directors was determined with reference to their respective experience and responsibilities with the Group and the general market conditions. The Remuneration Committee has adopted the approach under code provision B.1.2(c)(ii) to make recommendations to the Board on remuneration packages of the Directors and the members of senior management.

During the Year, the Remuneration Committee has held two meetings, at which the members of the Remuneration Committee principally reviewed and recommended the remuneration for the non-executive Director and the independent non-executive Directors.

NOMINATION COMMITTEE

The Board established the Nomination Committee on 21 October 2014 and the Nomination Committee currently comprises two independent non-executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and one executive Director, namely, Mr. Ho Kwok Keung, Mars. Mr. Ho Kwok Keung, Mars is the chairman of the Nomination Committee. Details of the terms of reference of the Nomination Committee are set out on the Company's website and the website of the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations on any proposed changes to the Board, identify individuals suitably qualified to be Directors and assess the independence of the independent non-executive Directors.

When considering the appointment or reappointment of Directors, the Nomination Committee will consider various factors including the background, experience and qualification of the proposed candidates to ensure that the proposed candidates possess the requisite experience, characters and integrity to act as a Director, and other criteria with regard to the benefits of diversity, including but not limited to gender, age, cultural and educational background, or professional experience and taking into account the Group's business model and specific needs, as set out in the board diversity policy adopted by the Company on 21 October 2014 ("**Board Diversity Policy**") which is available on the websites of the Company and the Stock Exchange.

During the Year, the Nomination Committee has held one meeting, at which the members of the Nomination Committee principally reviewed the Board composition and was of the opinion that the Board consisted of members with different gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, which met the requirements under the terms of the Board Diversity Policy.

CORPORATE GOVERNANCE COMMITTEE

The Board established the Corporate Governance Committee on 21 October 2014 and the Corporate Governance Committee currently comprises one independent non-executive Director, namely Madam Chiu Hoi Shan and two executive Directors, namely, Mr. Ho Kwok Keung, Mars and Madam Zhou Ning. Madam Zhou Ning is the chairlady of the Corporate Governance Committee. Details of the terms of reference of the Corporate Governance Committee are set out on the Company's website and the website of the Stock Exchange.

The primary duties of the Corporate Governance Committee are to review and monitor the Company's policy and practices on corporate governance matters and on compliance with the Corporate Governance Code under the Listing Rules and other relevant legal and regulatory requirements. It is also responsible for reviewing and monitoring the training and continuous professional development of the Directors and senior management and compliance with the code of conduct applicable to the employees and Directors.

During the Year, the Corporate Governance Committee has held one meeting, at which the members of the Corporate Governance Committee principally reviewed the Company's compliance with the Corporate Governance Code during the period from 7 November 2014, being the date of listing of the Shares on the Stock Exchange to 31 December 2014.

RISK MANAGEMENT COMMITTEE

The Board established the Risk Management Committee on 21 October 2014 and the Risk Management Committee currently comprises one non-executive Director, namely Madam Ji Lingling and two executive Directors, namely, Madam Zhou Ning and Mr. Chen Yuewu. Madam Zhou Ning is the chairlady of the Risk Management Committee. Details of the terms of reference of the Risk Management Committee are set out on the Company's website and the website of the Stock Exchange.

The primary duties of the Risk Management Committee are to review the Group's risk management policies and standards, the fundamental concepts and scope of compliance management, to provide comment on the overall target and basic policy of compliance and risk management, to monitor and evaluate the risk of the Group's business on sales to sanctioned countries and to take measures to protect the interests of the Group and the Shareholders.

During the Year, the Risk Management Committee has held two meetings, at which the members of the Risk Management Committee principally reviewed the compliance by the Group with its undertakings to the Stock Exchange, further details of which are set out below, and reviewed, evaluated and confirmed the effectiveness of the risk management policy of the Company.

The Company has undertaken to the Stock Exchange that it will comply with certain undertakings in relation to the use of proceeds from the initial public offering to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any countries which are the targets of economic sanctions as administered by the United States Department of Treasury's Office of Foreign Assets Control ("**OFAC**"), under the laws of other countries and under international law, such as Lebanon and Iran ("**Sanctioned Countries**"), and Russia (where certain persons and entities listed on OFAC's Specially Designated Nationals and Blocked Person List are located) or any other government, individual or entity sanctioned by the European Union, the United Nations, the U.S. or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions ("**Undertaking**").

Subsequent to the Listing, as a risk management policy, the Company had engaged a firm of international legal counsel to advise on laws of the Sanctioned Countries in order to enable the Company to comply with the Undertaking given by the Company to the Stock Exchange as contained in the prospectus of the Company dated 28 October 2014.

BOARD MEETINGS AND GENERAL MEETING

During the Year, a general meeting, being the 2015 annual general meeting held on 15 May 2015 ("**2015 AGM**"), and thirteen Board meetings were held.

Prior notices convening the Board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary was responsible for keeping minutes for the board meetings.

In addition to regular Board meetings, the chairman of the Board met with the non-executive Directors (including the independent non-executive Directors) without the presence of other executive Directors in December 2015.

The Board is regularly provided with brief reports containing balanced and comprehensive evaluation on the Group's performance, status and prospects to keep it abreast of the Group's affairs and facilitate the Directors' performance of their obligations under the relevant requirements of the Listing Rules.

Directors' attendance records of the Board and the Board Committees and general meeting

	Attendance/Number of meetings eligible to attend						
Name of Director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Corporate Governance Committee meeting	Risk Management Committee meeting	2015 AGM
Executive Directors:							
Mr. Ho Kwok Keung, Mars	13/13	N/A	1/1	N/A	1/1	N/A	1/1
Mr. Ho Kin Hung	9/13	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Chen Yuewu	9/13	N/A	N/A	N/A	N/A	2/2	1/1
Madam Zhou Ning	13/13	N/A	N/A	2/2	1/1	2/2	1/1
Non-executive Directors:							
Madam Ji Lingling	10/13	2/2	N/A	N/A	N/A	2/2	1/1
Mr. Enzo Barazetti (note) (resigned on 19 June 2015)	1/5	N/A	N/A	N/A	N/A	N/A	0/1
Independent non-executive Directors:							
Mr. Cheung Lap Kei	9/13	2/2	1/1	2/2	N/A	N/A	1/1
Madam Chiu Hoi Shan	9/13	2/2	1/1	2/2	1/1	N/A	1/1
Mr. Raco Ivan Jordanov (alias Racho Jordanov)	7/13	N/A	N/A	N/A	N/A	N/A	1/1

Note: Mr. Enzo Barazetti resigned as a non-executive Director on 19 June 2015. His attendance above was stated by reference to the number of Board/Board Committee meetings and general meeting held during his tenure.

DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS

For the Year, the emoluments of the Directors and members of the senior management within the following bands were as follows:

Emoluments Band	For the year ended 31 December 2015
HK$1,000,000 and below	7
HK$1,000,000 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 up	1
	10

Pursuant to Appendix 16 to the Listing Rules, the emoluments of the employees who are Directors and who are amongst the five highest paid individuals are set out in Note 25 to the Consolidated Financial Statements.

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

All Directors, namely, Mr. Ho Kwok Keung, Mars, Mr. Ho Kin Hung, Mr. Chen Yuewu, Madam Zhou Ning, Madam Ji Lingling, Mr. Cheung Lap Kei, Madam Chiu Hoi Shan and Mr. Raco Ivan Jordanov, had participated in continuous professional development with respect to directors' duties, relevant programmes and seminars or had perused reading materials and updated information in relation to business and industrial development. The Directors had provided the relevant training records for the Year to the Company.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her roles, functions, duties and responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("**Uni-1**"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Madam Chan Pui Shan, Bessie ("**Madam Chan**"), the representative of Uni-1, was appointed as the named company secretary of the Company ("**Company Secretary**") with effect from 31 October 2015.

Madam Tang Xiangdi, the Group's Financial Controller, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Madam Chan has taken not less than 15 hours of relevant professional training during the Year.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the Year is set out in the section headed "Independent Auditor's Report" on page 63 and page 64 of this annual report.

INSURANCE ON DIRECTOR'S AND OFFICERS' LIABILITIES

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company. The insurance coverage is reviewed by the Board on an annual basis.

INTERNAL CONTROL

The internal control system is implemented to minimise the risks to which the Group is exposed, to improve the Group's corporate governance, to prevent recurrence of the non-compliance incidents and to use as a management tool for the day-to-day operation of business of the Group. The system can only provide reasonable but not absolute assurance against misstatement or losses.

