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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6118)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Revenue	**700,919**	919,457
Gross profit	**145,417**	186,933
Profit/(loss) before income tax	**9,186**	(6,394)
Profit/(loss) attributable to the owners of the Company from continuing operations	**5,877**	(7,379)
Gross profit margin	**20.75%**	20.33%
Basic earnings/(loss) per share from continuing operations *(Note)*	**RMB0.01**	(RMB0.01)
Diluted earnings/(loss) per share from continuing operations *(Note)*	**RMB0.01**	(RMB0.01)

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total assets	**2,136,820**	2,158,972
Net assets	**780,630**	775,473
Gearing ratio	**37.0%**	39.2%

Note: The calculation of earnings/(loss) per share is based on the profit/(loss) attributable to the owners of the Company for each of the six months ended 30 June 2024 and 2023 and the weighted average number of shares during that period. The Company had no dilutive ordinary shares for each of the six months ended 30 June 2024 and 2023.

INTERIM RESULTS

The board ("**Board**") of directors ("**Directors**") of Austar Lifesciences Limited ("**Company**" or "**AUSTAR**", together with its subsidiaries, the "**Group**") announces the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2024 ("**Period under Review**"), together with the comparative figures for the corresponding period in 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	**2024** ***RMB'000*** **(Unaudited)**	2023 *RMB'000* (Unaudited and restated)
Continuing operations			
Revenue	*3*	**700,919**	919,457
Cost of sales		**(555,502)**	(732,524)
Gross profit		**145,417**	186,933
Selling and marketing expenses		**(63,937)**	(92,191)
Administrative expenses		**(51,209)**	(80,151)
Net reversal of/(impairment losses) on financial assets and contract assets		**2,300**	(5,479)
Research and development expenses		**(23,468)**	(27,465)
Other income		**8,754**	4,185
Other (losses)/gains – net	*4*	**(603)**	8,659
Operating profit/(loss)		**17,254**	(5,509)
Finance income	*5*	**1,545**	1,852
Finance costs	*5*	**(9,294)**	(6,763)
Finance costs – net		**(7,749)**	(4,911)
Share of net (loss)/profit of investments accounted for using the equity method		**(319)**	4,026
Profit/(loss) before income tax		**9,186**	(6,394)
Income tax expense	*6*	**(4,997)**	(1,939)
Profit/(loss) for the period from continuing operations		**4,189**	(8,333)
Discontinued operations			
Loss for the period from discontinued operations	*7*	**–**	(63,853)
Profit/(loss) for the period		**4,189**	(72,186)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(continued)

	Note	For the six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited and restated)
Profit/(loss) for period attributable to owners of the Company:			
– from continuing operations		**5,877**	(7,379)
– from discontinued operations		**–**	(32,565)
Profit/(loss) for the period attributable to owners of the Company		**5,877**	(39,944)
Loss for the period attributable to non-controlling interests:			
– from continuing operations		**(1,688)**	(954)
– from discontinued operations		**–**	(31,288)
Loss for the period attributable to non-controlling interests		**(1,688)**	(32,242)
Profit/(loss) for the period		**4,189**	(72,186)
EARNINGS/(LOSS) PER SHARE	*8*		
From continuing and discontinued operations			
– Basic and diluted (RMB)		**0.01**	(0.08)
From continuing operations			
– Basic and diluted (RMB)		**0.01**	(0.01)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Profit/(loss) for the period	**4,189**	(72,186)
Other comprehensive income/(expense)		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**3,148**	13,871
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(1,537)**	(14,507)
Share of other comprehensive (expense)/income of investments accounted for using the equity method	**(893)**	3
Other comprehensive income/(expense) for the period, net of tax	**718**	(633)
Total comprehensive income/(expense) for the period	**4,907**	(72,819)
Total comprehensive income/(expense) attributable to:		
– owners of the Company	**6,708**	(36,849)
– non-controlling interests	**(1,801)**	(35,970)
	4,907	(72,819)
Total comprehensive income/(expense) attributable to owners of the Company:		
– from continuing operations	**6,708**	(1,320)
– from discontinued operations	**–**	(35,529)
	6,708	(36,849)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**314,540**	320,243
Right-of-use assets		**123,368**	123,609
Intangible assets		**40,094**	42,471
Deferred tax assets		**16,050**	16,720
Investments accounted for using the equity method		**79,272**	82,110
Total non-current assets		**573,324**	585,153
Current assets			
Inventories		**251,352**	243,160
Contract assets		**650,289**	642,906
Trade and notes receivables	*10*	**368,724**	351,783
Prepayments and other receivables		**107,611**	117,237
Pledged bank deposits		**45,537**	36,378
Term deposits with initial terms of over three months		**–**	10,000
Cash and cash equivalents		**139,983**	163,765
		1,563,496	1,565,229
Assets classified as held for sale		**–**	8,590
Total current assets		**1,563,496**	1,573,819
Total assets		**2,136,820**	2,158,972
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**4,071**	4,071
Reserves		**384,479**	383,648
Retained earnings		**391,171**	385,294
		779,721	773,013
Non-controlling interests		**909**	2,460
Total equity		**780,630**	775,473

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	Notes	**As at 30 June 2024** ***RMB'000*** **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**48,820**	52,138
Long-term borrowings	*12*	**75,534**	110,848
Deferred income		**165**	341
Deferred tax liabilities		**39,436**	37,843
Other financial liabilities		**4,609**	4,642
Total non-current liabilities		**168,564**	205,812
Current liabilities			
Trade and other payables	*11*	**611,354**	663,436
Contract liabilities		**244,237**	180,190
Current income tax liabilities		**3,019**	848
Short-term borrowings	*13*	**225,716**	255,313
Current portion of long-term borrowings	*12*	**85,020**	64,520
Lease liabilities		**18,280**	13,380
Total current liabilities		**1,187,626**	1,177,687
Total liabilities		**1,356,190**	1,383,499
Total equity and liabilities		**2,136,820**	2,158,972

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Austar Lifesciences Limited (the "**Company**", and its subsidiaries collectively referred to as the "**Group**") 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 equipment and consumables in the People's Republic of China (the "**PRC**" or "**China**"). 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, Chairman of the Board of Directors and Chief Executive Officer of the Company (the "**Chief Executive Officer**").

