AUSTAR
奧 星

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	*RMB'000*
Revenue	**2,228,644**	2,015,028
Gross profit	**462,669**	479,008
Profit before income tax	**86,485**	319,225
Profit attributable to the owners of the Company	**87,461**	277,300
Total assets	**2,388,763**	2,044,777
Net assets	**883,581**	788,420
Gross profit margin	**20.8%**	23.8%
Current ratio	**1.3**	1.5
Gearing ratio	**27.8%**	16.4%
Net debt to equity ratio	**23.4%**	Net Cash
Basic and diluted earnings per share *(Note)*	**RMB0.17**	RMB0.54

Note:

The calculation of earnings per share is based on the profit attributable to the owners of the Company for each of the years ended 31 December 2022 and 2021 and the weighted average number of shares during that year. The Company had no dilutive ordinary shares for each of the years ended 31 December 2022 and 2021.

ANNUAL RESULTS

The board ("**Board**") of directors ("**Directors**", each a "**Director**") of Austar Lifesciences Limited ("**Company**" or "**AUSTAR**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 ("**Year**"), together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**For the year ended 31 December 2022** ***RMB'000***	For the year ended 31 December 2021 *RMB'000*
Revenue	*3*	**2,228,644**	2,015,028
Cost of sales	*6*	**(1,765,975)**	(1,536,020)
Gross profit		**462,669**	479,008
Selling and marketing expenses	*6*	**(178,659)**	(170,289)
Administrative expenses	*6*	**(134,614)**	(128,094)
Net impairment gains/(losses) on financial and contract assets		**3,212**	(6,243)
Research and development expenses	*6*	**(70,163)**	(65,598)
Other income		**11,163**	6,330
Other (losses)/gains – net	*5*	**(9,630)**	196,804
Operating profit		**83,978**	311,918
Finance income	*4*	**2,273**	1,471
Finance costs	*4*	**(9,302)**	(4,824)
Finance costs – net		**(7,029)**	(3,353)
Share of net profit of investments accounted for using the equity method		**9,536**	10,660
Profit before income tax		**86,485**	319,225
Income tax expense	*8*	**(18,741)**	(46,601)
Profit for the year		**67,744**	272,624
Profit attributable to:			
The owners of the Company		**87,461**	277,300
Non-controlling interests		**(19,717)**	(4,676)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**For the year ended 31 December 2022** *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Profit for the year		**67,744**	272,624
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**27,114**	(8,767)
Share of other comprehensive loss of investments accounted for using the equity method		**(515)**	(11)
Other comprehensive income/(loss) for the year, net of tax		**26,599**	(8,778)
Total comprehensive income for the year		**94,343**	263,846
Total comprehensive income attributable to:			
The owners of the Company		**114,965**	268,685
Non-controlling interests		**(20,622)**	(4,839)
		94,343	263,846
Earnings per share for profit attributable to the owners of the Company – basic and diluted (RMB)	*9*	**0.17**	0.54

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**278,468**	188,452
Right-of-use assets		**155,141**	123,353
Intangible assets		**55,865**	21,113
Deferred income tax assets		**12,783**	8,915
Investments accounted for using the equity method		**85,499**	39,703
Total non-current assets		**587,756**	381,536
Current assets			
Inventories		**388,106**	423,261
Contract assets	*12*	**585,364**	377,937
Trade and notes receivables	*11*	**416,513**	296,299
Prepayments and other receivables		**159,039**	173,686
Pledged bank deposits		**103,856**	172,317
Term deposits with initial terms of over three months		**14,505**	21,294
Cash and cash equivalents		**133,624**	198,447
Total current assets		**1,801,007**	1,663,241
Total assets		**2,388,763**	2,044,777
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**4,071**	4,071
Reserves		**394,106**	371,207
Retained earnings		**498,767**	411,306
		896,944	786,584
Non-controlling interests		**(13,363)**	1,836
Total equity		**883,581**	788,420

CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**As at 31 December 2022** *RMB'000*	As at 31 December 2021 *RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**62,874**	34,890
Long-term borrowings	*14*	**40,067**	54,271
Deferred income		**544**	746
Deferred income tax liabilities		**37,740**	30,254
Other financial liabilities		**4,192**	–
Total non-current liabilities		**145,417**	120,161
Current liabilities			
Trade and other payables	*13*	**739,603**	598,992
Contract liabilities	*12*	**382,707**	466,689
Current income tax liabilities		**5,150**	5,716
Short-term borrowings	*15*	**172,254**	54,830
Current portion of long-term borrowings	*14*	**45,670**	–
Lease liabilities		**14,381**	9,969
Total current liabilities		**1,359,765**	1,136,196
Total liabilities		**1,505,182**	1,256,357
Total equity and liabilities		**2,388,763**	2,044,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 January 2014 as an exempted company with limited liability. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in providing integrated engineering solutions to pharmaceutical manufacturers and research institutes, as well as manufacturing and distribution of pharmaceutical equipments and consumables in the People's Republic of China (the "**PRC**"). The ultimate holding company of the Company is Standard Fortune Holdings Limited, 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**"), Chairman of the Board 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 ("**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 7 November 2014.

The consolidated financial statements are presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and is approved for issue by the Board on 28 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before intended use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020

The amendments listed above did not have any significant financial impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

The chief operating decision maker ("**CODM**") has 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 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 2022 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	1,033,837	678,636	293,034	98,858	391,805	39,290	2,535,460
Inter-segment revenue	(83,496)	(164,566)	(47,239)	(4,509)	(3,541)	(3,465)	(306,816)
Revenue	950,341	514,070	245,795	94,349	388,264	35,825	2,228,644
Recognised at a point in time	145,596	25,564	10,613	7,205	388,264	25,354	602,596
Recognised over time	804,745	488,506	235,182	87,144	–	10,471	1,626,048
Cost of sales	(835,964)	(421,313)	(194,093)	(51,321)	(241,596)	(21,688)	(1,765,975)
Segment results							
Gross profit	114,377	92,757	51,702	43,028	146,668	14,137	462,669
Other segment items							
Amortisation	3,817	306	200	58	891	21	5,293
Depreciation	14,019	8,519	4,253	1,366	5,777	513	34,447
(Reversal of)/provision for impairment losses on financial and contract assets	(2,603)	(2,252)	627	188	732	96	(3,212)
Provision for/(reversal of) impairment of inventories	3,231	(318)	(383)	(132)	4,625	(6)	7,017
Share of net profit of investments accounted for using the equity method	9,069	467	–	–	–	–	9,536

The segment results for the year ended 31 December 2021 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	970,095	537,759	140,205	72,630	428,394	30,749	2,179,832
Inter-segment revenue	(87,142)	(58,053)	(1,912)	(6,516)	(7,324)	(3,857)	(164,804)
Revenue	882,953	479,706	138,293	66,114	421,070	26,892	2,015,028
Recognised at a point in time	203,368	15,932	13,391	1,802	421,070	19,806	675,369
Recognised over time	679,585	463,774	124,902	64,312	–	7,086	1,339,659
Cost of sales	(739,208)	(389,431)	(96,599)	(37,733)	(258,026)	(15,023)	(1,536,020)
Segment results							
Gross profit	143,745	90,275	41,694	28,381	163,044	11,869	479,008
Other segment items							
Amortisation	3,426	186	38	18	–	7	3,675
Depreciation	15,496	6,419	1,272	664	3,563	486	27,900
(Reversal of)/provision for impairment losses on financial and contract assets	(4,102)	7,157	996	490	1,500	202	6,243
Provision for impairment of inventories	3,302	1,889	650	308	273	122	6,544
Impairment of goodwill	1,091	–	–	–	–	–	1,091
Share of net profit of investments accounted for using the equity method	6,356	639	–	–	3,665	–	10,660