During the Year, the Board has conducted a review of the effectiveness of the internal control system of the Group. The review covered the financial, operational and compliance controls and risk management aspects of the Group. The Board considered that the Company's internal control system is adequate and effective.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the prospectus of the Company dated 28 October 2014 ("**Prospectus**"), to protect the Group from any potential competition, Mr. Ho Kwok Keung, Mars, Standard Fortune Holdings Limited, Mr. Ho Kin Hung and True Worth Global Limited ("**Covenantors**") have given non-competition undertaking ("**Non-competition Undertaking**") in favour of the Company on 21 October 2014 pursuant to which each of the Covenantors has, among other matters, undertaken with the Company that each of the Covenantors and their respective associates (other than the Group) shall not engaged in any business which will or may compete with the business currently and from time to time engaged by the Group. Details of the Non-competition Undertaking have been set out in the paragraph headed "Relationship with our controlling shareholders – Non-competition Undertaking" of the Prospectus.

The Company has received the annual declaration from each of the Covenantors in respect of their respective compliance with the terms of the Non-competition Undertaking during the Year. The independent non-executive Directors, having reviewed the annual declarations and made reasonable enquiry, were satisfied that the Covenantors have complied with the terms of the Non-competition Undertaking during the Year.

REMUNERATION TO THE COMPANY'S AUDITOR

For the Year, apart from the provision of audit services, the Company's auditors, PricewaterhouseCoopers, also provided other services to the Group, details of which are set out below:

Services Rendered	For the year ended 31 December 2015 RMB'000
2015 annual audit service	3,814
Non-audit services	
– advisory services on internal control	272
	4,086

SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY MEETING

Pursuant to Article 58 of the Articles, Shareholders holding not less than one-tenth of the paid up capital of the Company have the right to convene an extraordinary general meeting at all times by written requisitions to the Board or the company secretary of the Company. Such meeting shall be held within 2 months after the deposit of such written requisitions.

Save for the procedures for Shareholders to convene a general meeting as set out above, there are no provisions allowing Shareholders to put forward proposals at the general meeting under the Articles or under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition. The written requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited to the company secretary of the Company at the Company's principal place of business in Hong Kong, Workshop 6 on 1/F. New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong.

The existing Articles were adopted on 21 October 2014. Since its adoption and up to the date of this annual report, there was no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Shareholders and public investors may direct their enquiries to the Board to Madam Chan Pui Shan, Bessie, the company secretary of the Company, by post at Workshop 6 on 1/F. New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong, by facsimile or via email at the contact information as provided on the website of the Company.

On behalf of the Board

Ho Kwok Keung, Mars
Chairman
29 March 2016

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

Independent Auditor's Report
To the shareholders of Austar Lifesciences Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Austar Lifesciences Limited (the "Company") and its subsidiaries set out on pages 65 to 139, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2016

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	43,557	38,545
Land use rights	7	5,950	6,100
Intangible assets	8	2,116	1,638
Investments in joint ventures	9	18,180	17,971
Available-for-sale financial assets	10	60	60
Deferred income tax assets	11	7,706	5,668
Other non-current assets	12	16,295	–
Total non-current assets		93,864	69,982
Current assets			
Inventories	13	74,920	69,113
Trade and notes receivables	15	193,707	217,492
Prepayments and other receivables	16	51,025	38,882
Amounts due from customers for contract work	14	132,663	87,128
Pledged bank deposits	17	21,423	4,169
Cash and cash equivalents	17	393,383	382,624
Total current assets		867,121	799,408
Total assets		960,985	869,390

CONSOLIDATED BALANCE SHEET

	Note	**As at 31 December 2015 RMB'000**	As at 31 December 2014 RMB'000
EQUITY			
Equity attribute to the owners of the Company			
Share capital	18	**4,071**	4,071
Reserves	19	**375,444**	359,645
Retained earnings		**171,468**	185,339
		550,983	549,055
Non-controlling interests		**1**	1
Total equity		**550,984**	549,056
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	11	**16,737**	15,671
Total non-current liabilities		**16,737**	15,671
Current liabilities			
Trade and other payables	21	**274,003**	201,601
Amounts due to customers for contract work	14	**81,282**	60,077
Short-term borrowings	20	**35,000**	35,000
Current income tax liabilities		**2,979**	7,985
Total current liabilities		**393,264**	304,663
Total liabilities		**410,001**	320,334
Total equity and liabilities		**960,985**	869,390

The notes on pages 71 to 139 are an integral part of these consolidated financial statements.

The financial statements on pages 65 to 139 were approved by the Board of Directors on 29 March 2016 were signed on its behalf.

Director *Director*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Revenue	5	**627,544**	679,750
Cost of sales	22	**(473,297)**	(451,143)
Gross profit		**154,247**	228,607
Selling and marketing expenses	22	**(71,002)**	(65,134)
Administrative expenses	22	**(56,213)**	(57,278)
Research and development expenses	22	**(26,908)**	(23,594)
Other income	23	**2,860**	2,097
Other gains/(losses)	24	**278**	(288)
Operating profit		**3,262**	84,410
Interest income	26	**3,433**	1,208
Finance expenses	26	**(4,361)**	(2,017)
Finance expenses – net		**(928)**	(809)
Share of profit of joint ventures	9	**5,256**	4,224
Profit before income tax		**7,590**	87,825
Income tax expense	27	**(1,207)**	(22,632)
Profit for the year		**6,383**	65,193
Profit attributable to:			
The owners of the Company		**6,384**	65,193
Non-controlling interests		**(1)**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		16,384	(3,020)
Share of other comprehensive income of joint ventures		(584)	(126)
Reclassification to net income of net gains on available-for-sale financial assets		–	(18)
Other comprehensive income for the year, net of tax		15,800	(3,164)
Total comprehensive income for the period		22,183	62,029
Total comprehensive income attributable to:			
The owners of the Company		22,183	62,029
Non-controlling interests		–	–
		22,183	62,029
Earnings per share for profit attributable to the owners of the Company – basic and diluted (RMB)	28	0.01	0.17

The notes on pages 71 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to The owners of the Company								
		Share capital	Capital surplus	Share premium	Other reserve	Retained earnings	Currency translation differences	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014		–	(16,411)	–	18	126,135	18,632	128,374	1	128,375
Comprehensive income										
Profit for the period		–	–	–	–	65,193	–	65,193	–	65,193
Other comprehensive income										
Currency translation differences		–	–	–	–	–	(3,020)	(3,020)	–	(3,020)
Share of other comprehensive income of joint ventures	9	–	–	–	–	–	(126)	(126)	–	(126)
Reclassification to net income of gain on available-for-sale financial assets	10	–	–	–	(18)	–	–	(18)	–	(18)
Total comprehensive income		–	–	–	(18)	65,193	(3,146)	62,029	–	62,029
Transaction with owners										
Issue of shares	18	4,071	–	–	–	–	–	4,071	–	4,071
Liability waived by shareholder	19(a)	–	46,561	–	–	–	–	46,561	–	46,561
Dividends to shareholders	29	–	–	–	–	(5,989)	–	(5,989)	–	(5,989)
Share premium	19(b)	–	–	314,009	–	–	–	314,009	–	314,009
Total transaction with owners, recognised directly in equity		4,071	46,561	314,009	–	(5,989)	–	358,652	–	358,652
Balance at 31 December 2014		4,071	30,150	314,009	–	185,339	15,486	549,055	1	549,056
Balance at 1 January 2015		4,071	30,150	314,009	–	185,339	15,486	549,055	1	549,056
Comprehensive income										
Profit for the period		–	–	–	–	6,384	–	6,384	(1)	6,383
Other comprehensive income										
Currency translation differences		–	–	–	–	–	16,383	16,383	1	16,384
Share of other comprehensive income of joint ventures		–	–	–	–	–	(584)	(584)	–	(584)
Reclassification to net income of gain on available-for-sale financial assets	10	–	–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	6,384	15,799	22,183	–	22,183
Transaction with owners										
Dividends to shareholders	29	–	–	–	–	(20,255)	–	(20,255)	–	(20,255)
Issue of shares	18	–	–	–	–	–	–	–	–	–
Liability waived by shareholder	19(a)	–	–	–	–	–	–	–	–	–
Share premium	19(b)	–	–	–	–	–	–	–	–	–
Total transaction with owners, recognised directly in equity		–	–	–	–	(20,255)	–	(20,255)	–	(20,255)
Balance at 31 December 2015		4,071	30,150	314,009	–	171,468	31,285	550,983	1	550,984