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

This interim condensed consolidated financial information is presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and is approved for issue by the Board of Directors on 27 August 2024.

As disclosed in Note 7, the presentation of comparative information in respect of the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of profit or loss and other comprehensive income and interim condensed consolidated statement of cash flows for the six months ended 30 June 2023 has been represented and restated in order to disclose the Discontinued Operations (as defined in Note 7) separately from continuing operations. In addition, as disclosed in Note 3, the presentation of comparative information in respect of the segment information for the six months ended 30 June 2023 has been represented and restated in order to reflect the changes from six to three operating segments during the current interim period.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

Other than change in accounting policies resulting from application of amendments to IFRS Accounting Standards ("**IFRS**"), the accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to IFRS

In the current interim period, the Group has applied the following amendments to IFRS issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's interim condensed consolidated financial information:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial information.

3. SEGMENT INFORMATION

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

The CODMs consider the business primarily from a product and service perspective. In the current interim period, the Group reorganised its internal reporting structure which resulted in changes to the composition of reportable segments. The Group integrated the former six operating segments into three reportable segments: (1) Integrated Process and Packaging Systems; (2) Consulting, Digitalization and Construction; and (3) Life Science Equipment and Consumables. The CODMs consider these changes would provide a more relevant and reliable measurement of performance of each business segment. Prior period segment disclosures have been represented to conform with current period's presentation.

The CODMs evaluate the performance of the reportable segments based on gross profit. The segment results for the six months ended 30 June 2024 are as follows:

Continuing operations:

	Integrated Process and Packaging Systems *RMB'000*	Consulting, Digitalization and Construction *RMB'000*	Life Science Equipment and Consumables *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2024 (Unaudited)				
Segment revenue and results				
Segment revenue	**364,500**	**266,587**	**180,709**	**811,796**
Inter-segment revenue	**(55,227)**	**(50,001)**	**(5,649)**	**(110,877)**
Revenue	**309,273**	**216,586**	**175,060**	**700,919**
Recognised at a point in time	**14,646**	**32,383**	**167,744**	**214,773**
Recognised over time	**294,627**	**184,203**	**7,316**	**486,146**
Cost of sales	**(266,975)**	**(179,227)**	**(109,300)**	**(555,502)**
Segment results				
Gross profit	**42,298**	**37,359**	**65,760**	**145,417**
Other segment items				
Amortisation	**1,906**	**1,069**	**575**	**3,550**
Depreciation	**11,676**	**5,596**	**4,390**	**21,662**
(Reversal of)/provision for impairment losses on financial assets and contract assets	**(1,705)**	**(929)**	**334**	**(2,300)**
Write-down of inventories	**59**	**1,830**	**589**	**2,478**
Share of net loss of investments accounted for using the equity method	**113**	**206**	**–**	**319**

The segment results for the six months ended 30 June 2023 are as follows:

Continuing operations:

	Integrated Process and Packaging Systems *RMB'000*	Consulting, Digitalization and Construction *RMB'000*	Life Science Equipment and Consumables *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2023 (Unaudited and restated)				
Segment revenue and results				
Segment revenue	525,544	359,480	170,906	1,055,930
Inter-segment revenue	(68,985)	(57,787)	(9,701)	(136,473)
Revenue	456,559	301,693	161,205	919,457
Recognised at a point in time	84,022	27,607	161,205	272,834
Recognised over time	372,537	274,086	–	646,623
Cost of sales	(395,651)	(231,457)	(105,416)	(732,524)
Segment results				
Gross profit	60,908	70,236	55,789	186,933
Other segment items				
Amortisation	2,421	587	486	3,494
Depreciation	7,180	6,084	2,675	15,939
Provision for/(reversal of) impairment losses on financial assets and contract assets	4,464	1,694	(679)	5,479
Write-down of inventories	3,403	693	3,491	7,587
Share of net profit of investments accounted for using the equity method	2,443	1,583	–	4,026

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

Continuing operations:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Integrated Process and Packaging Systems	**42,298**	60,908
Consulting, Digitalization and Construction	**37,359**	70,236
Life Science Equipment and Consumables	**65,760**	55,789
Total gross profit for reportable segments	**145,417**	186,933
Selling and marketing expenses	**(63,937)**	(92,191)
Administrative expenses	**(51,209)**	(80,151)
Net reversal of/(impairment losses) on financial assets and contract assets	**2,300**	(5,479)
Research and development expenses	**(23,468)**	(27,465)
Other income	**8,754**	4,185
Other (losses)/gains – net	**(603)**	8,659
Finance costs – net	**(7,749)**	(4,911)
Share of net (loss)/profit of investments accounted for using the equity method	**(319)**	4,026
Profit/(loss) before income tax	**9,186**	(6,394)

The segment assets as at 30 June 2024 and 31 December 2023 are as follows:

	As at 30 June 2024		As at 31 December 2023	
	Total assets ***RMB'000*** **(Unaudited)**	**Investments accounted for using the equity method** ***RMB'000*** **(Unaudited)**	Total assets *RMB'000* (Audited and restated)	Investments accounted for using the equity method *RMB'000* (Audited and restated)
Integrated Process and Packaging Systems	**1,175,183**	**61,008**	1,078,414	62,262
Consulting, Digitalization and Construction	**479,865**	**18,264**	609,272	19,848
Life Science Equipment and Consumables	**222,586**	**–**	226,352	–
Total segment assets	**1,877,634**	**79,272**	1,914,038	82,110
Unallocated:				
Deferred tax assets	**16,050**		16,720	
Assets classified as held for sale	**–**		8,590	
Headquarter assets	**243,136**		219,624	
Total assets	**2,136,820**		2,158,972	

The segment liabilities as at 30 June 2024 and 31 December 2023 are as follows:

	As at 30 June 2024	As at 31 December 2023
	Total liabilities	Total liabilities
	RMB'000	*RMB'000*
	(Unaudited)	(Audited and restated)
Integrated Process and Packaging Systems	**534,128**	501,997
Consulting, Digitalization and Construction	**200,799**	252,797
Life Science Equipment and Consumables	**134,578**	87,250
Total segment liabilities	**869,505**	842,044
Unallocated:		
Deferred tax liabilities	**39,436**	37,843
Short-term borrowings	**225,716**	255,313
Long-term borrowings	**75,534**	110,848
Current portion of long-term borrowings	**85,020**	64,520
Headquarter liabilities	**60,979**	72,931
Total liabilities	**1,356,190**	1,383,499

Geographical information

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

Continuing operations:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Revenue		
Mainland China	**652,139**	881,900
Other locations	**48,780**	37,557
	700,919	919,457

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current assets other than deferred tax assets		
Mainland China	**514,990**	524,375
Other locations	**42,284**	44,058
	557,274	568,433

4. OTHER (LOSSES)/GAINS – NET

Continuing operations:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Loss on disposal of property, plant and equipment	**(13)**	(755)
Exchange (losses)/gains, net	**(2,544)**	7,428
Others	**1,954**	1,986
	(603)	8,659

5. FINANCE COSTS – NET

Continuing operations:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Finance costs		
Interest expenses		
– Bank borrowings	**(7,767)**	(5,431)
– Lease liabilities	**(1,431)**	(1,425)
– Other financial liabilities	**(96)**	–
Exchange gains	**–**	93
	(9,294)	(6,763)
Finance income		
– Bank deposits	**1,545**	1,852
	(7,749)	(4,911)

6. INCOME TAX EXPENSE

Continuing operations:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Current income tax expense	**2,800**	2,318
Deferred tax expense/(income)	**2,197**	(379)
	4,997	1,939

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 Act 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 six months ended 30 June 2024 (2023: 16.5%), except for a subsidiary of the Group in Hong Kong which is a qualifying entity applicable to the two-tiered profits tax rates. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK$2 million of assessable profits will be lowered to 8.25%, and assessable profits above HK$2 million will continue to be subject to the rate of 16.5%.

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

7. DISCONTINUED OPERATIONS

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

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

Accordingly, the comparative information including the financial performance and cash flows from the Discontinued Operations has been re-presented and restated in order to disclose the Discontinued Operations separately from continuing operations. The results, total comprehensive income and cash flows of the Discontinued Operations were separately presented in the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of profit or loss and other comprehensive income, and interim condensed consolidated statement of cash flows for the six months ended 30 June 2023, respectively. The comparative information of loss for the period from the Discontinued Operations is as follows:

	For the six months ended 30 June 2023 *RMB'000* (Unaudited)
Revenue	44,812
Cost of sales	(84,472)
Gross loss	(39,660)
Selling and distribution expenses	(787)
Administrative expenses	(3,992)
Other (losses)/gains — net	(16,907)
Operating loss	(61,346)
Finance costs	(2,546)
Loss before income tax	(63,892)
Income tax credit	39
Loss for the period from discontinued operations	(63,853)

8. EARNINGS/(LOSS) PER SHARE

From continuing operations

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

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company	**5,877**	(39,944)
Less: loss for the period from discontinued operations attributable to owners of the Company	**–**	(32,565)
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share from continuing operations	**5,877**	(7,379)

	For the six months ended 30 June	
	2024	2023
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of the basic and diluted earnings/(loss) per share	**512,582**	512,582

As the Company had no potential ordinary shares for each of the six months ended 30 June 2024 and 2023, diluted earnings/(loss) per share for the six months ended 30 June 2024 and 2023 are the same as basic earnings/(loss) per share.

From continuing and discontinued operations

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	**5,877**	(39,944)

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

From discontinued operations

For the six months ended 30 June 2023, basic and diluted loss per share for the discontinued operations is RMB6.35 cents per share (2024: nil), based on the loss for the period attributable to owners of the Company from the discontinued operations of RMB32,565,000 (2024: nil) and the denominators used are the same as those detailed above for basic and diluted earnings/(loss) per share from continuing operations.

9. DIVIDENDS

No dividend has been paid, declared or proposed by the Company during the six months ended 30 June 2024 (2023: nil).

10. TRADE AND NOTES RECEIVABLES

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables *(Note (b))*	**381,771**	349,258
Notes receivables *(Note (a))*	**33,761**	52,078
	415,532	401,336
Less: loss allowance	**(46,808)**	(49,553)
	368,724	351,783

Notes:

(a) The notes receivable are bank acceptance with maturity dates within six months (31 December 2023: within six months).

(b) The ageing analysis of gross trade receivables (including amounts due from related parties of trading in nature) based on sales contracts at the respective dates of condensed consolidated statement of financial position is as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**209,744**	202,822
6 months to 1 year	**67,994**	47,895
1 to 2 years	**47,212**	42,710
2 to 3 years	**33,741**	32,764
Over 3 years	**23,080**	23,067
	381,771	349,258

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

As at 30 June 2024 and 31 December 2023, the carrying amounts of trade and notes receivables are approximated at their fair values.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables *(Note (a))*	**375,843**	405,927
Payroll and welfare payable	**54,440**	69,953
Payable to vendors of construction, machinery and equipment	**94,081**	99,564
Indirect taxes payable	**11,493**	9,781
Warranty provision	**23,279**	20,781
Accrued expenses	**36,476**	32,596
Employee payable	**3,010**	1,890
Others	**12,732**	22,944
	611,354	663,436

Notes:

(a) 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 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**197,394**	266,485
6 months to 1 year	**113,000**	90,876
1 to 2 years	**44,986**	31,209
2 to 3 years	**6,935**	4,679
Over 3 years	**13,528**	12,678
	375,843	405,927

(b) As at 30 June 2024 and 31 December 2023, the carrying amounts of trade and other payables are approximated at their fair values.