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

	For the year ended 31 December 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Liquid and Bioprocess System	**114,377**	143,745
Clean Room and Automation Control and Monitoring System	**92,757**	90,275
Powder and Solid System	**51,702**	41,694
GMP Compliance Service	**43,028**	28,381
Life Science Consumables	**146,668**	163,044
Distribution and Agency of Pharmaceutical Equipment	**14,137**	11,869
Total gross profit for reportable segments	**462,669**	479,008
Selling and marketing expenses	**(178,659)**	(170,289)
Administrative expenses	**(134,614)**	(128,094)
Net impairment gains/(losses) on financial and contract assets	**3,212**	(6,243)
Research and development expenses	**(70,163)**	(65,598)
Other income	**11,163**	6,330
Other (losses)/gains – net	**(9,630)**	196,804
Finance costs – net	**(7,029)**	(3,353)
Share of net profit of investments accounted for using the equity method	**9,536**	10,660
Profit before income tax	**86,485**	319,225

The segment assets as at 31 December 2022 and 2021 are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Total assets	**Investments accounted for using the equity method**	Total assets	Investments accounted for using the equity method
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Liquid and Bioprocess System	**1,034,779**	**60,737**	834,531	17,890
Clean Room and Automation Control and Monitoring System	**429,886**	**24,762**	362,161	21,813
Powder and Solid System	**140,264**	**–**	100,912	–
GMP Compliance Service	**48,626**	**–**	36,464	–
Life Science Consumables	**277,240**	**–**	259,063	–
Distribution and Agency of Pharmaceutical Equipment	**9,866**	**–**	9,254	–
Total segment assets	**1,940,661**	**85,499**	1,602,385	39,703
Unallocated				
Deferred income tax assets	**12,783**		8,915	
Headquarter assets	**435,319**		433,477	
Total assets	**2,388,763**		2,044,777	

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

	As at 31 December 2022 Total liabilities *RMB'000*	As at 31 December 2021 Total liabilities *RMB'000*
Liquid and Bioprocess System	**510,217**	561,002
Clean Room and Automation Control and Monitoring System	**241,315**	182,630
Powder and Solid System	**118,626**	55,585
GMP Compliance Service	**44,224**	32,435
Life Science Consumables	**142,989**	168,289
Distribution and Agency of Pharmaceutical Equipment	**23,310**	7,861
Total segment liabilities	**1,080,681**	1,007,802
Unallocated		
Deferred income tax liabilities	**37,740**	30,254
Short-term borrowings	**172,254**	54,830
Long-term borrowings	**40,067**	54,271
Current portion of long-term borrowings	**45,670**	–
Headquarter liabilities	**128,770**	109,200
Total liabilities	**1,505,182**	1,256,357

Geographical information

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
	RMB'000	*RMB'000*
Revenue		
Mainland China	**2,073,560**	1,890,654
Other locations	**155,084**	124,374
	2,228,644	2,015,028

	As at 31 December 2022	As at 31 December 2021
	RMB'000	*RMB'000*
Non-current assets other than financial assets and deferred tax assets		
Mainland China	**501,499**	303,794
Other locations	**73,474**	68,827
	574,973	372,621

4. FINANCE COSTS – NET

	For the year ended 31 December 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Finance costs		
– Bank borrowings	**(7,155)**	(2,381)
– Lease liabilities	**(3,092)**	(2,021)
Exchange gains/(losses), net	**945**	(422)
	(9,302)	(4,824)
Finance income		
– Bank deposits	**2,273**	1,379
– Loan to PALL-AUSTAR Lifesciences Limited (“**PALL-AUSTAR JV**”)	**–**	92
	2,273	1,471
	(7,029)	(3,353)

5. OTHER (LOSSES)/GAINS – NET

	For the year ended 31 December 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Gains on disposal of a joint venture	**–**	198,988
Losses on disposal of property, plant and equipment	**(297)**	(716)
Exchange losses, net	**(6,117)**	(3,322)
Others	**(3,216)**	1,854
	(9,630)	196,804

6. EXPENSES BY NATURE

	For the year ended 31 December 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Raw materials used	**1,242,546**	1,202,876
On-site subcontract fee	**196,329**	67,864
Staff costs, including directors' emoluments *(Note 7)*	**486,403**	414,432
Depreciation		
– Property, plant and equipment	**13,586**	11,936
– Right-of-use assets	**20,861**	15,964
Amortisation	**5,293**	3,675
Travel expenses	**30,890**	34,693
Freight and port charges	**28,711**	28,153
Professional fee	**22,659**	17,929
Technical service fee	**17,198**	13,055
Sales tax and surcharges	**11,365**	10,439
Warranty provision	**11,060**	9,521
Office expenses	**8,421**	7,931
Business entertainment expenses	**7,290**	12,561
Impairment of inventories	**7,017**	6,544
Promotion expenses	**5,927**	12,764
Auditor's remuneration		
– Audit service		
– PricewaterhouseCoopers	**3,450**	3,450
– Other auditors	**448**	149
– Non audit service		
– PricewaterhouseCoopers	**85**	725
– Other auditors	**29**	–
Repair and maintenance	**1,941**	2,186
Human resources management expenses	**1,633**	1,356
Labour productive cost	**1,451**	681
Bank charges	**1,224**	1,920
Communication expenses	**1,035**	1,879
Renovation expenses	**490**	198
Convention service expenses	**437**	674
Property management fee	**59**	429
Impairment of goodwill	**–**	1,091
Other operating expenses	**21,573**	14,926
	2,149,411	1,900,001

7. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	For the year ended 31 December 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Salaries and bonuses	**377,758**	318,805
Pension and social obligations	**108,645**	95,627
	486,403	414,432

8. INCOME TAX EXPENSE

	For the year ended 31 December 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Current income tax expense	**15,688**	33,836
Deferred income tax expense	**3,053**	12,765
	18,741	46,601

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

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

The taxation of the Group's subsidiaries in Hong Kong is calculated at 16.5% of the estimated assessable profits for the Year (2021: 16.5%), except for a subsidiary of the Group in Hong Kong which is a qualifying entity applicable to the two-tiered profits tax rates. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK$2 million of assessable profits will be lowered to 8.25%, and assessable profits above HK$2 million will continue to be subject to the rate of 16.5%.

The taxation of the Group's subsidiary in Germany is calculated at 30% of the estimated assessable profit for the Year (2021: 30%).

Corporate income tax in the PRC is calculated based on the statutory profit or loss of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjusting certain income and expense items, which are not assessable or deductible for income tax purposes. According to the PRC Corporate Income Tax Law promulgated by the PRC government, the tax rate for the Company's PRC subsidiaries is 25%, except for certain subsidiaries which are taxed at preferential tax rates. Shanghai Austar Pharmaceutical Technology Equipment Ltd. ("**Shanghai Austar**"), Austar Pharmaceutical Equipment (Shijiazhuang) Ltd. ("**Austar SJZ**"), and Austar Hansen Lifesciences (Shanghai) Ltd. ("**Austar Hansen**") are high and new technology enterprises certified by relevant local authorities in the PRC. These entities are entitled to preferential corporate income tax rates of 15% upon fulfilment of certain conditions under the tax ruling. Austar SJZ has been enjoying preferential corporate income tax rate since 2014 and renewed its "High and New Technology Enterprise" qualification for another three years in 2021. Shanghai Austar and Austar Hansen have been enjoying preferential corporate income tax rate since 2013 and renewed their "High and New Technology Enterprise" qualification for another three years in 2022.

9. EARNINGS PER SHARE

(a) Basic

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.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Profit attributable to the owners of the Company *(RMB'000)*	**87,461**	277,300
Weighted average number of ordinary shares in issue *(Thousands)*	**512,582**	512,582
Basic earnings per share *(RMB)*	**0.17**	0.54

(b) Diluted

As the Company had no potential ordinary shares for each of the years ended 31 December 2022 and 2021, diluted earnings per share for the years ended 31 December 2022 and 2021 are the same as basic earnings per share.

10. DIVIDENDS

The Board did not propose any final dividend for the year ended 31 December 2022 (2021: nil).

