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AUSTAR

奥星

Austar Lifesciences Limited

奥星生命科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6118)

**MAJOR TRANSACTION -
DISPOSAL OF 60% INTEREST IN PALL-AUSTAR JV**

On 11 February 2021, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the SP Agreement with the Purchaser and Pall-Austar JV pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Interest at an aggregate Consideration of US\$34,500,000 (equivalent to approximately RMB223,139,100). The Sale Interest held by the Vendor represents 60% of the issued shares of Pall-Austar JV. Upon completion of the Disposal, the Group will cease to have any equity interest in the Pall-Austar JV Group.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements of the Listing Rules.

So far as the Company is aware having made all reasonable enquiries, no Shareholder is required to abstain from voting in the general meeting of the Company for approving the Disposal if one is to be convened. The Company has obtained an approval in writing from Standard Fortune Holdings Limited, which holds 335,929,000 Shares, representing approximately 65.54% of the issued share capital of the Company as at the date of this announcement, in lieu of an approval from the Shareholders at the general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. A circular containing, among other things, details of the SP Agreement and the transactions contemplated thereunder and other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 8 March 2021 for their information.

The Board announces that after trading hours on 11 February 2021, the Vendor, an indirect wholly-owned subsidiary of the Company (as vendor), the Purchaser (as purchaser) and Pall-Austar JV entered into the SP Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Interest at an aggregate Consideration of US\$34,500,000. The principal terms of the SP Agreement are summarised as follows:

THE SP AGREEMENT

Date: 11 February 2021

Parties:

- (1) The Vendor
- (2) The Purchaser
- (3) Pall-Austar JV

Assets to be disposed of

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Interest. The Sale Interest represents 60% of the issued shares of Pall-Austar JV held by the Group. Further particulars of Pall-Austar JV are set out in section headed “Information on Pall-Austar JV” below.

Consideration and its adjustment

The aggregate Consideration for the sale and purchase of the Sale Interest shall be US\$34,500,000 (equivalent to approximately RMB223,139,100) plus US\$28,232 (“**Reimbursement Amount**”) for reimbursement of certain cost payment, and less an amount equal to 60% of the outstanding amount of the JV Partner Shareholder Loans as at the date of the SP Agreement. The Consideration will be paid by the Purchaser to the Vendor in cash at Completion, subject to certain withholding and deductions in accordance with the SP Agreement mainly relating to 60% of the liabilities of the Pall-Austar JV Group as at Completion (to the extent that the Pall-Austar JV Group has not yet paid or made arrangement for payment prior to Completion), other than the JV Partner Shareholder Loans, and an amount withheld pending any possible settlement of indemnity claims, if any, under the SP Agreement, which amount will be released in accordance with the terms under the SP Agreement.

Post-Completion adjustment to the Consideration

Following Completion, the Vendor and the Purchaser shall agree to a balance sheet of the Pall-Austar JV Group on a consolidated basis as of the Completion Date (“**Final Closing Balance Sheet**”) and determine the consideration adjustments for net cash and net working capital as follows:

- (a) if the closing net cash on the Final Closing Balance Sheet is positive, the Purchaser shall pay to the Vendor an amount equal to 60% of such amount, whereas if such closing net cash amount is negative, the Vendor shall pay to the Purchaser an amount equal to 60% of such amount; and
- (b) if closing net working capital on the Final Closing Balance Sheet is less than US\$3,400,000 by at least US\$340,000, the Vendor shall pay to the Purchaser the amount equal to 60% of such excess; and if the closing net working capital on the Final Closing Balance Sheet exceeds US\$3,400,000 by at least US\$340,000, the Purchaser shall pay to the Vendor the amount equal to 60% of such excess.

Basis of Consideration

The Consideration of the Disposal was determined after arm’s length negotiations between the parties to the SP Agreement on normal commercial terms taking into account various factors including (i) the historical financial performance of the Pall-Austar JV Group; (ii) the production capacity of the Pall-Austar WFOE; (iii) the consideration adjustment mechanism as detailed in the sub-paragraph headed “Post-Completion adjustment to the Consideration” above; and (iv) as more particularly described in the section headed “Reasons for and benefits of the Disposal” in this announcement below.