12. LONG-TERM BORROWINGS

	As at 30 June 2024 ***RMB'000*** **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Bank borrowings, secured *(Note (a))*	**67,596**	77,810
Bank borrowings, unsecured *(Note (b))*	**92,958**	97,558
	160,554	175,368
Less: Long-term borrowings due within one year	**(85,020)**	(64,520)
	75,534	110,848

The carrying amount of the above borrowing is repayable*:

Within one year	**85,020**	64,520
Within a period more than one year but not exceeding two years	**58,554**	88,968
Within a period more than two years but not exceeding five years	**16,980**	21,880
	160,554	175,368
Less: amount due within one year shown under current liabilities	**(85,020)**	(64,520)
Amounts shown under non-current liabilities	**75,534**	110,848

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

Notes:

(a) As at 30 June 2024, the secured long-term bank borrowings are denominated in RMB and secured by the Group's buildings and right-of-use assets (31 December 2023: buildings, right-of-use assets and assets classified as held for sale). For the six months ended 30 June 2024, the secured long-term bank borrowings bore interest rates ranging from 3.95% to 4.35% (31 December 2023: 3.95% to 4.35%) per annum.

(b) As at 30 June 2024, the unsecured long-term bank borrowings were denominated in RMB and bore interest rates ranging from 3.30% to 3.65% (31 December 2023: 3.50% to 3.65%) per annum. As at 30 June 2024 and 31 December 2023, certain bank borrowings were guaranteed by certain subsidiaries of the Group.

As at 30 June 2024 and 31 December 2023, the fair value of the borrowings (including long-term borrowings due within one year) was not materially different to their carrying amounts, since the interest payable on those borrowings was close to current market rates.

13. SHORT-TERM BORROWINGS

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank borrowings, secured *(Note (a))*	**53,686**	61,425
Bank borrowings, unsecured *(Note (b))*	**172,030**	193,888
	225,716	255,313

Notes:

(a) As at 30 June 2024 and 31 December 2023, the secured short-term bank borrowings were denominated in RMB and secured by the Group's buildings and right-of-use assets (31 December 2023: buildings, right-of-use assets and assets classified as held for sale). For the six months ended 30 June 2024, the secured short-term bank borrowings bore interest rates from 2.40% to 4.00% (31 December 2023: 2.40% to 4.00%) per annum and were repayable within one year.

(b) As at 30 June 2024 and 31 December 2023, the unsecured short-term bank borrowings are denominated in RMB (31 December 2023: RMB) and bore interest rates ranging from 2.00% to 4.00% (31 December 2023: 3.10% to 4.10%) per annum and were repayable within one year. As at 30 June 2024 and 31 December 2023, certain bank borrowings were guaranteed by certain subsidiaries of the Group.

14. COMMITMENTS

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**67**	498
Intangible assets	**2,349**	1,576
	2,416	2,074

MARKET REVIEW

In the first half of 2024, there were no obvious indicators of a recovery in biopharmaceutical industry capital expenditure (CAPEX) investments, and due to the negative influence caused by geopolitical tensions, the global pharmaceutical supply chain continued to experience unpredictable changes. Chinese pharmaceutical companies have carefully reassessed their global market positioning and development strategies, revealing a notable decline in the number of new high-end projects. However, brought on by advancements in science and technology, the industry could still see development trends especially in the area of new drug research and development, production process optimization, digitalization transformation, and individualized precision medicine. Moreover, stricter regulations have prompted industry players to invest more in compliance, thereby raising the market entry threshold and driving the pharmaceutical industry towards high-quality and high-standard development.

Following the formal implementation of the new EU Good Manufacturing Practice (GMP) Annex 1 and China's accession to PIC/S (Pharmaceutical Inspection Co-operation Scheme), the Chinese pharmaceutical industry, in particular the aseptic formulation sector, is expected to undergo another round of industrial upgrading. This means that the regulatory agencies will gradually introduce more internationally harmonized regulations and guidelines, and impose higher requirements on compliance and lean management of the design and application of aseptic pharmaceutical facilities, key fill and finish systems, and sterile assurance consumables. We believe this industrial upgrading will create more business opportunities.

Artificial intelligence (AI) technology is increasingly being used in the pharmaceutical industry, assisting in various steps of drug discovery, research and development (R&D) and management. AI technology can shorten the R&D cycle of new drugs, save costs, enhance efficiency and improve success rate, showing broad prospects for applications in the pharmaceutical industry. Compared with traditional drug development technology, AI could provide better prediction models and hit rates depending on its unique advantages such as machine learning, deep learning, image recognition and more, so as to shorten the drug discovery time, improve the success rate of drug development and save costs.

ADC (Antibody Drug Conjugate) has been a fast growing sector. Its future development direction is xDC, expanding on the basis of the original ADC drug design, such as replacing monoclonal antibody (mAb) with bispecific antibody (BsAb), polypeptide, fusion protein, or replacing payload with radionuclide, immunomodulator, which is expected to lead to an exponential explosion on the amount of candidate pharmaceutical molecules. The range of indications could be expanded to non-tumor diseases, including autoimmune diseases, anti-infection and ophthalmic diseases. Despite being a late starter, China has emerged as a core global player with its fast-following strategy, and its ADC technology platform and research pipeline have been rapidly recognized by global biotech enterprises.

With the completion of the medical insurance catalog updated in 2023, the categories for both oral preparations and injections for traditional Chinese medicine have been increased. On 18 December 2023, the National Medical Products Administration (NMPA) set up an expert working group for post-marketing research and evaluation of launched traditional Chinese medicine injections (TCMI), releasing a positive signal of promoting TCMI development. Most of the traditional Chinese medicine enterprises performed well in 2023, and are expected to continue to generate extra profits through cost reduction and efficiency enhancement. There are many state-owned enterprises in the traditional Chinese medicine industry and the in-depth reform of state-owned enterprises will further optimize industry development. All of the above factors are favorable to the traditional Chinese medicine industry, and presents a great development potential.

Obesity has become one of the worldwide major health challenges. GLP-1 agonists, such as Semaglutide and Tirzepatide, are primarily used to manage type 2 diabetes and obesity. Due to the rapid increase in the production volume of individual weight-loss products, the current manufacturing capacity of original research pharmaceutical companies is insufficient to meet the growth in global demand, prompting active searches for external production capacity support. Peptides are known for their high activity, low dosage requirement, low toxicity and controllable quality. In China, peptide drugs have been applied across multiple disease fields including oncology, infectious diseases, rare diseases, chronic metabolic diseases etc. Pharmaceutical companies in China have established a comprehensive peptide industry chain from upstream to downstream, enabling independent research and production in each specialized area. There are over 100 peptide drug development companies in China, forming specialized peptide Contract Research and Development Manufacturing Organizations (CRDMOs). As patents for original drugs expire, research into generic drugs is entering a favourable period, significantly increasing the demand for raw materials. In addition, the aging population in China is driving up the demand for treatments of various chronic diseases. Peptide drugs are gaining traction in markets aimed at lowering blood sugar levels and promoting weight loss, further enhancing the market potential for peptide drugs in China.