11. TRADE AND NOTES RECEIVABLES

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Trade receivables *(Note (a))*	**413,202**	302,930
Notes receivables *(Note (b))*	**33,432**	24,746
	446,634	327,676
Less: loss allowance	**(30,121)**	(31,377)
	416,513	296,299

Notes:

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

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Within 6 months	**274,285**	176,980
6 months to 1 year	**43,379**	45,925
1 to 2 years	**56,769**	38,582
2 to 3 years	**23,506**	27,210
Over 3 years	**15,263**	14,233
	413,202	302,930

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

(b) Most of the notes receivables are bank acceptance with maturity dates within six months (2021: within six months).

12. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Contract assets	**591,660**	386,482
Less: loss allowance	**(7,767)**	(9,951)
	583,893	376,531
Costs incurred to obtain contracts	**1,471**	1,406
Total contract assets	**585,364**	377,937
Contract liabilities	**(382,707)**	(466,689)

13. TRADE AND OTHER PAYABLES

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Trade payables	**426,204**	350,846
Payroll and welfare payable	**126,830**	98,623
Accrued expenses	**34,031**	40,119
Payable to vendors of construction, machinery and equipment	**21,001**	23,714
Indirect taxes payable	**17,690**	13,410
Warranty provision	**16,499**	13,517
Employee payable	**2,378**	3,208
Loan from a non-controlling shareholder of a subsidiary	**1,299**	1,263
Notes payables	**–**	1,500
Others	**93,671**	52,792
	739,603	598,992

The ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Within 6 months	**348,478**	326,305
6 months to 1 year	**55,297**	7,335
1 to 2 years	**7,997**	4,419
2 to 3 years	**4,014**	5,546
Over 3 years	**10,418**	7,241
	426,204	350,846

14. LONG-TERM BORROWINGS

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Bank borrowings, secured *(Note)*	**85,737**	54,271
Less: Long-term borrowings due within one year	**(45,670)**	–
	40,067	54,271

Note:

As at 31 December 2022, the secured long-term bank borrowings are denominated in RMB and secured by the Group's buildings, construction in progress and land use right. For the year ended 31 December 2022, the secured long-term bank borrowings bear interest rates ranging from 4.45% to 4.65% (2021: 4.65% and 4.75%) per annum.

As at 31 December 2022, the fair value of the borrowings (including long-term borrowings due within one year) is not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates.

15. SHORT-TERM BORROWINGS

	As at 31 December 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Bank borrowings, secured *(Note (a))*	**21,464**	20,000
Bank borrowings, guaranteed *(Note (b))*	**150,790**	34,830
	172,254	54,830

Note:

(a) As at 31 December 2022, the secured short-term bank borrowings are denominated in RMB and secured by the Group's buildings and right-of-use assets. For the year ended 31 December 2022, the secured short-term bank borrowings bear interest rates ranging from 4.00% to 4.52% (2021: 4.57%) per annum and are repayable within one year.

(b) As at 31 December 2022, certain short-term bank borrowings were guaranteed by Austar Equipment Limited, Austar SJZ and Shanghai Austar, which are subsidiaries of the Company. For the year ended 31 December 2022, the guaranteed short-term bank borrowings bear interest rates ranging from 3.80% to 7.00% per annum (2021: 3.00% to 5.00%) and are repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2022, the COVID-19 pandemic had negative impacts in mainland China on the supply chain and normal business operations in epidemic control areas. However, with the adjustments of epidemic control policy in December 2022, it is expected that the number of new pharmaceutical projects will increase, and projects suspended due to the epidemic and the pending project capital expenditure (CAPEX) investment are expected to be restarted and will bring business opportunities. With the release of international travel restrictions, international drug regulatory authorities and organisations will strengthen the inspection of drug production sites through more interactions with drug regulatory authorities in mainland China to improve the requirements of drug regulation, and the needs of meeting higher requirements also create business opportunities.

The investments on cell therapy products, antibody drug conjugate products and radioactive drugs are increasing, together with more products which are stepping onto the commercial production stage from research stage, these will also provide business opportunities for new projects and services.

With the normalisation of volume-based procurement policy and more supporting policies in China being issued, pharmaceutical innovation becomes the trend for industry development. Pharmaceutical manufacturers need to rely on better quality, higher capacity, and cost-effective advantages to win in the market. From the perspective of regulatory approval, innovative drugs will focus on clinical value, and those with higher efficacy and safety value will get better commercial recognition.

The development of traditional Chinese medicine as a national strategy in China will push the market to enter a new high-quality development stage in terms of regulations and medical insurance policies, which will accelerate the registration and launching of traditional Chinese medicine.

After joining the ICH (The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use) , NMPA (National Medical Products Administration) applied to join PIC/S (The Pharmaceutical Inspection Co-operation Scheme) in 2021, these efforts will promote China's adaptation to the international drug regulatory system and improve regulatory compliance level and integration into the international market, which provides convenience for the global submissions of new drugs and accelerates the upgrading of the pharmaceutical industry in China.

EU GMP (Good Manufacturing Practice) Annex 1 "Manufacture of Sterile Medicinal Products" was officially issued on 25 August 2022 and adopted by PIC/S and WHO (World Health Organization). The new requirements will bring business opportunities in terms of engineering projects, aseptic pharmaceutical equipment, contamination control, new measurement and analytical technology and compliance consulting.

The regulatory authorities issued the Guidelines for the Manufacturing Quality Management of Cell Therapy Products (Trial) based on more applications for clinical and marketing of new biological technologies. These policies are conducive to the standardisation of China's new drug development and production, promoting the development of Contract X Organisation (CXO), and creating business opportunities in clinical drug production and related upstream and sub-sectors in the life sciences industry

Business Review

For the Year, the Group recorded a growth of approximately 10.6% in revenue as compared to the corresponding period in 2021, even though it was affected by the COVID-19 pandemic lockdowns causing challenges to our supply chain, manufacturing, and project execution. Order-in-take has decreased by approximately 11.5% as compared to that of the corresponding period in 2021 due to the difficulties encountered in communications and meetings, and the opportunities lost as a result of the pandemic lockdowns and its more severe impact being apparent especially in the last quarter of 2022.

The profitability in 2022 has been negatively affected by the slowing down of revenue growth due to pandemic restriction policies and significant profit shortfalls of some businesses in incubation and early maturity phases. It is believed that improvement in leadership and governance, and strengthening the competence elements of profitable product lines by deploying more corporate-level resources will both contribute a stronger profit growth in those business in coming years.

In February 2022, the Group successfully acquired the business of an expertise in sterile liquid and powder filling line ("**BOSTA Business**"), which has further enhanced the Group's business portfolio in the integration of the filling line system and freeze-dryer system and increased the capability of providing integrated solutions for the filling and freeze-drying of aseptic products.

The Group has also successfully completed the acquisition of a minority shareholding of a company which provides complete and high-end solutions used in nanomedicine and inhalation preparations. It is expected that the Group and the said company are able to benefit from this transaction through upcoming strategic business collaboration.

The volume of the service business of the Group has been further increasing. A new business brand has been established to cultivate the market awareness of preventive maintenance and facility-upgrading services. The service business has been evolving to incorporate a wider scope to meet clients' needs in terms of facility management services, after-sales services of imported equipment, etc. Under the strict operation and maintenance requirements set by regulations, together with clients' limited resources to consolidate technical talents, it is believed that the Group's service business is set to generate new significant streams of income and higher margin of profits in the coming future.

The product lines in the sectors of active pharmaceutical ingredients (API) and oral solid dosage (OSD) in chemical drugs have still been enjoying a significant growth in order-in-take and revenue, thanks to our capacities to offer modular and innovative solutions with digitalisation and robotic technologies to help clients improve their work safety, process efficiency and operation excellence based on containment-based engineering and contamination control practices. AUSTAR UK Limited ("**AUSTAR UK**"), a wholly-owned subsidiary of the Group in the UK, has been taking over the products of wet granulation equipment and fluid bed granulation technology to realise its local production and meet the application requirements of European clients and those clients which prefer equipment made in Europe.

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

The Group has been undergoing a serious review on its product lines and trying to find new technical solutions by combining various product lines together to offer the most cost-effective integrated solutions. The product-line restructuring will continue to facilitate application and solution offerings, and such restructuring will bring about competence improvement and enable the Group to be more resilient under tougher competitive circumstances. The Group is proudly looking forward to a more precise positioning as a technological company with comprehensive knowledge and experience in life sciences process technology and applications as well as industry regulatory rules and practices, which would enable the Group to help clients to address issues in quality, compliance, and operation excellence.