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	65,665	(36,315)
Income tax paid		(7,185)	(29,357)
Interest received		3,046	1,271
Net cash generated from/(used in) operating activities		61,526	(64,401)
Cash flows from investing activities			
Dividend received from joint ventures	9	4,513	5,929
Purchases of property, plant and equipment	6	(14,174)	(11,769)
Purchases of intangible assets	8	(354)	(639)
Prepayment to government authority	12	(16,295)	–
Proceeds from disposal of property, plant and equipment		16	99
Proceeds of derivative financial assets at fair value through profit or loss		1,338	–
Purchase of available-for-sale financial assets	10	–	(10,000)
Disposal of available-for-sale financial assets	10	–	35,000
Investment income received from available-for-sale financial assets	10	–	94
Net cash (used in)/generated from investing activities		(24,956)	18,714
Cash flows from financing activities			
Interest paid		(2,029)	(2,091)
Issuance of new shares		–	340,984
Share issuance costs		–	(21,299)
Repayments of funds provided by the then parent company		–	(37,833)
Proceeds from borrowings		55,000	35,000
Repayments of borrowings		(55,000)	(20,000)
Dividends paid to company's shareholder		(20,255)	(5,989)
Net cash (used in)/generated from financing activities		(22,284)	288,772
Net increase in cash and cash equivalents		14,286	243,085
Cash and cash equivalents at beginning of year		382,624	139,712
Exchange gains/(losses) on cash and cash equivalents		(3,527)	(173)
Cash and cash equivalents at end of year		393,383	382,624

The notes on pages 71 to 139 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION

(a) General information

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

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

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

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

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

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

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION (Continued)

(a) General information (Continued)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to IFRSs – 2010 – 2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

Amendments from annual improvements to IFRSs – 2011 – 2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted (Continued)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(c) New Hong Kong Companies Ordinance (Cap.622)

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

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amounts of the net assets obtained and the carrying amount of the consideration paid is recorded in reserve. All direct transaction cost attributable to the business combination is recorded in the income statements in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Business combinations not under common control

The cost of a combination is measured as the fair value of the assets given and liabilities incurred or assumed at the date of acquisition.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangement

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer, vice presidents and directors of the Company.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in Renminbi (RMB).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance expenses, net'. All other foreign exchange gains and losses are presented in the profit or loss within 'other losses'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies (Continued)

(iv) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	20 years
Machinery	10 years
Vehicles	5 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other losses' in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Land use rights

Land use rights represent upfront prepayments made for the land use rights and are expensed in the profit or loss on a straight-line basis over the periods of the leases or when there is impairment, the impairment is expensed in the profit or loss.

2.8 Intangible assets

Intangible assets mainly represent computer software. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

2.9 Research and development

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over its useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

211.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise: 'trade and notes receivables', 'other receivables', 'restricted cash', and 'cash and cash equivalents' in the balance sheet (Notes 2.15 and 2.16).

(b) Available-for-sale financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2112 Recognition and measurement

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

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other gains when the Group's right to receive payments is established.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

(a) *Assets carried at amortised cost* (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement. For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a contractual or an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

Pension and social obligations

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised and allocated to related cost of assets and expenses based on different beneficiaries.

All Chinese employees of the Group participate in other employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are recorded as production costs or expensed as incurred.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

2.23 Provisions

Provisions for product and service warranty are recognised when: the Group has a present contractual or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Construction contracts

A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. The respective balance items are "amounts due from customers for contract work" and "amounts due to customers for contract work".

Contract work-in-progress is valued at the cost of the work done, plus the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, which consist of direct payroll costs, materials, costs of subcontracted work, maintenance costs for the equipment used and other direct costs.

Profits are not recognised unless a reliable estimate can be made of the result of completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project-by-project basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sale of goods, construction contracts and rendering of services, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Construction contracts

When the outcome of a contract can be estimated reliably, revenue from construction contracts is recognised under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that the recoverability is probable and such contract costs is recognised as an expense when incurred.

(b) Sales of goods

Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the projects and collectability of the related receivables is reasonably assured.

(c) Rendering of services

Services rendered mainly include technique development, design, consultation and supervision services. Service revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

2.26 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to costs are deferred and recognised in the consolidated statements of comprehensive income over the periods necessary to match them with the related costs that they are intended to compensate.

Government grant relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.28 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar and HK dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

As at 31 December 2015, if Hong Kong dollar had weakened/strengthened by 1% against the US dollar with all other variables held constant, profit before tax for the years would have been RMB 35,000 (as at 31 December 2014: RMB 104,000) lower/higher, respectively, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated receivables and payable held by the Group entities with their functional currency as Hong Kong dollar.

As at 31 December 2015, if Hong Kong dollar had weakened/strengthened by 5% against the RMB with all other variables held constant, profit before tax for the years would have been RMB 2,689,000(as at 31 December 2014: RMB 1,353,000) lower/higher, respectively, mainly as a result of foreign exchange gains/losses on translation of RMB denominated receivables and payable held by the Group entities with their functional currency as Hong Kong dollar.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

As the majority of the cash at bank balance and restricted cash are placed with state-owned banks which management believes are of high credit quality. The corresponding credit risk is relatively low. Therefore, the Group's credit risk arises primarily from trade and notes receivables. The Group has no significant concentrations of credit risk. Ageing analysis of the Group's trade receivables is disclosed in Note 15. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. Management does not expect any losses from non-performance by these counterparties except for those recognised.

Counterparty risk related to trade receivables is limited due to the large number of customers in the Group's customer portfolio and their diversification throughout various business sectors.

(c) Liquidity risk

The liquidity risk of the Group is mainly controlled by maintaining sufficient cash and cash equivalents through funds from shareholders. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000
As at 31 December 2014	
Trade payables	116,304
Notes payables	926
Other payables	19,963
Short-term borrowings	35,792
	172,985

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings, including current and non-current borrowings as shown in the consolidated balance sheets.

The gearing ratio as at 31 December 2015 and 2014 are as follows:

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Total debt	**35,000**	35,000
Total equity	**550,984**	549,056
Total capital	**585,984**	584,056
Gearing ratio	**6%**	6%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014 and 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets			
As at 31 December 2014			
Available-for-sale financial assets	–	–	60
As at 31 December 2015			
Available-for-sale financial assets	–	–	60

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value these financial instruments include discounted cash flow analysis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Construction contracts

Revenue from individual contract is recognised under the percentage of completion method, which requires estimations, by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

(b) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at each balance sheet date. Management reassesses the adequacy of impairment provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be public information or easily accessible public information and market volatility that might bear a significant impact but might not be easily ascertained.

(c) Income taxes and deferred tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be reflected in the income tax expense and deferred tax provisions in the period in which such determination is made. In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on the income tax expenses.

5. SEGMENT INFORMATION

The CODM have been identified as the Chief Executive Officer, the vice presidents and the Directors who review the Group's internal reports in order to assess performance and allocate resources.

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

The 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 2015 are as follows:

	Liquid and Bioprocess System RMB'000	Clean Room and Automation Control and Monitoring System RMB'000	Powder and Solid System RMB'000	GMP Compliance Service RMB'000	Life Science Consumables RMB'000	Distribution and Agency of Pharmaceutical Equipment RMB'000	Total RMB'000
Segment revenue and results							
Segment revenue	312,937	163,858	48,218	32,059	78,654	25,658	661,384
Inter-segment revenue	(5,745)	(21,959)	(5,961)	236	(189)	(222)	(33,840)
Revenue	307,192	141,899	42,257	32,295	78,465	25,436	627,544
Cost of sales	(259,703)	(105,534)	(30,507)	(17,192)	(44,431)	(15,930)	(473,297)
Segment results							
Gross profit	47,489	36,365	11,750	15,103	34,034	9,506	154,247
Other segment items							
Amortisation	400	45	12	11	–	6	474
Depreciation	4,122	3,264	847	748	262	447	9,690
(Reversal)/provision of impairment on trade and other receivables	(1,294)	1,135	230	202	(396)	127	4
Impairment provision on inventory	40	127	41	36	202	21	467
Share of profit of joint ventures	3,088	–	–	–	2,168	–	5,256

5. SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2014 are as follows:

	Liquid and Bioprocess System RMB'000	Clean Room and Automation Control and Monitoring System RMB'000	Powder and Solid System RMB'000	GMP Compliance Service RMB'000	Life Science Consumables RMB'000	Distribution and Agency of Pharmaceutical Equipment RMB'000	Total RMB'000
Segment revenue and results							
Segment revenue	356,819	166,274	48,406	51,078	68,172	25,154	715,903
Inter-segment revenue	(14,756)	(20,111)	–	(268)	(1,018)	–	(36,153)
Revenue	342,063	146,163	48,406	50,810	67,154	25,154	679,750
Cost of sales	(252,608)	(97,868)	(27,310)	(21,002)	(38,791)	(13,564)	(451,143)
Segment results							
Gross profit	89,455	48,295	21,096	29,808	28,363	11,590	228,607
Other segment items							
Amortisation	525	25	10	10	–	4	574
Depreciation	3,071	2,159	737	771	152	307	7,197
(Reversal)/provision of impairment on trade and other receivables	(3,033)	(80)	(99)	(104)	146	(41)	(3,211)
Impairment provision on inventory	185	11	–	–	26	–	222
Share of profit of joint ventures	2,894	–	–	–	1,330	–	4,224

5. SEGMENT INFORMATION (Continued)

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

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Liquid and Bioprocess System	47,489	89,455
Clean Room and Automation Control and Monitoring System	36,365	48,295
Powder and Solid System	11,750	21,096
GMP Compliance Service	15,103	29,808
Life Science Consumables	34,034	28,363
Distribution and Agency of Pharmaceutical Equipment	9,506	11,590
Total gross profit for reportable segments	154,247	228,607
Selling and marketing expenses	(71,002)	(65,134)
Administrative expenses	(56,213)	(57,278)
Research and development expenses	(26,908)	(23,594)
Other income	2,860	2,097
Other gains/(losses)	278	(288)
Finance expenses – net	(928)	(809)
Share of profit from joint ventures	5,256	4,224
Profit before income tax	7,590	87,825

5. SEGMENT INFORMATION (Continued)

The segment assets as at 31 December 2015 and 2014 are as follows:

	As at 31 December 2015		As at 31 December 2014	
	Total assets RMB'000	Investments accounted for using equity method RMB'000	Total assets RMB'000	Investments accounted for using equity method RMB'000
Liquid and Bioprocess System	380,869	13,427	277,951	14,823
Clean Room and Automation Control and Monitoring System	86,001	–	90,887	–
Powder and Solid System	30,282	–	33,230	–
GMP Compliance Service	31,354	–	32,865	–
Life Science Consumables	51,528	4,753	38,046	3,148
Distribution and Agency of Pharmaceutical Equipment	8,349	–	9,518	–
Total segment assets	588,383	18,180	482,497	17,971
Unallocated				
Deferred income tax assets	7,706		5,668	
Headquarter assets	364,896		381,225	
Total assets	960,985		869,390	

5. SEGMENT INFORMATION (Continued)

Geographical information

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

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Revenue		
Mainland China	**581,111**	620,008
Other locations	**46,433**	59,742
	627,544	679,750

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Non-current assets other than financial instruments and deferred tax assets		
Mainland China	**67,726**	46,021
Other locations	**18,372**	18,233
	86,098	64,254

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2014					
Opening net book value	10,793	14,365	1,470	6,475	33,103
Additions	–	3,465	452	8,964	12,881
Depreciation charge	(742)	(2,162)	(430)	(3,982)	(7,316)
Disposal	–	–	(24)	(99)	(123)
Closing net book value	10,051	15,668	1,468	11,358	38,545
As at 31 December 2014					
Cost	16,443	24,824	3,217	20,243	64,727
Accumulated depreciation	(6,392)	(9,156)	(1,749)	(8,885)	(26,182)
Net book value	10,051	15,668	1,468	11,358	38,545
Year ended 31 December 2015					
Opening net book value	**10,051**	**15,668**	**1,468**	**11,358**	**38,545**
Additions	**–**	**8,123**	**1,397**	**6,225**	**15,745**
Depreciation charge	**(742)**	**(2,303)**	**(615)**	**(6,290)**	**(9,950)**
Disposal	**–**	**(490)**	**(31)**	**(262)**	**(783)**
Closing net book value	**9,309**	**20,998**	**2,219**	**11,031**	**43,557**
As at 31 December 2015					
Cost	**16,443**	**32,322**	**4,301**	**24,320**	**77,386**
Accumulated depreciation	**(7,134)**	**(11,324)**	**(2,082)**	**(13,289)**	**(33,829)**
Net book value	**9,309**	**20,998**	**2,219**	**11,031**	**43,557**

As at 31 December 2015 and 2014, the Group's buildings were pledged as security for short-term borrowings (Note 20).

7. LAND USE RIGHTS

	RMB'000
Year ended 31 December 2014	
Opening net book value	6,250
Amortisation charge	(150)
Closing net book value	6,100
As at 31 December 2014	
Cost	7,500
Accumulated amortisation	(1,400)
Net book value	6,100
Year ended 31 December 2015	
Opening net book value	**6,100**
Amortisation charge	**(150)**
Closing net book value	**5,950**
As at 31 December 2015	
Cost	**7,500**
Accumulated amortisation	**(1,550)**
Net book value	**5,950**

The Group's interests in land use rights represent prepaid operating lease payments. All of the Group's land use rights are located in the PRC and with remaining lease period of 40 years. As at 31 December 2015 and 2014, the Group's land use rights were pledged as security for short-term borrowings (Note 20).

8. INTANGIBLE ASSETS

	Software and others RMB'000
Year ended 31 December 2014	
Opening net book value	1,423
Additions	639
Amortisation charge	(424)
Closing net book value	1,638
As at 31 December 2014	
Cost	2,893
Accumulated amortisation	(1,255)
Net book value	1,638
Year ended 31 December 2015	
Opening net book value	**1,638**
Additions	**972**
Amortisation charge	**(494)**
Closing net book value	**2,116**
As at 31 December 2015	
Cost	**3,865**
Accumulated amortisation	**(1,749)**
Net book value	**2,116**

9. INVESTMENTS IN JOINT VENTURES

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Beginning of the year	**17,971**	19,706
Share of profit	**5,256**	4,224
Share of other comprehensive income	**(584)**	(126)
Dividend received	**(4,513)**	(5,929)
Currency translation difference	**50**	96
End of the year	**18,180**	17,971

The joint ventures listed below have share capital consisting solely of ordinary shares.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Steris-Austar Pharmaceutical Systems Hong Kong Limited ("STERIS-AUSTAR JV")	Hong Kong	49%	*Note (a)*	Equity
PALL-Austar Lifescience Limited (formerly known as ATMI-Austar Lifesciences Limited, "PALL-AUSTAR JV")	Hong Kong	60%	*Note (b)*	Equity

Notes:

(a) STERIS-AUSTAR JV is a strategic partnership for the Group, which develops and produces pharmaceutical equipment via its subsidiary in the PRC.

(b) PALL-AUSTAR JV is a strategic partnership for the Group, which develops and produces life science consumables via its subsidiary in the PRC.

9. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information for joint ventures

Set out below is the summarised financial information for STERIS-AUSTAR JV and PALL-AUSTAR JV which is accounted for using the equity method.