In terms of policies and regulations, the NMPA issued an Annex of Good Manufacturing Practice (2010 revision) for Blood Products (Revision) on 11 June 2024, and also issued a notice to implement a "Three Year (2024-2026) Action Plan for Smart Supervision of Blood Product Manufacturing". On the same day, the Center for Information of the NMPA issued a Technical Guidance on Electronic Records for Blood Products Production and Testing (Trial). These regulations have accelerated the improvement of GMP compliance standards in the field of blood products, and are expected to drive demands for compliance consulting, information construction, consulting, and renovation.

BUSINESS REVIEW

For the Period under Review, the Group recorded approximately RMB700.9 million in revenue, a decrease of RMB218.5 million compared to the first half of 2023 mainly due to the decrease in opening backlog as the Group suffered from an order-in-take decline of around 32.7% for the whole year of 2023. However, the net profit after tax for the first half of 2024 showed a positive turnaround as compared to the losses recorded in 2023 and order-in-take for the first half of 2024 increased by 25.9% compared to the corresponding period of 2023. Such turnaround achievement is attributed to the management's resilient efforts of being able to tackle the challenges of severe competition in the China market.

Our strategies are to boost up the share of service business with business benefits of being able to achieve higher margin and less reliant on possible fluctuation of client CAPEX investment. The service business is not easy to be replicated.

Due to severe competition in the China market, following the COVID-19 pandemic, efforts in reorganization of the international business team have been put to aim at capturing more projects and increase the international business share relative to China. From the number of enquiries and orders received, it is believed that in 2024 there would be a significant increase in order acquisition in markets such as East Asia, Southeast Asia, India, the Middle East and North Africa and South America. It is expected that the increase in revenue from international business will begin to be reflected in the next year as the backlogs of international business are gradually being converted to revenue.

The Group has been working on continuous upgrading of technical solutions and services. Through technology authorization and joint development, the Group is working to strengthen the competitiveness of its core process equipment for the oral solid dosage (OSD) product line. One-stop service could be provided to clients from pre-sales, technical support to project design, execution, completion and after-sales service, the Group is working towards creating more value-added services through its increasing process capabilities and innovative solutions. Technology application improvements of Continuous Manufacturing (CM) are taking place as well, through improving existing process system technology and accumulating experiences on products and process to enhance the overall service capability, and to help clients build cutting-edge CM systems.

In the area of highly active drug production, the continuous emergence of new antitumor drugs, new products and new dosage forms for highly active psychotropic and narcotic drugs, the active market of Vitamin D derivatives and other highly active drug types, and the formal approval and promulgation of the relevant multi-product manufacturing facility regulations by the NMPA, have created market needs for consulting, consumables and systems business.

The front-end engineering design and consulting services were vibrant in the first half of 2024, focusing on biopharmaceutical process design, facility compliance, and consulting effectiveness. The first-tier clients in China and multinational companies (MNCs) which have requirements of their production facilities meeting international regulatory standards, have led to a significant rise in the demand for high-quality engineering consulting and design services.

To establish a more synergized and efficient business platform, the Group has finished its business restructuring adjustment after serious review on its production lines. From 2024 onwards, the six business segments of the Group have been consolidated into three business segment groups, namely, (1) Integrated Process and Packaging Systems, (2) Consulting, Digitalization and Construction, and (3) Life Science Equipment and Consumables. This restructuring adjustment is expected to bring about competence improvement and allow 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.

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 the 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 its visions and strategies. The Group's aggressive approach in investing in human resources, geographical expansion and enhancing product and application solution competences will bring more satisfactory business results to the Group.

Order-in-take from continuing operations

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

	For the six months ended 30 June				
	2024		2023		Change
Order-in-take by business segment	*RMB'000*	*%*	*RMB'000*	*%*	*%*
Integrated Process and Packaging Systems	**430,657**	**47.5%**	357,021	49.6%	20.6%
Consulting, Digitalization and Construction	**290,495**	**32.1%**	194,631	27.0%	49.3%
Life Science Equipment and Consumables	**184,947**	**20.4%**	168,096	23.4%	10.0%
Total	**906,099**	**100.0%**	719,748	100.0%	25. 9%

During the Period under Review, the total order-in-take from continuing operations amounted to approximately RMB906.1 million, representing an increase of approximately RMB186.4 million or 25.9% from approximately RMB719.7 million for the six months ended 30 June 2023.The business segments of Integrated Process and Packaging Systems and Life Science Equipment and Consumables had an increase of 20.6% and 10.0% respectively. At the same time, the business segment of Consulting, Digitalization and Construction experienced a significant increase of 49.3%.

Integrated Process and Packaging Systems

The order-in-take amount of the business segment of Integrated Process and Packaging Systems amounted to approximately RMB430.7 million during the Period under Review, showing an increase of approximately RMB73.6 million or 20.6%, comparing to approximately RMB357.0 million for the six months ended 30 June 2023.

The filling line system and the freeze-dryer system recorded a significant increase, extending their coverage to chemical drugs, nutraceuticals and other related fields, as well as the biopharmaceutical field. Geographically, there was also expansion to other regions besides the China market. Powder and Solid System also recorded order-in-take increase mainly due to slight increase of demand in the domestic market. Besides, there were more business opportunities from the factory renovation projects with the release of EU GMP Annex 1 Manufacture of Sterile Medicinal Products effective from August 2023. However, Liquid and Bioprocess System experienced order-in-take decrease compared to the same period last year mainly due to that the overall demand of the market decreased after years of rapid development, though it is expected that the industry will gradually show sign of steady recovery alongside the improvement of the overall economic environment.