ORDER-IN-TAKE

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

	For the year ended 31 December				
	2022		2021		Change
Order-in-take by business segment	***RMB'000***	*%*	*RMB'000*	*%*	*%*
Liquid and Bioprocess System	**777,428**	**33.0%**	1,207,477	45.4%	–35.6%
Clean Room and Automation Control and Monitoring System	**647,892**	**27.5%**	524,786	19.7%	23.5%
Powder and Solid System	**328,414**	**13.9%**	226,225	8.5%	45.2%
GMP Compliance Service	**108,255**	**4.6%**	117,673	4.4%	–8.0%
Life Science Consumables	**426,165**	**18.1%**	548,875	20.6%	–22.4%
Distribution and Agency of Pharmaceutical Equipment	**68,286**	**2.9%**	37,923	1.4%	80.1%
Total	**2,356,440**	**100.0%**	2,662,959	100.0%	–11.5%

During the Year, the total order-in-take amounted to approximately RMB2,356.4 million, representing a decrease of approximately RMB306.6 million or 11.5% from approximately RMB2,663.0 million for the year ended 31 December 2021. The COVID-19 and related lockdowns posed a great difficulty in business travel and communication for new business acquisition, and suspension of projects in discussion due to challenges in supply chain and project execution. The negative impact was most apparent in the last quarter of 2022, as in previous years contracts of new projects were normally signed in last quarters of the years. With the release of travel restriction and recovery of supply chain and other key resources, the business is expected to resume the momentum of increase.

Liquid and Bioprocess System

The order-in-take amount of the business segment of Liquid and Bioprocess System amounted to approximately RMB777.4 million for the Year, showing a decrease of approximately RMB430.1 million or 35.6%, comparing to approximately RMB1,207.5 million for the year ended 31 December 2021. The manufacturing facility of the business segment was in the area of lockdown from April to June 2022 and thus business of this segment was greatly affected, in terms of both existing project execution and new project acquisition. With the removal of control measures around COVID-19, it is expected that the business will continue to grow in the near future. With completion of construction of a production site, this business segment is believed to have upgraded its manufacturing condition, with more space for new product research and development and more optimised production processes, which will definitely improve its competitiveness in terms of cost efficiency and quality standard. The Group has gained market recognition through years of persistent endeavours and this business segment has grown to be regional champion business, trend of which will definitely continue in 2023.

Clean Room and Automation Control and Monitoring System

The order-in-take amount of the business segment of Clean Room and Automation Control and Monitoring System amounted to approximately RMB647.9 million for the Year, representing an increase of approximately RMB123.1 million or 23.5% from approximately RMB524.8 million for the year ended 31 December 2021. The Group has been gaining good market reputation and share, with new technology of integrated space sterilisation system, dust particle online monitoring, floating bacteria monitoring, energy saving control and etc., which provides customers with computerised system confirmation and validation documents, and cost-effective solution. The fast growth of research and development for innovative drugs in mainland China had led to a much larger demand for the business of this segment, with a higher requirement on quality, cost efficiency, and effective project execution. On top of that, with the emerging innovative medical treatment, more capital is pursuing cell therapy commercial production. All these trends constitute a huge business opportunity for the Group, as a knowledge and technology leader in this area.

Powder and Solid System

The order-in-take amount of the business segment of Powder and Solid System witnessed a significant increase of approximately RMB102.2 million or 45.2% from approximately RMB226.2 million for the year ended 31 December 2021 to approximately RMB328.4 million for the Year. The adoption of modular design increases the flexibility of products, which was well acknowledged by the market and thus drove the business increase, to a large extent. At the same time, the business potential, in terms of market share and technical advantage, was greatly enlarged with integration of material and formula management system, integrated process equipment, automatic equipment, including automatic transfer equipment, robots and automatic guided vehicles (AGV), and etc.

GMP Compliance Service

The order-in-take amount of the business segment of GMP Compliance Service has a slight decrease of approximately RMB9.4 million or 8.0% from approximately RMB117.7 million for the year ended 31 December 2021 to approximately RMB108.3 million for the Year. The slight decrease of order-in-take was caused by suspension of several projects in discussion in the fourth quarter of 2022 due to COVID-19 control measures, including lockdowns and travel freeze. Along with its scope extension to the entire life cycle of pharmaceutical production process, GMP Compliance Service is believed to keep pace of a rapid growth in the future.

Life Science Consumables

The order-in-take amount of the business segment of Life Science Consumables decreased by approximately RMB122.7 million or 22.4% from approximately RMB548.9 million for the year ended 31 December 2021 to approximately RMB426.2 million for the Year. The decrease was caused by COVID-19 pandemic control measures and decrease in business related to COVID-19 vaccine production. It is foreseeable that business related to COVID-19 vaccines will continue to decrease and the Group will increase investment and business development efforts in the area of sterile chemical drugs and cell therapy, which is believed to be a new business and profit margin generator in the revised long-term business strategy.

Distribution and Agency of Pharmaceutical Equipment

The order-in-take amount of the business segment of Distribution and Agency of Pharmaceutical Equipment witnessed an increase of approximately RMB30.4 million or 80.1% from approximately RMB37.9 million for the year ended 31 December 2021 to approximately RMB68.3 million for the Year. The Group will continue to engage in the distribution of various types of high-end pharmaceutical equipment together with its joint ventures and overseas business partners providing clients with the most intimate and timely service.

Backlogs

Set out below is a breakdown of the Group's closing value of backlogs (VAT excluded) and the corresponding number of contracts by business segment as at 31 December 2022:

	As at 31 December 2022			
Backlogs by business segment	*Number of contracts*	*%*	*RMB'000*	*%*
Liquid and Bioprocess System	417	29.6%	529,920	36.7%
Clean Room and Automation Control and Monitoring System	390	27.7%	441,735	30.6%
Powder and Solid System	185	13.1%	210,328	14.6%
GMP Compliance Service	112	8.0%	116,738	8.1%
Distribution and Agency of Pharmaceutical Equipment	305	21.6%	143,414	10.0%
Total	1,409	100.0%	1,442,135	100.0%

Production, Execution and Organisation

The facility of AUSTAR UK, a wholly-owned subsidiary of the Group, at Huddersfield, West Yorkshire, UK was accredited by ISO 9001 authority in early 2021 and retained the ISO 9001 and 14001 certifications this year, ensuring customer confidence by demonstrating that the Group has a robust, globally recognised, Quality and Environmental Management System. The Group is arranging for additional space rental to build up the production capacity and competence to meet with the order-in-take in the foreseeable future.

The construction of the two new production sites in Shijiazhuang and Shanghai has been completed and the two sites will be put into full utilisation in early 2023. This expansion strategy is in line with our expected growth in equipment and system sales and it is believed to be able to meet the growth demand in the coming 5 years. The overall upgrading of manufacturing conditions will provide more space for new product research and manufacturing, and offer opportunities for improvement, including production process and quality management, digitalisation tools enhancement, and key production process optimisation in the new facilities.

For pressure vessel products, the Group has made progress in production capability and obtained qualification in manufacturing various metal alloys, and the obtaining of qualification in manufacturing dual-phase steel is in progress. A new vessel modeling programme based on Solidworks has been developed for bioreactor design, such programme could save up to 60% of man-hours and greatly reduce the bioreactor design process. A bottom-mounted mechanical stirrer and a microporous gas sparger were developed, which would meet the demand of the manufacturing capabilities of clients' large-scale mammalian cell culture.

The Group's Project Execution Centre has tried its best to overcome the impacts from the pandemic and ensure the successful execution of the projects during 2022, even though there was inconvenience and inefficiency caused by pandemic lockdowns and restrictions. The team will continue to promote the operation excellence management concept and improve the quality control during the entire project lifecycle. Continuous efforts will be put into implementing the information-based project management platform, through which the team could better realise project control and staff assignment to improve the overall work efficiency and project quality.