Summarised balance sheets of joint ventures

	STERIS-AUSTAR JV		PALL-AUSTAR JV		Total	
	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000	**As at 31 December 2015 RMB'000**	As at 31 December 2014 RMB'000	**As at 31 December 2015 RMB'000**	As at 31 December 2014 RMB'000
Current						
Cash and cash equivalents	**18,016**	19,220	**7,760**	3,114	**25,776**	22,334
Other current assets	**20,457**	22,628	**9,971**	9,607	**30,428**	32,235
Total current assets	**38,473**	41,848	**17,731**	12,721	**56,204**	54,569
Financial liabilities (excluding trade payables)	**(7,381)**	(7,530)	**(4,576)**	(18,064)	**(11,957)**	(25,594)
Other current liabilities (including trade payables)	**(5,863)**	(6,501)	**(2,607)**	(1,778)	**(8,470)**	(8,279)
Total current liabilities	**(13,244)**	(14,031)	**(7,183)**	(19,842)	**(20,427)**	(33,873)
Non-current						
Assets	**2,175**	2,435	**14,722**	14,501	**16,897**	16,936
Liabilities	**–**	–	**(17,349)**	(2,134)	**(17,349)**	(2,134)
Net assets	**27,404**	30,252	**7,921**	5,246	**35,325**	35,498

9. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised statements of comprehensive income

	STERIS-AUSTAR JV		PALL-AUSTAR JV		Total	
	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Revenue	43,296	37,690	21,401	19,692	64,697	57,382
Depreciation and amortisation	(297)	(296)	(1,544)	(1,233)	(1,841)	(1,529)
Interest income	(205)	48	(7)	–	(212)	48
Interest expense	–	–	738	–	738	–
Profit before income tax	8,776	8,182	4,231	3,178	13,007	11,360
Income tax expense	(2,471)	(2,275)	(620)	(963)	(3,091)	(3,238)
Profit for the year	6,305	5,907	3,611	2,215	9,916	8,122
Other comprehensive income	(47)	(214)	(936)	(35)	(983)	(249)
Total comprehensive income	6,258	5,693	2,675	2,180	8,933	7,873
Dividends received from joint ventures	4,513	5,929	–	–	4,513	5,929

9. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information

	STERIS-AUSTAR JV		PALL-AUSTAR JV		Total	
	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000	**As at 31 December 2015 RMB'000**	As at 31 December 2014 RMB'000	**As at 31 December 2015 RMB'000**	As at 31 December 2014 RMB'000
Opening net assets 1 January	**30,252**	36,462	**5,246**	3,066	**35,498**	39,528
Profit for the year	**6,305**	5,907	**3,611**	2,215	**9,916**	8,122
Dividends	**(9,210)**	(12,100)	**–**	–	**(9,210)**	(12,100)
Other comprehensive income	**(47)**	(214)	**(936)**	(35)	**(983)**	(249)
Currency translation difference	**104**	197	**–**	–	**104**	197
Closing net assets	**27,404**	30,252	**7,921**	5,246	**35,325**	35,498
Interest in joint ventures	**13,427**	14,823	**4,753**	3,148	**18,180**	17,971
Carrying value	**13,427**	14,823	**4,753**	3,148	**18,180**	17,971

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Non-current		
Beginning and end of the year *(Note (a))*	**60**	60
Current		
Beginning of the year	**–**	25,018
Additions	**–**	10,000
Revaluation gains – realised (Note 24)	**–**	94
– unrealised	**–**	(18)
Disposals	**–**	(35,094)
End of the year *(Note (b))*	**–**	–

Notes:

(a) Non-current available-for-sale financial assets represent 0.09% equity investment in Nanjing Bo Jian Technology Co., Ltd. (南京博健科技有限責任公司) held by Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd. ("Shanghai Austar"), a wholly-owned subsidiary of the Group.

(b) Current available-for-sale financial assets in 2014 represented investment funds managed by banks. The investment funds mainly invest in government bonds, central bank notes and other money marketed instruments of relatively low risk.

11. DEFERRED INCOME TAX

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	**2,040**	3,822
– to be recovered after more than 12 months	**5,666**	1,846
	7,706	5,668
Deferred income tax liabilities		
– to be recovered after more than 12 months	**(16,737)**	(15,671)
	(9,031)	(10,003)

11. DEFERRED INCOME TAX (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The gross movement of the deferred income tax account is as follows:

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Beginning of the year	(10,003)	(3,442)
Credit/(charged) to the consolidated statements of comprehensive income (Note 27)	972	(6,561)
End of the year	(9,031)	(10,003)

The analysis of deferred income tax assets is as follows:

	Tax losses RMB'000	Impairment provision of receivables and inventories RMB'000	Warranty provisions and others RMB'000	Total RMB'000
As at 31 December 2013	–	3,579	5,258	8,837
Credited/(charged) to the consolidated statement of comprehensive income	71	(1,804)	(1,436)	(3,169)
As at 31 December 2014	71	1,775	3,822	5,668
Credited/(charged) to the consolidated statement of comprehensive income	3,918	(98)	(1,782)	2,038
As at 31 December 2015	**3,989**	**1,677**	**2,040**	**7,706**

11. DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. For the year ended 31 December 2015, the Group did not recognise deferred income tax assets of RMB1,424,000 (2014: RMB286,000) in respect of losses amounting to RMB6,575,000 (2014: RMB1,734,000) that can be carried forward against future taxable income.

The analysis of deferred income tax liabilities is as follows:

	Withholding tax RMB'000
As at 31 December 2013	(12,279)
Charged to the consolidated statement of comprehensive income	(3,392)
As at 31 December 2014	(15,671)
Charged to the consolidated statement of comprehensive income	(1,066)
As at 31 December 2015	**(16,737)**

12. OTHER NON-CURRENT ASSETS

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Payment to government authority	**16,295**	–

Pursuant to document issued by Shijiazhuang High-tech Industrial Development Zone Investment Cooperation Bureau (石家莊高新技術產業開發區招商合作局) issued on 16 April 2015, approval of increasing investment in connection with building a factory has been granted to, and a specified land use right located in Shijiazguang city has been reserved for Austar Pharmaceutical Technology (SJZ) Ltd. ("APT SJZ"), a subsidiary of the Group. As at 31 December 2015, amounts totalling RMB16,295,000 were paid to the local government authority.

13. INVENTORIES

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Raw materials	39,746	35,302
Work-in-progress	21,354	21,636
Finished goods	15,439	13,327
	76,539	70,265
Less: provision for impairment	(1,619)	(1,152)
	74,920	69,113

Movements of provision for inventory obsolescence are analysed as follows:

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Beginning of the year	(1,152)	(1,019)
Addition	(467)	(222)
Write-off	–	89
End of the year	(1,619)	(1,152)

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

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Contract cost incurred plus recognised profit less foreseeable loss	**525,554**	423,924
Less: Progress billings	**(474,173)**	(396,873)
Contract work in progress	**51,381**	27,051
Representing:		
Amounts due from customers for contract work	**132,663**	87,128
Amounts due to customers for contract work	**(81,282)**	(60,077)
	51,381	27,051

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Construction contract revenue	**413,377**	422,342

15. TRADE AND NOTES RECEIVABLES

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Trade receivables *(Note (b))*	**180,069**	203,921
Notes receivable *(Note (a))*	**23,427**	23,798
	203,496	227,719
Less: provision for impairment	**(9,789)**	(10,227)
	193,707	217,492

Notes:

(a) Notes receivable are all bank acceptance with maturity dates within six months (2014: six months to one year).

15. TRADE AND NOTES RECEIVABLES (Continued)

(b) Ageing analysis of gross trade receivables is as follows:

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Within 3 months	**96,264**	62,795
3 to 6 months	**24,481**	61,023
6 months to 1 year	**26,067**	43,981
1 to 2 years	**25,062**	25,705
2 to 3 years	**4,162**	7,824
Over 3 years	**4,033**	2,593
	180,069	203,921

Most of the trade receivables are due within 90 days since issuance of the invoices, except for retention money which would normally due on one year after the completion of the sales.

As at 31 December 2015, there are retention money receivables of RMB45,876,000 (31 December 2014: RMB34,468,000).

As at 31 December 2015 and 2014, the past due but not impaired trade receivables due from external customers relate to customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Within 3 months	**53,718**	25,372
3 to 6 months	**12,638**	41,499
6 months to 1 year	**16,064**	27,589
1 to 2 years	**17,456**	19,420
2 to 3 years	**1,301**	7,539
Over 3 years	**656**	1,630
	101,833	123,049

15. TRADE AND NOTES RECEIVABLES (Continued)

(c) Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Beginning of the year	**(10,227)**	(16,844)
Addition	**(5,133)**	(167)
Reversal	**5,129**	3,371
Write-off	**442**	3,413
End of the year	**(9,789)**	(10,227)

As at 31 December 2015 and 2014, the carrying amounts of trade and notes receivables approximated their fair values due to short maturity.

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

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
RMB	**191,329**	214,209
US$	**2,378**	3,080
EUR	**–**	203
	193,707	217,492

16. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Prepayments to suppliers	**25,855**	18,698
Staff advance	**2,671**	2,761
Deposits as guarantee for tender	**11,063**	7,141
Loan and interest to PALL-AUSTAR JV (Note 32 (c)(i))	**8,485**	7,659
Others	**3,158**	2,830
	51,232	39,089
Less: provision for impairment	**(207)**	(207)
	51,025	38,882

(a) As at 31 December 2015 and 2014, the carrying amounts of other receivables approximated their fair values due to short period of maturity.