Consulting, Digitalization and Construction

The order-in-take amount of the business segment of Consulting, Digitalization and Construction amounted to approximately RMB290.5 million during the Period under Review, representing an increase of approximately RMB95.9 million or 49.3% from approximately RMB194.6 million for the six months ended 30 June 2023.

Despite the slower investment in the domestic biopharmaceutical field, automation control and monitoring system had more opportunities in the chemical-pharmaceutical segment.

The impact of EU GMP Appendix 1 has led to significant improvements in cross-team collaboration through the introduction of new business groups, resulting in increased orders for aseptic pharmaceutical production equipment. Meanwhile, the Group continues to promote comprehensive technological transformation services by upgrading renovation services based on "AUSTAR Technology Services" to help existing "old" factories meet the new GMP requirements.

GMP compliance consultancy services order-in-take decreased during the Period under Review mainly due to the significant investment decrease in the domestic biopharmaceutical field and less demand from domestic Contract Development and Manufacturing Organizations (CDMOs) which were adversely impacted by geopolitical reasons.

However, it is believed that there will be more sales opportunities in consulting services, such as the NMPA's accelerated application to join the PIC/S process and the intensified inspections of domestic drug production sites by European and American drug regulatory agencies and international organizations such as the WHO. Besides, more opportunities are being explored in other market segments, (e.g., in chemical drugs), and in more customer groups.

Life Science Equipment and Consumables

The order-in-take amount of the business segment of Life Science Equipment and Consumables increased by approximately RMB16.9 million or 10.0% from approximately RMB168.1 million for the six months ended 30 June 2023 to approximately RMB184.9 million.

The business segment of Life Science Equipment and Consumables has strengthened sales team management and initiated sales organization restructuring in order to secure more orders. Besides, more sales opportunities were explored from the fields of sterile chemical drug preparation formulations and complex formulations, in order to offset the adverse impact of order decrease from biopharmaceutical companies. Meanwhile, by leveraging the accumulated experience in the Contamination Control Strategy (CCS), the business segment has set up a more integrated supply system of consumables for sterility assurance.

Furthermore, the business segment has Integrated with sterility assurance, aseptic transfer and containment application technology based on Contamination Control Strategy. Regarding the strategy of own brand products (OBP), it is determined to improve the capability in R&D and production, and hence to improve the core competitiveness of AUSTAR's own brand products in both the domestic and overseas markets.

Backlogs

Set out below is a breakdown of the Group's closing value of backlogs (VAT excluded) and the corresponding number of contracts by business segment as at 30 June 2024:

	As at 30 June 2024			
Backlogs by business segment	**Number of contracts**	**%**	**Closing value *RMB'000***	***%***
Integrated Process and Packaging Systems	672	41.2%	489,384	43.4%
Consulting, Digitalization and Construction	784	48.0%	568,839	50.5%
Life Science Equipment and Consumables	177	10.8%	69,050	6.1%
Total	1,633	100.0%	1,127,273	100.0%

PRODUCTION, EXECUTION AND ORGANIZATION

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

With the two manufacturing centres in Shanghai and Shijiazhuang reaching a relatively mature stage, the overall upgrading of manufacturing conditions could provide more space for new products research and manufacturing, and offer opportunities for improvement, including production process optimization, quality management, and digitalization tools enhancement. A production site restructuring is under process with the purpose of inviting some joint venture and licensing partners to utilize a total of approximately 50,000 sqm of facilities. In June 2024, the Nanjing manufacturing team started relocating to Shanghai and the relocation was completed in mid-July 2024. This integration of the two production sites will enhance the integrity of the AUSTAR Production System (APS), which will greatly enhance and improve product quality, manufacturing specifications and production efficiency.

Continuous improvements have been made on APS, expanding from 16 modules to 18 modules by adding Toyota Business Practices (TBP) and Total Productive Maintenance (TPM) in the first half of 2024. The implementation of TBP is a good approach of realizing closed-loop management under the Plan-Do-Check-Act (PDCA) philosophy, and TPM helps maintain equipment status and improve production efficiency and quality whilst reducing equipment maintenance costs. In terms of Manufacturing Execution System (MES), a QR code has been provided to the clients, which will act as a window to have an overall understanding of the equipment production schedule, including the tracing record of material arrival, manufacturing progress and quality inspections.

The production sites are working towards building a spirit of craftsmanship. Through providing trainings on equipment knowledge, quality control, and manufacturing process, continuous improvements have been made in the area of product quality, cost saving, and on time delivery.

The Group independently designed and constructed a new production site, focusing on contamination control consumables and sterile transfer consumables in Shijiazhuang, China. Based on EU and China GMP requirements, the requirements of CCS are fully considered in the facility design to minimize the risk of bringing particles, visible foreign bodies and pyrogens to the clean area. Energy-saving measures were implemented as well, where the air conditioning system could reach dynamic Grade B status within 25 minutes after a 12-hour shutdown. The laboratory is equipped to satisfy the needs of the entire product lifecycle inspection process. Currently, the production site has the initial capability in R&D, transformation of R&D results and commercial production. In the future, breakthroughs and rapid development are expected to be achieved in the field of aseptic connection and disposable bioprocess consumables such as flexible breathing cap and rapid connection bag.

In the first half of 2024, the Group's Project Execution Center (PEC) has executed over 450 projects and delivered 118 projects in the mainland China, Taiwan, and Southeast Asia, covering a wide area of sub-industrial sectors, such as hospitals, GMP laboratories, traditional Chinese medicine injections, ADC pilots, polypeptide active pharmaceutical ingredients (API), CAR-T etc.

The PEC provides clients with full life cycle services from new project construction to maintenance services. Through accumulating experiences from project execution, the PEC continues to make progress in design optimization and achieve breakthrough in technology innovation. For example, for the first time, PEC realized cost saving in sub-assembly Closed Restricted Access Barrier System (CRABS) optimization and innovation through adopting the design of fan filter unit (FFU). In the field of cell culture, the PEC achieved the leading C+A culture environment with an innovative combination of the culture system and isolator.

Following the release of technical guidelines on Chinese herbal medicines and Chinese medicinal products, the PEC validation team has leveraged its profound experiences accumulated from projects of biological and sterile products to demonstrate their professionalism in providing qualified validation consulting services to clients, ensuring their R&D and production are in line with the latest regulatory requirements.