Conditions precedent

Completion is conditional upon the fulfilment or, if applicable, waiver of the certain conditions prior to the Long Stop Date including the following:

- (1) the representations and warranties provided by the Vendor or Pall-Austar JV in any transaction documents (including the SP Agreement) remaining true and correct in all respects (or all material respects, where applicable) as of the date of the SP Agreement and as of the Completion Date;
- (2) the representations and warranties provided by the Purchaser in the SP Agreement remaining true and correct in all respects (or all material respects, where applicable) as of the date of the SP Agreement and as of the Completion Date;
- (3) the Vendor, the Purchaser and Pall-Austar JV having performed or complied in all material respects with all respective obligations, agreements and covenants contained in the transaction documents (including the SP Agreement) to be performed or complied with by each of them prior to Completion;

- (4) there having been no material adverse change on the Pall-Austar JV Group and the ability of the Vendor and Pall-Austar JV in consummating the transactions and performing their obligations under the SP Agreement;
- (5) Pall-Austar JV having repaid its loans owing to the Vendor and/or the Vendor's affiliates as of the Completion Date;
- (6) the Vendor having obtained the written approval from the controlling shareholder of the Company, Standard Fortune Holdings Limited, in lieu of holding a general meeting;
- (7) the Factory Relocation having been completed; and
- (8) the Vendor and its affiliates having entered into certain commercial contracts and ancillary agreements to the SP Agreement which facilitate the transfer of governance, operation and business of the Pall-Austar JV Group with the Purchaser, the Pall-Austar JV Group or other relevant parties, as applicable, effective as of Completion.

If any of the conditions precedent shall not have been fulfilled or waived (as the case may be) at or before the Long Stop Date, the Purchaser shall pay to the Vendor an amount equal to the Reimbursement Amount, and all rights and obligations of the parties under the SP Agreement shall cease and terminate (save and except for certain provisions, including confidentiality and announcements, notices and governing law) as of the Long Stop Date and no party shall have any claim against the other party with respect to any matter referred to in the SP Agreement save for claim (if any) in respect of such continuing provisions or any antecedent breaches of the SP Agreement.

Completion

Subject to the fulfilment or waiver (if applicable) of all the conditions precedent set out above, Completion shall take place on the Completion Date.

Other arrangements

To allow the Pall-Austar JV Group to continue its previous business on areas as agreed by the parties and to facilitate certain commercial relationship of the parties after the Completion, as one of the conditions precedent to the Disposal, the Vendor and, where applicable, its affiliates will enter into certain ancillary agreements which include:

- (1) a transition services agreement pursuant to which the Vendor and its affiliates shall provide to Pall-Austar WFOE sufficient information technology support for the operation and management of the business undertaken by the Pall-Austar JV Group for a period after Completion;

- (2) an agreement to terminate all former agreements in relation to the Pall-Austar JV Group which were entered into by the Vendor and its affiliates, the Pall-Austar JV Group and/or the JV Partner and its affiliates in connection with the formation and operation of such joint venture;
- (3) a trademark licence agreement and technology licence agreement for the grant of a licence of the use of certain intellectual property owned by the Group to the Pall-Austar JV Group;
- (4) an exclusive distribution agreement and a non-exclusive distribution agreement for distribution of the Pall-Austar JV Group's products by the Group; and
- (5) a strategic framework agreement with Pall-Austar JV in relation to strategic business cooperation of the Group and the Pall-Austar JV Group after Completion,

each of which shall become effective upon Completion.

Under the SP Agreement, the Vendor has undertaken that the Vendor or its affiliates shall not engage in (i) any business in manufacturing any product or service, that competes or will possibly compete with the Relevant Business for a period of three years following the Completion Date; and (ii) any business in selling, distributing or marketing any product or service, that competes or will possibly compete with the Relevant Business for a period of two years following the Completion Date, but in the case of (ii) above, excluding any purchase and sales of products and services that the Group may need, under certain criteria, for the purpose to provide to its customers system engineering integrated solution and related consulting services. In addition, the Vendor has also undertaken in the SP Agreement that it or its affiliates shall not, during the period of two years following the Completion Date, employ or hire away any restricted person or entice them away from the Purchaser or to engage in any business similar to the Relevant Business. In this regard, please also refer to the section headed "Reasons for and benefits of the Disposal" in this announcement below.

INFORMATION ON THE GROUP AND THE VENDOR

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 provides its services and products under six business segments, namely, (1) Liquid and Bioprocess System; (2) Clean Room and Automation Control and Monitoring System; (3) Powder and Solid System; (4) GMP Compliance Service; (5) Life Science Consumables; and (6) Distribution and Agency of Pharmaceutical Equipment.

The Vendor is an investment holding company which is an indirect wholly-owned subsidiary of the Company and owned 60% of the issued shares of Pall-Austar JV as at the date of this announcement.