(b) Movements on the Group's allowance for impairment of other receivables are as follows:

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Beginning of the year	**(207)**	(235)
Addition	**–**	(2)
Reversal	**–**	9
Write-off	**–**	21
End of the year	**(207)**	(207)

16. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
RMB	**16,042**	11,162
EUR	**–**	420
HK$	**265**	–
US$	**8,486**	8,602
	24,793	20,184

(d) This loan to PALL-AUSTAR JV is provided by its shareholder Austar Pharmaceutical Process Systems Limited ("APPS"), a subsidiary of the Group. This loan is unsecured and bearing interest rate at LIBOR plus an interest rate variable as prescribed in the loan agreement. For the year ended 31 December 2015, the effective interest rate ranged from 5.54% to 6.04% (2014: 5.55% to 6.07%) per annum. The maturity of this loan is more than one year.

17. CASH AND BANK BALANCES

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Pledged bank deposits *(Note (a))*	**21,423**	4,169
Cash and cash equivalents		
– Cash on hand	**51**	148
– Deposits in bank	**393,332**	382,476
	393,383	382,624
	414,806	386,793

Note:

(a) The pledged bank deposits were held as security for letter of credit.

17. CASH AND BANK BALANCES (Continued)

(b) Cash and bank were denominated in the following currencies:

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
RMB	**204,138**	91,475
US$	**10,095**	1,195
EUR	**454**	122
HK$	**200,119**	294,001
	414,806	386,793

18. SHARE CAPITAL

	Number of ordinary shares Thousands	Nominal value of ordinary shares HK$'000
Authorised, HK$0.01 each:		
Upon incorporation (i)	10,000	100
Increase (ii)	9,990,000	99,900
At 31 December 2014 and 2015	10,000,000	100,000

	Number of ordinary shares Thousands	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary share RMB'000
Issued and fully paid, HK$0.01 each:			
Upon incorporation (i)	1,000	10	8
Capitalisation issue (iii)	374,000	3,740	2,970
Issued under initial public offering (iv)	137,582	1,376	1,093
At 31 December 2014 and 2015	512,582	5,126	4,071

18. SHARE CAPITAL (Continued)

(i) The Company was incorporated in the Cayman Islands on 9 January 2014 with an authorised capital of HK$100,000 divided into 10,000,000 ordinary shares with a nominal value of HK$0.01 each.

Upon the incorporation of the Company, 1,000,000 ordinary shares of a nominal value of HK$0.01 each were issued and allotted for cash totalling HK$10,000 (equivalent to approximately RMB8,000)

(ii) On 21 October 2014, the shareholders resolved that the authorised share capital of the Company be increased from HK$100,000 to HK$100,000,000 by the creation of additional 9,990,000,000 shares of HK$0.01 each.

(iii) On 7 November 2014, the Company issued and capitalised HK$3,740,000, equivalent to approximately RMB2,970,000, standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 374,000,000 shares.

(iv) 137,582,000 shares of the Company with par value of HK$0.01 per share were issued and fully paid upon completion of its initial public offering. The resulting share capital was approximately RMB1,093,000.

19. RESERVE

(a) Capital surplus

On 30 April 2014, AIHL, the Group's then parent company, partially waived the outstanding balance of the loan to the Group of HK$58.6 million (equivalent to RMB 46.6 million). The amount is therefore recognised as transaction with owners in equity.

(b) Share premium

On 7 November 2014, the Company completed the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited through issuance of 137,582,000 shares (including over-allotment) at HK$ 3.12 per share. The net proceeds was recognised as increase in capital of RMB4,063,000 and share premium of RMB314,009,000.

20. SHORT-TERM BORROWINGS

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Bank borrowings		
– secured *(Note a)*	**20,000**	35,000
– guaranteed *(Note b)*	**15,000**	–
	35,000	35,000

Notes:

(a) As at 31 December 2015, secured short-term bank borrowing is denominated in RMB, secured by the Group's buildings (Note 6) and land use rights (Note 7), bearing interest at 5.66% (2014: 6.30%) per annum and is repayable within one year.

(b) As at 31 December 2015, guaranteed short-term bank borrowing is guaranteed by Austar Pharmaceutical Equipment (Shijiazhuang) Co., Ltd. ("Austar SJZ"), a subsidiary of the Company. These loans are denominated in RMB, bear interest at 5.62% to 6.16% per annum (2014: N/A) and are repayable within in one year from respective drawdown dates.

21. TRADE AND OTHER PAYABLES

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Trade payables	**158,193**	116,304
Notes payables	**29,180**	926
Advances from customers	**35,260**	25,917
Payroll and welfare payable	**14,417**	28,108
Taxes other than income taxes payable	**8,263**	3,616
Warranty provision	**5,651**	6,767
Others	**23,039**	19,963
	274,003	201,601

21. TRADE AND OTHER PAYABLES (Continued)

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

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Within 6 months	135,966	109,832
6 months to 1 year	15,613	3,366
1 to 2 years	4,945	2,495
2 to 3 years	1,150	73
Over 3 years	519	538
	158,193	116,304

(b) As at 31 December 2015 and 2014, the carrying amounts of trade and other payables approximated their fair values due to short maturity.

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

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
RMB	225,111	161,251
HK$	6,199	8,117
US$	7,023	5,173
EUR	410	1,143
	238,743	175,684

22. EXPENSE BY NATURE

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Raw materials	**347,659**	328,871
Staff costs, including directors' emoluments (Note 25)	**138,997**	121,647
Depreciation (Note 6)	**9,950**	7,316
Amortisation (Note 7, 8)	**644**	574
Sales tax and surcharges	**6,099**	7,109
Office expenses	**6,780**	5,607
Travel expenses	**36,008**	35,287
Freight and port charges	**8,753**	8,776
Promotion expenses	**9,531**	7,389
Warranty provision	**3,809**	4,882
Provision/(Reversal of provision) of receivables	**4**	(3,211)
Impairment of inventories	**467**	222
Auditor's remuneration:		
– PricewaterhouseCoopers	**3,814**	1,715
– Other auditors	**–**	629
Professional fees	**5,883**	18,000
Rental expenses		
– Madam Gu Xun	**935**	935
– Austar Ltd.	**74**	48
– others	**10,995**	8,586
On-site subcontract fee	**8,281**	13,099
Other operating expenses	**28,737**	29,668
	627,420	597,149

23. OTHER INCOME

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Government subsidies	**2,341**	1,657
Others	**519**	440
	2,860	2,097

24. OTHER GAINS/(LOSSES)

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Loss on disposal of property, plant and equipment	**(83)**	(24)
Exchange losses	**(1,189)**	(314)
Gain on derivatives financial assets at fair value through profit or loss	**1,338**	–
Return from available-for-sale financial assets	**–**	94
Others	**212**	(44)
	278	(288)

25. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Salaries and bonuses	**107,467**	96,402
Pension and social obligations	**31,530**	24,932
Other welfare	**–**	313
	138,997	121,647

(a) Five highest paid individuals

For years ended 31 December 2015 and 2014, the five individuals whose emoluments were the highest in the Group were as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Directors	**3**	3
Non-director individuals	**2**	2
	5	5

25. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(a) Five highest paid individuals (Continued)

The Directors' emoluments were reflected in the analysis in Note 25(b). The emoluments payable to the remaining individuals were as follows:

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Basic salaries and allowances	**1,252**	1,036
Discretionary bonuses	**266**	1,588
Other benefits including pension	**190**	180
	1,708	2,804

The emoluments to the remaining individuals fell within the following bands:

	Number of individuals	
	Year ended 31 December 2015	Year ended 31 December 2014
Emolument bands		
HK$1,000,000 and below	**1**	–
HK$1,000,001~HK$1,500,000	**1**	–
HK$1,500,001~HK$2,000,000	**–**	2
HK$2,000,001 and above	**–**	–
	2	2

25. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Other RMB'000	Total RMB'000
Executive Directors										
Ho Kwok Keung	–	1,261	–	–	–	–	–	–	280	1,541
Ho Kin Hung	–	1,529	378	–	–	–	–	–	14	1,921
Chen Yuewu	–	841	–	16	–	–	–	–	25	882
Zhou Ning	–	504	–	26	–	–	–	–	72	602
Non-Executive Directors										
Enzo Barazetti	63	24	–	–	–	–	–	–	–	87
Ji Lingling	157	–	–	–	–	–	–	–	–	157
Raco Ivan Jordanov	96	–	–	–	–	–	–	–	–	96
Chiu Hoi Shan	96	–	–	–	–	–	–	–	–	96
Cheung Lap Kei	96	–	–	–	–	–	–	–	–	96

25. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2014 (Restated):

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Other RMB'000	Total RMB'000
Executive Directors										
Ho Kwok Keung	–	910	333	13	–	–	–	–	262	1,518
Ho Kin Hung	–	1,500	547	13	–	–	–	–	–	2,060
Chen Yuewu	–	777	1,244	9	–	–	–	–	36	2,066
Zhou Ning	–	231	134	14	–	–	–	–	58	437
Non-Executive Directors										
Enzo Barazetti*	130	360	–	–	–	–	–	–	33	523
Ji Lingling	–	–	–	–	–	–	–	–	–	–
Raco Ivan Jordanov	19	–	–	–	–	–	–	–	–	19
Chiu Hoi Shan	19	–	–	–	–	–	–	–	–	19
Cheung Lap Kei	19	–	–	–	–	–	–	–	–	19

* Mr. Enzo Barazetti resigned as a non-executive Director with effect from 19 June 2015.

25. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Directors' retirement benefits

During the year, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2014: nil).

(d) Directors' termination benefits

During the year, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2014: nil).

(e) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available director's services (2014: nil).

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities (2014: nil).

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: nil).

26. FINANCE EXPENSES – NET

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Interest expenses from short-term bank loan	(2,022)	(1,875)
Exchange losses	(2,339)	(142)
Finance expenses	(4,361)	(2,017)
Interest income		
– bank deposits	3,046	825
– loan to PALL AUSTAR JV (Note 32(b)(v))	387	383
	(928)	(809)

27. INCOME TAX EXPENSE

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Current income tax expense	(2,179)	(16,071)
Deferred income tax credit/(expense) (Note 11)	972	(6,561)
	(1,207)	(22,632)

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

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

The taxation rate of the Group's subsidiaries in Hong Kong is calculated at 16.5% of the estimated assessable profits for the year (2014: 16.5%).

27. INCOME TAX EXPENSE (Continued)

Corporate income tax in the PRC is calculated based on the statutory profit or loss of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC Corporate Income Tax Law promulgated by the PRC government, the tax rate for the Company's PRC subsidiaries is 25%, except for certain subsidiaries which are taxed at preferential tax rates. Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd ("Shanghai Austar"), Austar Hansen Lifesciences (Shanghai) Co., Ltd ("Austar Hansen") and Austar SJZ are high and new technology enterprises certified by relevant local authorities in the PRC. These entities are entitled to preferential corporate income tax rates of 15% upon fulfilment of certain conditions under the tax ruling. Shanghai Austar and Austar Hansen have applied the preferential corporate income tax rate since 2013, subject to annual approval by local tax authority. Austar SJZ has been enjoying to preferential corporate income tax rate since 2014. During the year ended 31 December 2015, Austar SJZ had renewed its "High and New Technology Enterprise" qualification for another three years.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Profit before income tax	**7,590**	87,825
Tax expense calculated at applicable statutory tax rate	**(1,164)**	(14,086)
Impact of change in tax rate on deferred tax	**–**	(744)
Impact of loss that not recognise deferred income tax	**(1,424)**	(286)
Expenses not deductible for taxation purposes	**(379)**	(829)
Withholding tax	**(1,066)**	(7,643)
Additional deduction of research and development expenses	**1,746**	1,597
Others	**1,080**	(641)
Income tax expense	**(1,207)**	(22,632)

28. EARNINGS PER SHARE

(a) Basic

	Year ended 31 December 2015	Year ended 31 December 2014
Profit attributable to the owners of the Company (RMB'000)	**6,384**	65,193
Weighted average number of ordinary shares in issue (Thousands)	**512,582**	394,424
Basic earnings per share (RMB)	**0.01**	0.17

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

The weighted average number of shares for the purpose of basic earnings per share has been retrospectively adjusted for the effects of the 1,000,000 Shares issued upon the incorporation of the Company, the capitalisation issue of 374,000,000 Shares, which are deemed to have been in issue throughout the years ended 31 December 2014. The earnings per share as presented above is calculated using the weighted average number of Shares of 512,582,000 Shares for the year ended 31 December 2015 (2014: 394,424,000 Shares).

(b) Diluted

As the Company had no dilutive ordinary shares for each of the years ended 31 December 2015 and 2014, dilutive earnings per share for the years ended 31 December 2015 and 2014 are the same as basic earnings per share.

29. DIVIDENDS

At the board meeting held on 29 March 2016, the Board of Directors did not propose any final dividend for the year ended 31 December 2015.

A final dividend for the year ended 31 December 2014 of HK$0.05 (equivalent to approximately RMB0.0396) per share with a total amount of approximately HK$25,629,000(equivalent to approximately RMB20,255,000) was approved at the annual general meeting of the Company held on 15 May 2015. Such dividend was paid in June 2015 (2014: RMB5,989,000).

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of profit before income tax to net cash flow used in operations:

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Profit before income tax	7,590	87,825
Adjustments for:		
Depreciation	9,950	7,316
Amortisation	644	574
Losses on disposals on property, plant and equipment	83	24
Proceeds of derivative financial assets at fair value through profit or loss	(1,338)	–
Gains on available-for-sale financial assets	–	(94)
Provision/(reversal) for impairment of receivables	4	(3,211)
Impairment provision for inventories	467	222
Share of profit of joint ventures	(5,256)	(4,224)
Finance expenses	928	285
Changes in working capital:		
(Increase)/decrease in restricted cash	(17,254)	365
(Increase)/decrease in inventories	(6,274)	5,215
Decrease/(Increase) in trade and other receivables	28,360	(21,568)
Increase/(decrease) in trade and other payables	72,091	(86,243)
Increase in amounts due to customers for contract work	21,205	5,057
Increase in amounts due from customers for contract work	(45,535)	(27,858)
Cash generated from/(used in) operations	65,665	(36,315)

31. COMMITMENTS

(a) Capital commitments

Capital expenditure of property, plant and equipment authorised by the board of directors which has not been contracted for as of 31 December 2015 amounts to RMB141,435,000 (31 December 2014: Nil).

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

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Property, plant and equipment	**3,766**	–
Intangible assets	**149**	–
	3,915	–

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities are as follows:

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Within 1 year	**5,110**	8,001
Between 1 to 5 years	**3,714**	7,529
	8,824	15,530

32. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) The following companies and persons are related parties of the Group during the years ended 31 December 2015 and 2014:

Names of the related parties	Nature of relationship
AIHL	Parent of the Austar BVI before the Reorganisation
PALL-AUSTAR Lifesciences Limited ("PALL-AUSTAR JV")	Joint venture of the Group
Steris Austar Pharmaceutical Systems Hong Kong Limited ("STERIS-AUSTAR JV")	Joint venture of the Group
PALL-Austar Packaging Technology (Beijing) Co., Ltd. ("PALL-AUSTAR WFOE")	Subsidiary of PALL-AUSTAR JV
Steris Austar Pharmaceutical Equipment (Shanghai) Co., Ltd. ("STERIS-AUSTAR WFOE")	Subsidiary of STERIS-AUSTAR JV
Austar Ltd.	Under common control of the Controlling Shareholder
AustarPharma (Beijing) Ltd. ("AustarPharma Beijing")	Under significant influence of the Controlling Shareholder
CEFOC-Austar Pharmaceutical Engineering (Shanghai) Co., Ltd. ("CEFOC-Austar")	Under significant influence of the Controlling Shareholder till 28 February 2014
Madam Gu Xun	Close family member of the Controlling Shareholder

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties

During the year, the Group has the following significant transactions with related parties:

(i) *Purchase of goods and services*

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
STERIS-AUSTAR WFOE	**41,559**	20,481
PALL-AUSTAR WFOE	**14,977**	13,295
	56,536	33,776

(ii) *Sales of goods and services*

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
STERIS-AUSTAR WFOE	**7,553**	8,440
PALL-AUSTAR WFOE	**854**	990
	8,407	9,430

(iii) *Rental fee expenses*

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Madam Gu Xun	**935**	935
Austar Ltd.	**74**	48
	1,009	983

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

(iv) *Rental fee and miscellaneous income*

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
STERIS-AUSTAR WFOE	**462**	478

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

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
PALL-AUSTAR JV		
Interest income (Note 26)	**387**	383