The PEC's project management and execution are fully in compliance with related regulations, and through customized service and precise parameter control, the team endeavours to help clients realize system security and production safety. By providing whole life cycle of project management service, and bearing in mind the principle of customer-oriented and on-time delivery, the PEC is always on its way to achieve a high level of customer satisfaction and loyalty.

With the rapid growth of after-sales service business, our Consulting, Digitalization and Construction business segment established an after-sales service centre in Nanjing in the first half of 2024, so as to allow a more quicker response to the service needs of customer groups in the southern region of China. With the successful operation of the Nanjing service centre, the Group plans to establish more service centres in various regions in China.

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 its 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.

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

For global expansion, we have been building up the team gradually according to execution strategies, as in the last few years, European and Southeast Asia teams were recruited to directly take care of the related sales leads and enquiries. A new leadership team established in early 2023 initiated some organization change by optimizing the existing team members and introducing some new members. From the sales order-in-take information, it seems that such organization change has a positive effect indicated by the drastic improvement of orders especially in India and Southeast Asia. It is believed that the Group's global revised sales team is able to contribute a greater portion share of sales order-in-take gradually in the near future. Some more committed agents are under engagement and under investigation in 2024.

In the first half of 2024, the Group had a satisfactory exposure in 4 global exhibitions, namely Asia Pharma Expo 2024 in Bangladesh, FEC Pharma Brazil 2024, ACHEMA 2024 in Frankfurt, and CPHI & PMEC China in Shanghai, all of which received positive feedback and attracted attention from clients of different counties. Through participating in these global events, the Group presented a strong pharmaceutical technology corporate image to global clients. Meanwhile, the Group also attended and organized 15 industry meetings, sharing knowledge, views and suggestions to industry players; we believe that these diversified events could help us increase and strengthen the AUSTAR brand recognition in global and local markets. With all these communications via different platforms, many clients were attracted to visit our new production sites, which proved to be a good way to showcase our overall capability in leading technology and production capability.

Following the upgrading of our technology and products, there were 24 new brochures created in the first half of 2024, with a total of 219 brochures now being shared via the Resource Center in the Group's website, and with a four-language material sharing platform, our global clients could easily download the brochures to understand our product, technical solutions, and service capabilities.

By end of June 2024, the Group released 250 company news, which was shared over 460 times via 16 social media accounts, generating more than 190,000 clicks. Dynamic visual information has proven to be highly effective; 42 videos were produced in the first half of 2024, covering areas in new technology, products, project cases studies, onsite interview, industry knowledge and holiday greetings, all of which attracted a large volume of attention. Order inquiries coming from social media and website channel have been increasing, and we believe digital marketing is a good way based on its promptness and large scale influence.

RESEARCH AND DEVELOPMENT

As at 30 June 2024, the Group owned 414 patents. During the Period under Review, the Group obtained 21 newly registered patents, and applications for 62 patents are currently in progress.

AUSTAR has developed core process equipment for biopharmaceuticals, including upstream yeast and E. coli standard culture systems and essential downstream equipment. The latest standard products are crafted to meet precise cultivation requirements, enabling pharmaceutical companies to elevate product quality and increase yield. Through streamlining production processes to enhance production efficiency, reduce wastes, and lower costs, we are committed to improving the overall production standards and product quality within the pharmaceutical sector.

In response to the vigorous development of peptides, small molecules, and ADC drugs, AUSTAR is actively seeking partnerships with other mature manufacturers and also developing independently some core process equipment, such as high- and low-pressure chromatography systems and peptide synthesizer. The combination of process capabilities, technical competency and core process equipment strengthens our position as a comprehensive turnkey solution provider.

The sterile API product line has finished the optimization and secondary development of the aseptic on-line nitrogen filling system, enabling the system to be applied to the application scenarios such as aluminum container filling of sterile APIs; such new technology application has been offered to our clients in some projects. The system is characterized by full-line automation, no laminar flow impact and real-time oxygen content detection, which protects the laminar flow pattern of restricted access barrier system (RABS) and better ensures clients to successfully pass the inspection of EU GMP and the US Food and Drug Administration (FDA). The system has a wide range of application scenarios and strong product competitiveness in the future aseptic pharmaceutical market where automation requirements are increasing.

Aiming at the R&D clients, the research and development on small-batch production of wet granulating and pellet coating systems was initiated in the wet granulating production line, with an emphasis on satisfying the requirements of Contract Research Organization (CRO), universities and research institutes for the technological study of small-batch innovative drugs production.

Combined with the launch of the R&D equipment series for wet granulating production line, the research and development of Data Analysis & Empowerment process system software was completed. The software platform was integrated with multiple R&D software based on Design Of Experiments (DOE) and realized the Process Analysis Technology (PAT) online integration application, which helps the clients to shorten the R&D cycle and quickly complete the process scale-up from laboratory to pilot scale experiment and commercial production.

The freeze-drying product line has finished the optimization and secondary development of the Guideless Robotic Pusher (GRP) system, enabling the system to be applied to aseptic material transfer and other scenarios. This technology commercialization was successfully realized and has been used in a client's project. The GRP system is characterized by its full electric drive, oil and pneumatic free device, and no risk of contamination. The GRP system has a wide range of application scenarios and strong product competitiveness in the future aseptic pharmaceutical market where automation requirements are increasing.

The performance tests of newly developed specialized cleaning robot for clean rooms have basically completed and its clients' site acceptance tests for several leading pharmaceutical enterprises have been executed. The robot is the first intelligent equipment in the industry for such application with low contamination risk in pharmaceutical core sterile areas and full-automatic contamination control implementation possibilities. The widespread application of the robot will change the usage layout of aseptic assurance consumables in clean rooms, significantly reduce microbial contamination, cross-contamination and operational errors, while promoting technical progress and innovative development on the aseptic production and contamination control of drugs for the pharmaceutical equipment industry.