Sales and Marketing

The Group's internal sales cooperation model is designed to encourage sales teams from different sectors and different product lines to support each other to offer a more relevant solution to our clients. This model is facilitated by a sophisticated business-intelligent information system of customer relations management to ensure our clients are properly taken care of and our sales team are working cost-effectively. A customer service response closed-loop system was developed in 2022 and is hoped to be fully implemented in 2023 to help the Group improve both client satisfaction and loyalty level.

In China, through years of sales talent and organisation development, the Company's sales process is fairly mature. In 2022, a new sales force was introduced, pursuant to which, besides biological and chemical medicine, more efforts will be put into sub-sectors of medical device, animal health, Chinese medicine, cosmetics, nutri-pharmaceuticals etc. The China sales team is focusing on the China market with more key account managers to support the business growth, and specific matter experts and technology application team are supporting territory sales for technical support, proposal preparation and presentation.

For global expansion, the Company has been building up the team gradually according to execution strategies, as in the last few years, European and Southeast Asia teams were recruited to directly take care of the related sales leads and enquiries. More agents in the Southeast Asia and Middle-East North Africa regions have been engaged in sourcing out more sales opportunities. It is believed that the Group's global sales team is able to contribute a greater portion share of sales order-in-take gradually in the near future.

In 2022, brand promotion and marketing have made significant progress. A new corporate image was successfully released to better represent the business concept of the joint venture – CAPE Europe. Following the acquisition of the BOSTA Business, which has expertise in sterile liquid and powder filling line, a new product brand vivafill was established to enhance and increase the business portfolio and brand awareness of its capability in providing integrated solutions for the filling and freeze drying of aseptic products.

The AUSTAR brand had a good exposure with presence in 47 events worldwide. During the Year, despite being affected by the pandemic in Mainland China, the Group attended 35 online and offline events including industry meetings, seminars, trainings, and cooperation with industry media, and over 50 webinars were released to share technology solutions and knowledge with clients. The Group attended 12 international expositions reaching out to new markets and securing orders in different countries and regions, such as Making Pharma in UK; EXPOFYBI in Argentina; and Pak Pharma & Healthcare Expo in Pakistan, ACHEMA and CPhI Worldwide 2022 in Frankfurt, Germany, Bio Asia Taiwan and Pharmaconex in Cairo, Egypt, etc. Through the presence at these significant events where AUSTAR showcased, the Group has made significant progress in penetrating new clients, and the AUSTAR brand awareness continues to increase.

Over 310 news items and articles were released via 17 social media accounts of the Group in 2022, with more than 90 videos created for key projects and knowledge sharing. The Group obtained good feedback from the market and has created more business interactions. Over 180,000 visits were recorded in the Group's web resource centre as the industry clients are getting used to applying online marketing materials. It is believed that digital marketing is an effective approach for business promotion.

Research and Development

As at 31 December 2022, the Group has obtained 384 patents. During the Year, the Group obtained 76 registered patents, and applications for 83 patents are currently in progress.

Based on the SIEMENS software platform, a report system about Utility Automation System and Process Control system was developed in 2022, which improves the automation system functions and shortens the research and development period of projects.

The Group developed a data analysis system, through a series of mathematical algorithms to achieve multivariate data analysis and prediction and help clients achieve analysis and prediction in the process of biological reaction, which could be used at both research and commercial manufacturing phases of the client's product lifecycle.

A full-process material management and control system has been developed to help clients to achieve full-process unmanned material scheduling by realising signal interaction such as automatic material weighing, automatic material unpacking and automatic material feeding, which can greatly help clients to achieve capacity expansion and operation efficiency, improve safety management and attain higher digital production maturity.

Significant technology upgrading on the granulation and coating equipment of OSD was achieved by the research and development team. This helps enlarge the scope and diversity of the product range offerings of such equipment.

The core process of vacuum filtering and drying is an important step in chemical synthesis of APIs and their intermediates. These product ranges can cover a wider range of capacity applications after the research and development efforts supported by our European experts.

The stainless-steel bioreactor series have entered the stage of large-scale manufacturing and execution in 2022. The inline conditioning system ILC based on process analytical technology (PAT) developed in 2021 has completed the comprehensive upgrade of recipe management and control system and has been trialed by target clients. It is expected to achieve a breakthrough in 2023.

The Group has been cooperating with Tianjin University and has developed energy saving strategy for Heating Ventilation and Air Conditioning (HVAC) dynamic air volume control system based on cleanliness, the system has been used in a Class-C clean environment in a newly built facility. This system can be combined with the Building Management System (BMS) of pharmaceutical cleanroom workshop to provide solutions for pharmaceutical enterprises to realise the dual-carbon goal in a short time. Based on a series of technical achievements of the cooperation with this academic institution, 3 invention patents and 7 utility model patents have been achieved.

A new 100mm clean room panel adapted to the market demand was developed and has been officially launched and applied to various projects in 2022. The new product could help clients reduce the amount of on-site construction and improve their working efficiency.

The Group has completed the development of cell preparation isolator and cell culture system at the end of 2022. This development achievement supplemented AUSTAR's ability in cell therapy process system and services, and increased brand recognition in the field of Advanced Therapy Medicinal Products (ATMP). With this capability, the business could provide clients with more comprehensive solutions, and promote the sales of relevant components and consumables such as continuous bags, transfer bags, rapid docking bags, half-body clothes, so as to improve the overall competitiveness in the sterile containment technology area.

In July 2022, the Group launched the WAVE disposable bioreactor, which is an important process equipment for cell therapy and immune cell amplification.

The technology and design of vivafill series aseptic filling line partly based on the original BOSTA Business product range has been optimised, which will build a solid foundation for AUSTAR's capability on the integrated solution for the filling and freeze drying of aseptic products.

Progress has been made in AUSTAR UK in new product development. The first containment isolator was successfully completed, and this will be closely followed by a second, more complex containment isolator due for completion in the first quarter of 2023; the two isolators include integrated drum tippers and split butterfly valves. The business is demonstrating its flexibility and capability whilst adding to the product portfolio to support the growth of the business.

The Automatic Loading & Unloading System (ALUS) isolator manufactured in the UK interfacing with the ALUS and Conveyor System manufactured in China has been successfully showcased at ACHEMA in August in Germany. The isolator design is twin walled, with air return through the windows, which allows a more compact isolator design when challenged with space restrictions.

Prospects

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

Due to the release and enforcement of EU GMP new regulations and process requirements of cell and gene therapy, the sterility assurance in the whole manufacturing process become stringent and key considerations in equipment and system engineering. It is believed that with AUSTAR UK, Cape Europe Joint Venture in France and the Group's manufacturing facility for sterile transfer and isolation technology in China working closely with a strategic goal to offer most competitive sterile protection and assurance scheme globally, it will contribute substantial growth in revenue and profit to the Group.

New therapeutics research and commercialisation is one of the key business growth driving forces for life sciences service providers like AUSTAR. It is believed cell and gene therapy technology and process are still at an early development phase that there are still much room for innovative and creative service providers to initiate a lot of new business and new products and services around this topic. Optimism on this sector is bringing about enthusiasm of investment and dedication of resources towards research and development and manufacturing plans in the life sciences clearly witnessed now in Asia. The Group is getting more and more involved in this sector from strategic and engineering consulting to equipment and consumable supply. Such proactive involvement would help us develop more knowledge and experience to create and innovate products and services in this potential sector.

Conventional chemical drug manufacturing such as API and intermediates is evolving into a new phase of stressing cost concerns, labour safety concerns and scale of economy. Our technologies such as automation & digitalisation, material transfer with containment, system integration, clean and black utilities are able to deliver to such sector solutions to tackle our clients' pain points of cost, labour safety, and capacity and lead time.

The partnerships between emerging countries and China on research and development, manufacturing, technology licensing and purchase of pharmaceutical bulks and finished drug products are increasing in both quantity and quality. This continuing trend reinforced by the fast-growing innovative drug development in China has been benefiting the Group in relation to business from strategic consulting, engineering services and facility turnkey project opportunities. Engineering execution capacities in those emerging countries are critical for such success. The Group is building up such capabilities with the vendor and supplier resources in the global regions.