INFORMATION ON THE PURCHASER

The Purchaser is an affiliate of Pall Corporation, a corporation organised and existing under the laws of the state of New York, USA, and a global supplier of filtration, separation and purification solutions. Both the Purchaser and Pall Corporation are subsidiaries of Danaher Corporation (“**Danaher**”), a company incorporated in the USA whose common stock is listed on the New York Stock Exchange. Danaher is a global science and technology innovator committed to helping its customers solve complex challenges and improving quality of life around the world, and its family of world class brands has leadership positions in the demanding and attractive health care, environmental and applied end-markets.

The Purchaser, through its wholly-owned subsidiary the JV Partner, owned 40% of the issued shares of Pall-Austar JV as at the date of this announcement.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser, Pall Corporation and their respective ultimate beneficial owner(s) is an Independent Third Party.

INFORMATION ON PALL-AUSTAR JV

Pall-Austar JV is a company incorporated in Hong Kong with limited liability and principally engaged in investment holding. Pall-Austar JV, together with Pall-Austar WFOE, comprise the Pall-Austar JV Group. The Pall-Austar JV Group is a joint venture established by the Group and the JV Partner to engage primarily in the business of manufacturing, marketing and distribution of sterile transfer material and bioprocess container products for pharmaceutical and therapeutics manufacturing. As at the date of the SP Agreement, Pall-Austar JV is owned as to 60% by the Vendor and 40% by the JV Partner.

Despite that the Group held 60% of the issued shares of Pall-Austar JV, the Group classifies its interest in Pall-Austar JV as a joint venture instead of as a subsidiary, and accounts for such interest by using the equity method. Pall-Austar JV is also not a subsidiary undertaking of the Company as defined under the Companies Ordinance, and thus is not a subsidiary of the Company for the purpose of the Listing Rules.

In the section headed “History, Reorganisation and Group structure - Treatment of Pall-Austar JV under the Listing Rules” of the prospectus of the Company dated 28 October 2014 in relation to its share offer, it was stated that, among other things, for the purpose of compliance with the Listing Rules, Pall-Austar JV should, in general, be regulated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of applying the Listing Rules (apart from Rules 13.13 to 13.19 of the Listing Rules relating to disclosure of financial information), which included that Pall-Austar JV would be considered as part of the Group for the purposes of applying the connected transactions requirements. Such treatment was applied due to the fact that at the material time, Pall-Austar JV was a “subsidiary undertaking” of the Company within the meaning of the then schedule 1 to the Companies Ordinance. Subsequently, the Companies Ordinance was amended in 2019, such that after such amendment, Pall-Austar JV is not a subsidiary undertaking of the Company as defined under the (amended) Companies Ordinance, and as further elaborated above, Pall-Austar JV is not a subsidiary of the Company for the purpose of the Listing Rules.

Set out below is a summary of certain consolidated financial information of the Pall-Austar JV Group for the years ended 31 December 2018 and 2019:

	For the year ended 31 December 2019 RMB'000 (audited)	For the year ended 31 December 2018 RMB'000 (audited)
Turnover	43,353	33,007
Profit before income tax	11,154	8,804
Profit for the year	8,733	6,832

The unaudited total assets and net assets of the Pall-Austar JV Group as at 31 December 2020 were approximately RMB79.6 million and RMB36.4 million. As at 31 December 2020, the Pall-Austar JV Group owed to the Group shareholder loans of an aggregate amount of approximately US\$1.56 million (equivalent to approximately RMB10.09 million), which under the terms of the SP Agreement, all the outstanding shareholder loans shall be repaid by the Pall-Austar JV Group to the Group in full prior to Completion.

Upon Completion, the Group shall cease to have any interest in the Pall-Austar JV Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has been always positioning itself as an integrated engineering solutions provider for the biopharma and life sciences industry with competence in process, automation and compliance. In particular in the field of biotechnology, by taking the role as a bioprocess system engineering solution integrator, it is expected that the Group would need strong strategic component and equipment partners for integration. Having considered the business strategies of the Group, the Directors are of the view that the Disposal is strategically preferable in that in addition to having the proceeds of the Disposal to strengthen the Group's cash position with cash injection, it also offers opportunity of strategic partnership with Pall Corporation, an affiliate of the Purchaser. Pall Corporation and its affiliates in Danaher's life science platform are able to offer the Group opportunities with comprehensive leading bioprocess components and equipment. It is expected that even though the Group will not engage in certain areas of the Relevant Business for a certain period after Completion pursuant to the SP Agreement, the management of the Group is of the view that such limitation will not have adverse influence on the business development of the Group; the Group will be free to continue to develop its BioProcess System Integrated Engineering Solution as consultant and total solution provider and to integrate products, including other third party products, as the Group so elects. Further, the Group will enter into an exclusive distribution agreement and a non-exclusive distribution agreement to be effective upon Completion for distribution of the Pall-Austar JV Group's products, so as to allow the Group to serve its customers with such products and services during the period.