(c) Balances with related parties

(i) *Receivable due from /prepayments to related parties*

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Receivable due from:		
STERIS-AUSTAR WFOE	**8,196**	9,975
PALL-AUSTAR JV (Note 16)	**8,485**	7,659
PALL-AUSTAR WFOE	**414**	407
Austar Ltd.	**13**	–
Prepayments to:		
Madam Gu Xun	**468**	702
	17,576	18,743

32. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

(ii) Payable due to related parties

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
STERIS-AUSTAR WFOE	11,831	7,057
PALL-AUSTAR WFOE	3,986	3,676
Austar Ltd.	–	6
	15,817	10,739

(d) Key management compensation

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Salaries and bonuses	6,253	8,763
Pension and others	584	567
	6,837	9,330

33. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	**97,871**	97,870
	97,871	97,870
Current assets		
Prepayments and other receivables	**102,953**	29,584
Cash and cash equivalents	**236,044**	320,280
Total assets	**436,868**	447,734
Equity and liabilities		
Equity attributable to the owners of the company		
Share capital	**4,071**	4,071
Capital surplus *(a)*	**411,879**	411,879
Currency translation differences *(a)*	**17,466**	(2,263)
Retained earnings *(a)*	**40**	26,088
Total equity	**433,456**	439,775
Liabilities		
Non-current liabilities		
Trade and other payables	**3,412**	7,959
Total liabilities	**3,412**	7,959
Total equity and liabilities	**436,868**	447,734

The balance sheet of the Company was approved by the Board of Directors on 29 March 2016 and was signed on its behalf.

Director *Director*

33. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY
(Continued)

(a) Reserve movement of the Company

	Retained earnings RMB'000	Capital surplus RMB'000	Currency translation differences RMB'000
At 1 January 2014	–	–	–
Profit for the year	32,077	–	–
Dividends paid	(5,989)	–	–
Issue of share as part of the IPO	–	411,879	–
Currency translation differences	–	–	(2,263)
At 31 December 2014	26,088	411,879	(2,263)
At 1 January 2015	26,088	411,879	(2,263)
Loss for the year	(5,793)	–	–
Dividends paid	(20,255)	–	–
Currency translation differences	–	–	19,729
At 31 December 2015	40	411,879	17,466

34. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2015:

Company name	Country/place and date of incorporation	Issued and paid-up capital	Attributable equity interest of the Group	Principal activities/ place of operation
Directly owned:				
Austar BVI	BVI/25 January 2005	US$ 100	100%	Investment holding/HK
Indirectly owned:				
Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd. (上海奧星製藥技術裝備有限公司, "Shanghai Austar")	Shanghai, the PRC/20 August 2003	US$ 19,605,724	100%	Provision of integrated engineering solutions, pharmaceutical equipment and manufacturing/the PRC
Austar Pharmaceutical Equipment (Shijiazhuang) Co., Ltd. (奧星製藥設備(石家莊)有限公司, "Austar SJZ")	Shijiazhuang, the PRC/9 July 2004	RMB 20,060,000	100%	Provision of integrated engineering solutions pharmaceutical equipment manufacturing, maintenance, GMP compliance service/the PRC
Austar Hansen Lifesciences (Shanghai) Co., Ltd. (奧星衡迅生命科技(上海)有限公司, "Austar Hansen")	Shanghai, the PRC/29 March 2001	RMB 1,660,000	100%	Distribution and agency/the PRC
Austar Clean Equipment (Shanghai) Co., Ltd. (奧星潔淨設備(上海)有限公司, "Austar CE")	Shanghai, the PRC/12 November 2007	RMB 2,155,446	100%	Provision of integrated solution of clean room enclosure system/the PRC
Austar Pharmaceutical Process Systems Limited ("APPS")	Hong Kong/20 April 2012	HK$ 55,812,404	100%	Distribution and agency/Hong Kong
Austar Europe S.r.l ("Austar Europe")	Italy/27 July 2012	EUR 20,000	99%	Provision of consulting services/Italy
Austar Pharmaceutical Process System (Shijiazhuang) Co., Ltd (奧星製藥工藝系統(石家莊)有限公司, "APPS (SJZ)")	Shijiazhuang, the PRC/6 May 2014	RMB 25,000,000	100%	Pre-operation/the PRC

34. SUBSIDIARIES (Continued)

Company name	Country/place and date of incorporation	Issued and paid-up capital	Attributable equity interest of the Group	Principal activities/ place of operation
Austar Pharmaceutical Technology (SJZ) Ltd. (奧星製藥科技(石家莊)有限公司, "APT SJZ")	HK/27 January 2015	HK$ 100	100%	Investment holding/HK
Austar Pharmaceutical Equipment (NJ) Ltd. (奧星製藥設備(南京)有限公司, "APE NJ")	HK/27 January 2015	HK$ 100	100%	Investment holding/HK
Austar Pharmaceutical Technology Equipment (NJ) Ltd. (奧星制藥技術設備(南京)有限公司, "IFF")	NJ/18 May 2015	RMB 500,000	100%	Provision of integrated engineering solutions, pharmaceutical equipment and manufacturing/the PRC
Austar Biosciences Investment Ltd. (奧星生物科技投資有限公司, "BIOIN")	BVI/1 April 2015	US$ 100	100%	Investment holding/BVI
Austar Biosciences Ltd.	HK/20 April 2015	HK$ 100	100%	Investment holding/HK
Austar Pharmaceutical Technology Investment (SJZ) Ltd. (奧星製藥科技投資(石家莊)有限公司, "APTI SJZ")	BVI/2 January 2015	US$ 100	100%	Investment Holding/BVI
Austar Pharmaceutical Equipment Investment (NJ) Ltd. (奧星製藥設備投資(南京)有限公司, "APEI NJ")	BVI/2 January 2015	US$ 100	100%	Investment Holding/BVI
Shanghai Austar Biotechnology Co., Ltd. (上海奧星生物科技有限公司, "PVM SH")	Shanghai, the PRC/20 May 2015	–	100%	Provision of integrated engineering solutions, pharmaceutical equipment and manufacturing/the PRC

The English names of certain subsidiaries and joint ventures referred to herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

35. SUBSEQUENT EVENTS

On 29 January 2016, the Group entered into an agreement with Mr. Jurgen Karl Rebhan ("Mr. Rebhan"),an independent third party, whereby the Group has agreed to purchase 33.33% interest in ROTA Verpackungstechnik GmbH & Co. KG ("ROTA KG") and 33.33% interest in ROTA Verpackungstechnik Verwaltungsgesellschaft mbH("ROTA GmbH", together with ROTAKG, collectively "ROTA") from Mr. Rebhan. ROTA KG, a partnership established under the laws of Germany, is primarily engaged in the development, manufacture and distribution of equipment and machinery for packaging of pharmaceutical products and devices and related services. As at the date of approving these financial statements, the transaction has yet to be completed.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	**627,544**	679,750	705,153	420,753	325,178
Cost of sales	**(473,297)**	(451,143)	(490,187)	(284,304)	(224,657)
Gross profit	**154,247**	228,607	214,966	136,449	100,521
Selling and marketing expenses	**(71,002)**	(65,134)	(72,104)	(36,760)	(28,528)
Administrative expenses	**(56,213)**	(57,278)	(47,849)	(35,383)	(24,502)
Research and development expenses	**(26,908)**	(23,594)	(23,897)	(16,076)	(11,795)
Other income	**2,860**	2,097	1,130	418	305
Other (losses)/gains, net	**278**	(288)	(46)	(163)	450
Operating profit	**3,262**	84,410	72,200	48,485	36,451
Finance expenses – net	**(928)**	(809)	(42)	(1,301)	(684)
Share of profit of joint ventures	**5,256**	4,224	4,495	4,102	2,631
Profit before income tax	**7,590**	87,825	76,653	51,286	38,398
Income tax expense	**(1,207)**	(22,632)	(23,082)	(15,777)	(11,061)
Profit for the year	**6,383**	65,193	53,571	35,509	27,337
Profit attributable to:					
The owners of the Company	**6,384**	65,193	53,571	35,476	27,258
Non-controlling interests	**(1)**	–	–	33	79
Profit for the year	**6,383**	65,193	53,571	35,509	27,337

ASSETS AND LIABILITIES

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total assets	**960,985**	869,390	606,853	437,053	299,893
Total liabilities	**410,001**	320,334	478,478	764,464	242,623
Total asset less current liabilities	**567,721**	564,727	140,654	79,607	61,015
Total equity attributable to the owners of the Company	**550,983**	549,055	128,374	72,587	56,976