Continuous manufacturing has been a topic in the biopharmaceutical sector for many years but the breakthrough in terms of technologies, regulatory support and investment for future is still a long way to go. However, a number of successful drug approvals and commercialisation with these new manufacturing technologies are very encouraging. In China, API and intermediates companies are very keen on continuous manufacturing even though it is still in an early stage as they might realise the economic benefits compared to the conventional batch manufacturing. Such new manufacturing method requires new technologies, equipment and system like material transfer technologies, PAT, liquid and solid process technologies and sophisticated engineering integration and automation technologies. There are very few companies in the world with all such fundamental knowledge and experience under one roof as a company. AUSTAR is one of those. The Group is prepared to further invest in developing such continuous manufacturing technologies in partnerships with academic institutions and component vendors, more importantly with those clients who commit with passion for such advanced technologies.

The growth in the biopharmaceutical and pharmaceutical market in China has been giving the Group sufficient project experience for strengthening a concrete foundation for building core competence elements including products, technologies, project execution capability, knowledge, and expertise, all of which are able to create value to clients in emerging countries. The establishment of the Group's business team in Europe has been making project executions in emerging countries more convenient by regional and local resource support.

With the rapid development trend of cell and gene therapy sector, Car-T drugs were approved, which represents that the ATMP products has entered the stage of rapid development. The Group is dedicated to helping clients to build a compliant, lean and flexible cell therapy facilities, providing engineering and process solutions from conceptual design, clean engineering to core cell therapy process equipment, and building traceable cell therapy automation and information solutions. More cell-related equipment and systems in the ATMP sector would be launched in 2023 including some products developed and manufactured by the Company with its own intellectual property rights. Strong pipelines of products and services under development through the corporate level Innovative and Research Centre and through business unit research and development teams can support further growth in the Group's business.

Digitalisation transformation has been lagging behind in a conservative-approach industry like the biopharmaceutical industry understandably, due to the regulatory restrictions and the health risk concerns as compared with other major industries in a global sense not limited to China and Asia. However, due to its advantages in cost and efficiency, more and more mature and large-scale pharmaceutical manufacturers, no matter bulk chemicals or biological formulations, are searching for appropriate digitalisation transformation initiative custom-suited for its own circumstances by engaging consulting firms and automation engineering solution providers like AUSTAR. To the majority of those clients, it is still a learning curve. However, the huge potential for business growth is foreseeable as new clients are witnessing successful digitalisation transformation cases completed by the Group with highly appreciated cost-saving performance fact and figure demonstration.

To improve the quality and yield of drugs, API manufacturers are paying more attention to advanced technologies such as continuous-flow micro-reactions, continuous crystallisation and crystal form control, and process analysis in the production process to increase the stability of drugs in order to increase the market share through new technologies. This will further promote the digitalisation transformation of API companies. Our clients' business extension from formulations to API manufacturing, and their business extension from existing API to formulations manufacturing, was one of the key trends of pharmaceutical industry development in China in 2022. Modular design application reduces production cost and improves operation flexibility, which has successfully helped securing orders. This modular technology would be one of the key technologies for API manufacturing in the coming years.

The core competence of the Group's Powder and Solid system engineering business would be accelerated by its application of automated devices like robots and AGV integrated by automation control system together with customised production information system. Demand from some emerging countries for establishment of API facilities and chemical compound product technology transfer as supply chain back-up and cost pressure will further drive growth in this business segment.

The demand for high toxic/potent drugs is still increasing, and hormones manufacturers have started to combine the upstream and downstream processes to enhance their competitiveness. The Group is able to support this trend with its knowledge and experience. The success of the Powder and Solid System business segment is heavily dependent on its knowledge set of containment application technology, material handling technology and formulation process system engineering and supported by fundamental knowledge of occupational safety compliance, pharmaceutical quality compliance and automation control engineering.

Since the establishment of the Group, the business focus has been on commercialised facilities in our clients' product life cycle. The Group's success in the research sector of life sciences with more and more project acquisitions is attributed to a strategy of enhancing the capacities to make offerings for more research laboratory products and services. The increase in Contract Research Organization (CRO) and Contract Development and Manufacturing Organization (CDMO) clients has contributed to the Group's revenue.

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

Despite the significant growth in revenue of equipment and process system engineering in the last 3 years, the share ratio of the Group's service business has not decreased. The service business accounts for approximately 10% of revenue on average over the last 3 years. The scope of the Group's service offerings under the service business has been gradually increasing to enhance its differentiation from competition. It is not easy for the competitors to copy the service business, which offers reasonable profit margin contributions to the Group. A dedicated service business growth initiative team was established in the first half of 2022 to adopt more aggressive approach and action plans to increase the service business revenue. As the ratio of the Group's service business is increasing, the gross margin contributions therefrom would become more significant.

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

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 RMB2,228.6 million, representing an increase of approximately 10.6% over the year ended 31 December 2021, even though it was affected by the COVID-19 pandemic lockdowns which led to challenges in business travel and communication, supply chain and project execution. All business segments recorded an increase of revenue except that of Life Science Consumables, which showed a slight decrease. The business segments of Powder and Solid System and GMP Compliance Service showed most rapid growth among all business segments.

The following table sets forth, for the years ended 31 December 2022 and 2021, the breakdown of the Group's revenue by business segment:

	For the year ended 31 December				
	2022		2021		Change
Revenue by business segment	***RMB'000***	*%*	*RMB'000*	*%*	*%*
Liquid and Bioprocess System	**950,341**	**42.7%**	882,953	43.8%	7.6%
Clean Room and Automation Control and Monitoring System	**514,070**	**23.1%**	479,706	23.8%	7.2%
Powder and Solid System	**245,795**	**11.0%**	138,293	6.9%	77.7%
GMP Compliance Service	**94,349**	**4.2%**	66,114	3.3%	42.7%
Life Science Consumables	**388,264**	**17.4%**	421,070	20.9%	-7.8%
Distribution and Agency of Pharmaceutical Equipment	**35,825**	**1.6%**	26,892	1.3%	33.2%
Total	**2,228,644**	**100.0%**	2,015,028	100.0%	10.6%

Liquid and Bioprocess System

The Group's revenue from the business segment of Liquid and Bioprocess System increased by approximately RMB67.3 million or 7.6% from approximately RMB883.0 million for the year ended 31 December 2021 to approximately RMB950.3 million for the Year. Despite the lockdown of the manufacturing facility of this business segment from April to June 2022 due to pandemic control measure of the PRC government, the business of the segment of Liquid and Bioprocess System achieved slight growth, through effective management of supply chain and project execution even under difficult conditions.

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 increased by approximately RMB34.4 million or 7.2% from approximately RMB479.7 million for the year ended 31 December 2021 to approximately RMB514.1 million for the Year. The revenue increased along with that of order-in-take due to ever increasing market potential and recognition of the Group in the market in terms of technology and execution efficiency.

Powder and Solid System

The Group's revenue from the business segment of Powder and Solid System increased dramatically by approximately RMB107.5 million or 77.7% from approximately RMB138.3 million for the year ended 31 December 2021 to approximately RMB245.8 million for the Year. The revenue of this business segment has been increasing constantly, due to enlarged market share of the Group by dedicated investment of new products. The increase in revenue was in line with that of order-in-take and the increased backlog balance at the end of 2021 also contributed to this growth.

GMP Compliance Service

The Group's revenue from the business segment of GMP Compliance Service increased significantly by approximately RMB28.2 million or 42.7% from approximately RMB66.1 million for the year ended 31 December 2021 to RMB94.3 million for the Year. The business revenue of this segment has been increasing constantly attributable to the new business stimulated by new international standards and other requirements.

Life Science Consumables

The Group's revenue from the business segment of Life Science Consumables decreased by approximately RMB32.8 million or 7.8% from approximately RMB421.1million for the year ended 31 December 2021 to approximately RMB388.3 million for the Year. The decrease in revenue was caused by the decline from the business related to COVID-19 vaccine production. The Group is investing into the area of sterile chemical drugs and cell therapy, which is believed to be a new margin profit generator in the future.