The Directors expect to recognise a gain of approximately RMB160 million from the Disposal, being the difference between the Consideration and the estimated unaudited carrying amount of the Group's equity interest in the Pall-Austar JV Group as at the Completion Date and taking into account the estimated expenses and tax in relation to the Disposal. Shareholders should note that the final amount of gain/loss on the Disposal to be recorded by the Company will be subject to the determination of the Consideration adjustments as referred to in the paragraph headed "The SP Agreement – Consideration and its adjustment" above, and the review and audit by the auditors of the Company. It is expected that the proceeds from the Disposal will be used for general working capital and/or future development of the Group.

The terms of the SP Agreement (including the Consideration) were determined after arm's length negotiations between the Vendor and the Purchaser. In light of the reasons above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal including the Consideration are fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pall-Austar JV was not accounted for as a subsidiary of the Company and the financial information of the Pall-Austar JV Group was not consolidated in the audited consolidated accounts of the Company. Upon Completion, the Group shall cease to have any interest in the Pall-Austar JV Group.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction; and (2) the written shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

So far as the Company is aware having made all reasonable enquiries, no Shareholder is required to abstain from voting in the general meeting of the Company for approving the Disposal if one is to be convened. The Company has obtained an approval in writing from Standard Fortune Holdings Limited, which holds 335,929,000 Shares, representing approximately 65.54% of the issued share capital of the Company as at the date of this announcement, in lieu of an approval from the Shareholders at the general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, details of the SP Agreement and the transactions contemplated thereunder and other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 8 March 2021 for their information.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Austar Lifesciences Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal

“Completion Date”	the date on which Completion shall take place, subject to the satisfaction or waiver (as the case may be) of all conditions precedent (other than those that by their terms are not contemplated to be satisfied until the time of Completion) and in accordance with the SP Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	US\$34,500,000, the total consideration of the Disposal and subject to the adjustments as set out in the section headed “The SP Agreement - Consideration and its adjustment” in this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser pursuant to the SP Agreement
“Factory Relocation”	the relocation, at the own expenses of Pall-Austar WFOE, of the offices, plants and labs of Pall-Austar WFOE from a location situated in Huairou District, Beijing, to a location situated in Shunyi District, Beijing
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party independent of the Company and the connected persons of the Company
“JV Partner”	Pall Life Sciences Belgium BV, a company incorporated in Belgium

“JV Partner Shareholder Loans”	all loans together with relevant interest owing to the JV Partner or its affiliates by the Pall-Austar JV Group as of the Completion Date, including but not limited to the shareholder’s loans with an aggregate principal amount of US\$1 million plus accrued unpaid interest up to the Completion Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	4:00 p.m. on 30 September 2021
“Pall-Austar JV”	PALL-AUSTAR Lifesciences Limited, a company incorporated in Hong Kong with limited liability and as at the date of this announcement, owned as to 60% by the Vendor and 40% by the JV Partner
“Pall-Austar JV Group”	Pall-Austar JV and Pall-Austar WFOE
“Pall-Austar WFOE”	頗爾奧星包裝科技(北京)有限責任公司 (PALL Austar Packaging Technology (Beijing) Co., Ltd.*), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of Pall-Austar JV
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Beckman Coulter Hong Kong Limited, a company incorporated in Hong Kong with limited liability

“Relevant Business”	the business undertaken by the Pall-Austar JV Group in connection with (i) the research, development, manufacturing, marketing, distribution, sales, license and provision of assemblies, systems and other products for single use applications that are used in the processing, production, storage and delivery of pharmaceutical, therapeutic, biotech and medical products, materials and instruments and (ii) the provision of services related to such products
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 60% of the issued shares of Pall-Austar JV which as at the date of this announcement, is held by the Vendor
“SP Agreement”	the share purchase agreement dated 11 February 2021 entered into by and among the Purchaser, the Vendor and Pall-Austar JV in relation to the Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “USA”	the United States of America
“US\$”	United States dollar, the lawful currency of the United States
“Vendor”	Austar Pharmaceutical Process Systems Limited 奧星製藥工藝系統有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

In this announcement, amounts quoted in US\$ have been converted into RMB at the rate of US\$1 to RMB6.4678 for the purpose of illustration only. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 15 February 2021

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

** For identification purpose only*