Distribution and Agency of Pharmaceutical Equipment

The Group's revenue from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB8.9 million or 33.2% from approximately RMB26.9 million for the year ended 31 December 2021 to approximately RMB35.8 million for the Year. The Group will continue to explore and distribute various types of high-end pharmaceutical equipment.

The following table sets forth the breakdown of the Group's revenue by geographical regions for the years ended 31 December 2022 and 2021:

	For the year ended 31 December				
	2022		2021		Change
Revenue	***RMB'000***	*%*	*RMB'000*	*%*	*%*
Mainland China	**2,073,560**	**93.0%**	1,890,654	93.8%	9.7%
Other locations	**155,084**	**7.0%**	124,374	6.2%	24.7%
Total	**2,228,644**	**100.0%**	2,015,028	100.0%	10.6%

The Group derived its revenue mainly from customers in Mainland China, which accounted for approximately 93.0% of the total revenue for the Year (2021: approximately 93.8%).

Cost of sales

The Group's cost of sales increased by approximately RMB230.0 million or 15.0% from approximately RMB1,536.0 million for the year ended 31 December 2021 to approximately RMB1,766.0 million for the Year. The revenue increase of approximately RMB213.6 million for the year 2022 led to a corresponding cost increase of approximately RMB162.8 million at the same gross margin of 2021. The remaining amount of approximately RMB67.2 million was due to jointly the increase in operating loss of a non-wholly owned subsidiary established in Europe, and the negative impact of the COVID-19 pandemic on the operation, especially the lockdowns of manufacturing facilities in Shanghai and Shijiazhuang, respectively, which increased the manufactory overhead of the plants during the periods.

Gross profit and gross profit margin

The Group's gross profit decreased slightly by approximately RMB16.3 million or 3.4% from approximately RMB479.0 million for the year ended 31 December 2021 to approximately RMB462.7 million for the Year . The gross profit margin decreased slightly from approximately 23.8% for the year ended 31 December 2021 to approximately 20.8% for the Year, which was due to the increase in operating loss of a non-wholly owned subsidiary established in Europe, and the negative impact of the COVID-19 pandemic on the operation, especially the lockdowns of manufacturing facilities in Shanghai and Shijiazhuang, respectively.

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					
	2022			2021		
Gross profit and gross profit margin by business segment	***RMB'000***	*%*	**Gross profit margin** *%*	*RMB'000*	*%*	Gross profit margin *%*
Liquid and Bioprocess System	**114,377**	**24.7%**	**12.0%**	143,745	30.0%	16.3%
Clean Room and Automation Control and Monitoring System	**92,757**	**20.0%**	**18.0%**	90,275	18.9%	18.8%
Powder and Solid System	**51,702**	**11.2%**	**21.0%**	41,694	8.7%	30.1%
GMP Compliance Service	**43,028**	**9.3%**	**45.6%**	28,381	5.9%	42.9%
Life Science Consumables	**146,668**	**31.7%**	**37.8%**	163,044	34.0%	38.7%
Distribution and Agency of Pharmaceutical Equipment	**14,137**	**3.1%**	**39.5%**	11,869	2.5%	44.1%
Total	**462,669**	**100.0%**	**20.8%**	479,008	100.0%	23.8%

Notes:

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

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

Liquid and Bioprocess System

The gross profit from the business segment of Liquid and Bioprocess System decreased by approximately RMB29.3 million or 20.4% from approximately RMB143.7 million for the year ended 31 December 2021 to approximately RMB114.4 million for the Year. The gross profit margin from the business segment of Liquid and Bioprocess System decreased from approximately 16.3% for the year ended 31 December 2021 to approximately 12.0% for the Year. The decrease in gross profit margin was jointly due to the increase in operating loss of a non-wholly owned subsidiary established in Europe, and the negative impact on the operation, especially the lockdown of the manufacturing facility in Shanghai.

Clean Room and Automation Control and Monitoring System

The gross profit from the business segment of Clean Room and Automation Control and Monitoring System increased by approximately RMB2.5 million or 2.7% from approximately RMB90.3 million for the year ended 31 December 2021 to approximately RMB92.8 million for the Year. The gross profit margin from the business segment of Clean Room and Automation Control and Monitoring System decreased from approximately 18.8% for the year ended 31 December 2021 to approximately 18.0% for the Year. Despite the negative impact arising from the COVID-19 pandemic, the business segment only showed a slight decrease of gross profit margin due to effective project execution and adoption of new technology into the products.

Powder and Solid System

The gross profit from the business segment of Powder and Solid System increased by approximately RMB10.0 million or 24.0% from approximately RMB41.7 million for the year ended 31 December 2021 to approximately RMB51.7 million for the Year. The gross profit margin from the business segment of Powder and Solid System decreased from approximately 30.1% for the year ended 31 December 2021 to approximately 21.0% for the Year. The decrease in gross profit margin was jointly due to the negative impact arising from the COVID -19 pandemic, especially the lockdowns of the manufacturing facility in Shijiazhuang, and the competitive pricing strategy to gain more market share.

GMP Compliance Service

The gross profit from the business segment of GMP Compliance Service increased by approximately RMB14.6 million or 51.6% from approximately RMB28.4 million for the year ended 31 December 2021 to approximately RMB43.0 million for the Year. The gross profit margin from the business segment of GMP Compliance Service increased from approximately 42.9% for the year ended 31 December 2021 to approximately 45.6 % for the Year. The Group improved the gross profit margin by 2.7% due to its high market recognition.

Life Science Consumables

The gross profit from the business segment of Life Science Consumables decreased by approximately RMB16.3 million or 10.0% from approximately RMB163.0 million for the year ended 31 December 2021 to approximately RMB146.7 million for the Year. The gross profit margin from the business segment of Life Science Consumables decreased from approximately 38.7% for the year ended 31 December 2021 to approximately 37.8% for the Year.

Distribution and Agency of Pharmaceutical Equipment

The Group's gross profit from the business segment of Distribution and Agency of Pharmaceutical Equipment increased by approximately RMB2.2 million or 19.1% from approximately RMB11.9 million for the year ended 31 December 2021 to approximately RMB14.1 million for the Year. The gross profit margin from the business segment of Distribution and Agency of Pharmaceutical Equipment decreased from approximately 44.1% for the year ended 31 December 2021 to approximately 39.5% for the Year, which was due to the change of product portfolio, the Group considered the gross margin was in the normal range.

Other income

Other income increased by approximately RMB4.9 million or 76.4% to approximately RMB11.2 million for the Year from approximately RMB6.3 million for the year ended 31 December 2021, because of the increase in the subsidies granted by local government authorities of the PRC in the Year.

Other (losses)/gains – net

The Group recorded a net other losses of approximately RMB9.6 million for the Year, which was mainly due to the increase of exchange losses of approximately RMB2.8 million and an one-off compensation of approximately RMB3.7 million to a customer for a terminated contract as mutually agreed. For the year ended 31 December 2021, there was a one-off net other gains from the disposal of 60% equity interest in a joint venture of the Group of approximately RMB199.0 million.

Selling and marketing expenses

Selling and marketing expenses increased slightly by approximately RMB8.4 million or 4.9% to approximately RMB178.7 million for the Year from approximately RMB170.3 million for the year ended 31 December 2021. The increase was a combined result of spending reduction in marketing promotion activities at an amount of approximately RMB6.8 million, including less participation in non-critical industry exhibitions due to travel restriction by pandemic controls, and an increase in spending to enforcing sales team, including establishing a new sales force around medical device, animal health, Chinese medicine, cosmetics, nutri-pharmaceuticals etc.

Administrative expenses

Administrative expenses increased slightly by approximately RMB6.5 million or 5.1% to approximately RMB134.6 million for the Year from approximately RMB128.1 million for the year ended 31 December 2021. The increase was due to the increased rental of multiple offices newly opened in China to satisfy the needs of business development.

Research and development expenses

As at 31 December 2022, the Group had some research and development talents on board which made the total number of research and development personnel accounted for approximately 2.9% of the Group's total number of employees. The Group's research and development expenses increased by approximately RMB4.6 million or 7.0% to approximately RMB70.2 million for the Year from approximately RMB65.6 million for the year ended 31 December 2021, mainly due to the increase in spending for the research and development of new products and technology.

Finance costs – net

Finance costs – net increased from approximately RMB3.3 million for the year ended 31 December 2021 to approximately RMB7.0 million for the Year, mainly due to the increase of interest expense as a result of new borrowings during the Year.

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

The Group's share of net profit of investments accounted for using equity method decreased by approximately RMB1.2 million, from approximately RMB10.7 million for the year ended 31 December 2021 to approximately RMB9.5 million for the Year, primarily due to the decrease in profit contribution from the associates, ROTA Verpackungstechnik GmbH & Co.KG and ROTA Verpackungstechnik Verwaltungsgesellschaft GmbH.

Profit before income tax

Profit before income tax decreased by approximately RMB232.7 million to approximately RMB86.5 million for the Year from approximately RMB319.2 million for the year ended 31 December 2021, which was due to the factors as described above in this section.

Income tax expense

Income tax expense decreased by approximately RMB27.9 million, from approximately RMB46.6 million for the year ended 31 December 2021 to approximately RMB18.7 million for the Year, which was mainly due to the decrease of profit before income tax.

Profit for the year

Profit for the year decreased by approximately RMB204.9 million to approximately RMB67.7 million for the Year from approximately RMB272.6 million for the year ended 31 December 2021, which was primarily attributable 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	
	2022	2021
	RMB'000	*RMB'000*
Net cash used in operating activities	**(37,926)**	(103,451)
Net cash (used in)/generated from investing activities	**(153,143)**	65,022
Net cash generated from financing activities	**125,301**	59,349
Net (decrease)/increase in cash and cash equivalents	**(65,768)**	20,920

For the Year, the Group had net cash used in operating activities of approximately RMB37.9 million mainly attributable to:

i. the profit before income tax for the Year of approximately RMB86.5 million, plus the depreciation of property, plant, equipment and right-of-use assets in total of approximately RMB34.4 million and the amortisation of intangible assets of approximately RMB5.3 million etc;

ii. the increase in trade and other payables of approximately RMB132.5 million; and the decrease in inventories of approximately RMB24.6 million and restricted cash of approximately RMB68.5 million; and

iii. partially offset by the increase in contract assets of approximately RMB205.8 million, the decrease in contract liabilities of approximately RMB84.0 million and the increase in trade and other receivables of approximately RMB87.9 million.

For the Year, the Group had net cash used in investing activities of approximately RMB153.1 million, which was mainly attributable to the purchase of property, plant, equipment and intangible assets total of approximately RMB136.7 million, and acquisition of an associate of approximately RMB39.6 million, partially offset by receiving the ending payment approximately RMB11 million for the Year from disposal of the Group's 60% equity interest in the joint venture PALL-AUSTAR JV last year.

For the Year, the Group had net cash generated from financing activities of approximately RMB125.3 million mainly due to the proceeds from borrowings of approximately RMB246.9 million but partially used for the repayments of borrowings of approximately RMB98.3 million, principal elements of lease payments of approximately RMB18.1 million and interest paid of approximately RMB10.1 million.

As at 31 December 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately RMB133.6 million and RMB198.4 million respectively, and balances of pledged bank deposits under the current assets were approximately RMB103.9 million and RMB172.3 million respectively, and term deposits with initial term of over three months of approximately RMB14.5 million and RMB21.3 million respectively.

Net current assets

The Group's net current assets as at 31 December 2022 decreased by approximately RMB85.8 million or 16.3% from approximately RMB527.0 million as at 31 December 2021 to approximately RMB441.2 million as at 31 December 2022 ,was driven by a more effective leverage of external funding resource and management of supplier payment terms, which increased the balance of the current liabilities.

As at 31 December 2022, the Group's total current assets amounted to approximately RMB1,801.0 million, which was an increase of approximately RMB137.8 million as compared with approximately RMB1,663.2 million as at 31 December 2021.

As at 31 December 2022, the Group's total current liabilities amounted to approximately RMB1,359.8 million, which was an increase of approximately RMB223.6 million as compared with approximately RMB1,136.2 million as at 31 December 2021.

Borrowings and gearing ratio

As at 31 December 2022, the total short-term interest-bearing bank borrowings amounted to RMB172.3 million. The secured short-term bank borrowings amounted to RMB21.5 million and bear interest rates ranging from 4.00% to 4.52% per annum (2021: 4.57% per annum), and the guaranteed short-term bank borrowings amounted to RMB150.8 million and bear interest rates ranging from 3.80% to 7.00% per annum (2021: 3.00% to 5.00% per annum). The long-term bank borrowings amounted to RMB85.7 million and bear interest rates from 4.45% to 4.65% per annum (2021: 4.65% and 4.75%). The long-term borrowings due within one year amounted to RMB45.7 million and bear interest rates from 4.45% to 4.65% per annum (2021: Nil).

The Group's gearing ratio is approximately 27.8% as at 31 December 2022 (31 December 2021: 16.4%). The ratio is calculated based on the total debts as of the respective dates divided by total capital equity as of the respective dates and multiplied by 100%.

Pledged assets

As at 31 December 2022, in addition to pledged bank deposits of approximately RMB103.9 million, the Group had buildings and right-of-use assets having a total carrying amount of approximately RMB4.1 million and approximately RMB68.8 million respectively (31 December 2021: approximately RMB5.0 million and approximately RMB71.1 million respectively) and construction in progress having a carrying amount of approximately RMB124.4 million (31 December 2021: approximately RMB85.0 million) which are pledged as security for short-term bank borrowings and long-term bank borrowings with carrying amount of approximately RMB107.2 million (31 December 2021: approximately RMB74.3 million).

Contingent liabilities

As at 31 December 2022, the Group provides guarantee to banks in respect of two irrevocable letters of credit utilised by ROTA KG totalling EUR887,000 approximated at RMB6,584,000. It sets forth the maximum exposure of these guarantees to the Group.

HUMAN RESOURCES

As at 31 December 2022, the Group had 1,913 full-time employees for research and development, sales and marketing, administration, project management and execution and manufacturing, increased by 331 employees as compared with the number of employees as at 31 December 2021. The employee costs (including the Directors' remuneration) were approximately RMB486.4 million for the Year, which was an increase of approximately 17.4% as compared with approximately RMB414.4 million for the year ended 31 December 2021.

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

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

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

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

The Group believes that building up a world-class technical competence requires continuous resources input in which efforts put into recruiting top talents and consultants may adversely impact the Group's profit margin in the short-term, but that the competitive edges over the competition would be strengthened in long-term.

CAPITAL COMMITMENT

Capital expenditure of property, plant and equipment and intangible assets which have been contracted for but not yet incurred as of 31 December 2022 amounted to approximately RMB54.5 million, which was mainly from the unpaid commitment of construction of the new facilities in Shanghai and Shijiazhuang, which are currently in progress.

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

There were no significant investments, material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the Year.

FOREIGN EXCHANGE RISK

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

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company scheduled to be held on Wednesday, 31 May 2023 ("**2023 AGM**"), the register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfer of Shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre,16 Harcourt Road, Hong Kong by 4:30 p.m. on Wednesday, 24 May 2023.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company ("**Shareholders**") as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**").

Save for the deviation from code provision C.2.1 of the Corporate Governance Code as described below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the Year.

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

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding its Directors' securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

AUDIT COMMITTEE

The Board established the audit committee ("**Audit Committee**") on 21 October 2014 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and the Corporate Governance Code. The Audit Committee currently comprises two independent non–executive Directors, namely Mr. Cheung Lap Kei and Madam Chiu Hoi Shan and the non–executive Director, namely Madam Ji Lingling. Mr. Cheung Lap Kei is the chairman of the Audit Committee. None of them is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are published on the Company's website and the website of the Stock Exchange.

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

The Audit Committee has reviewed the consolidated financial statements of the Company for the Year.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

APPRECIATION

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

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

Hong Kong, 28 March 2023

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

* *For identification purpose only*