The Group has made significant progress in the localization of rapid transfer port (RTP) products. The localization of the RTP stainless steel beta valve has been successfully completed and the weight-reduced version has been redesigned to achieve more convenient production operation of clients. The innovative design not only improves the user experience but also reduces production cost and enhances efficiency. Meanwhile, AUSTAR is actively promoting the localization of RTP alpha valve, which has entered the sample manufacturing stage. To ensure the performance and reliability of RTP alpha valve, the RTP application test equipment was designed to verify the docking performance of Alpha and Beta ports. All these efforts have laid a solid foundation for the all-round localization of RTP products and provided strong support for the technology accumulation and innovation capability in the field.

PROSPECTS

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

Integrated Process and Packaging Systems

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

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

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

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

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

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

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

The equipment company Nozzle, with AUSTAR as a minority shareholder, has been delivering satisfactory results; Nozzle's core equipment of powder micronization and nano homogenization has tremendous potentials in complex drug research and manufacturing. Nozzle and AUSTAR are able to bundle products together to make competitive offerings.

Consulting, Digitalization and Construction

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

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

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

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

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

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

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

Leveraging the various professional knowledge accumulated over the years, each business unit in the business segment has established a comprehensive consulting team including process consulting, conceptual design and detailed design, intelligent and information system consulting, and compliance and facility management consulting. This capability allows the Group to stand out from many other service providers and allows the Group to successfully provide pharmaceutical companies with unique comprehensive consulting services. Thanks to this strategy, the Group has successfully signed a number of CDC comprehensive consulting service projects including CSPC and Novo Nordisk in the first half of 2024, further consolidating our leading position in the mid-to-high-end market in China.

In the face of intense competition in the pharmaceutical market in China, pharmaceutical companies are experiencing sharply increased cost pressures, forcing them to find solutions for reducing costs and increasing efficiency. Digital transformation and energy-saving transformation will become development trends in the near future. By implementing overall operation and maintenance management, facility management services and energy-saving transformation, pharmaceutical companies can improve production efficiency and reduce operating costs, which will become trends to promote sustainable development of the pharmaceutical industry.

Life Science Equipment and Consumables

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

In the next 3 to 5 years, the Group will focus on contamination control strategy consulting and expects to develop five integrated application packages to leverage AUSTAR's platform capability and sales channels to expand and cover more global markets in life sciences industry:

1. Comprehensive product portfolio for cleaning and disinfecting critical areas in pharmaceutical cleanrooms, including intelligent cleanroom surface cleaning tools, disinfectant chemicals, intelligent bio-decontamination equipment, disinfection/sterilization services, and the development and validation of sterilization methods.

2. Personnel contamination control protection packages for critical areas, including cleanroom garments, sterile gloves, goggles, sterile masks, cleanroom garment/goggles management systems, and cleanroom garment validation.

3. Critical environment contamination monitoring technology packages, including online monitoring systems, offline automatic monitoring, rapid microbiological testing, data tracking and management systems, AI early warning model technology.

4. Aseptic protection and transfer solutions, including RTP stainless steel ports, rapid docking bag (RDB), powder transfer vessels (PTV), Tyvek clean-steam bags and flexible breathing cap.

5. Critical process system cleaning and corrosion protection packages, including cleaning process development, cleaning validation, cleaning and passivating detergents, corrosion management consulting, and de-rouging services.

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

A strategic direction of the business segment lies in advanced therapies and advanced bioprocess technology. Specifically, products such as bioreactors, freeze & thaw equipment, and isolators were transferred to the business segment of Integrated Process and Packaging Systems to leverage such products to make its offering more comprehensive in bioprocessing, allowing the business segment of Life Science Equipment and Consumables to focus on consumables and containment control related business. In the past one to two years, in order to help our clients tackle the challenges in the advanced therapy medicinal products (ATMP) sector with corresponding solutions, the Group has provided (i) customization of process development and optimization, where the main products are in cell preparation segment and involved in the scaling up process, such as wave bioreactor, glass bioreactor, honeycomb cell culture system and isolator, cell preparation station and cell storage programmable cooling device; and (ii) contamination control and containment material handling and transport in its commercial production including cell preparation isolators, sterile transport spare parts and equipment, environmental monitoring systems.

In 2024, there are certain uncertainties in the development and investment of various process routes in the industry. We will adopt a strategy of agent distribution, own brand products (OBP), and continue to expand the market share of our independently developed products at the same time, where (a) AUSTAR will act as an agent for the products of the leading companies of international giants, mainly involving process equipment such as separation and sorting, cell counting, and cell transfection that are not yet mature in domestic technology; (b) at the same time, AUSTAR will leverage its many years of experience in consumable production to develop OBP products for consumables in the cell therapy industry, mainly focusing on breaking through the separation of packaging consumables, cryopreserved consumables, transhipment consumables and related packaging equipment, programmed cooling equipment and isolation equipment to form a comprehensive solution for packaging and cryopreservation processes; and (c) AUSTAR will take advantage of its ability to combine contamination control processes and ATMP processes to help customers to solve problems such as automation, sealed processing, contamination control, and information traceability in commercial production, mainly expanding the market share of cell culture isolators, cell culture reactor series, sterile transfer devices, and contamination control strategy consulting. At the same time, we will develop and sell products and services with AUSTAR's unique technologies such as automatic cleaning robots and cell tracing system software.

Strong Technical Competence and Knowledge

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

Service Business Opportunities

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

The 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 around two years ago to adopt more aggressive approach and action plans to increase the service business revenue. With the ratio of the Group's service business is increasing, the gross margin contributions therefrom would become more significant.

Global Expansion

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

Complex Drugs

The US FDA has defined complex drugs with the following categories:

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

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

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

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

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

Advanced Therapies Medicinal Products

Due to the release and enforcement of EU GMP new regulations and process requirements of CGT, sterility assurance in the whole manufacturing process have become stringent and a key consideration in equipment and system engineering. It is believed that with AUSTAR UK, our subsidiary in the UK, CAPE Europe, our 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, will contribute to substantial growth in revenue and profit to the Group.

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

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

RESULTS OF OPERATIONS

Revenue

The Group provides its services and products under three business segment groups, namely, (1) Integrated Process and Packaging Systems, the major types of which include liquid process system and powder and solid system; (2) Consulting, Digitalization and Construction, the major types of which include design consulting, compliance services system, and cleanroom/automation control system (3) Life Science Equipment and Consumables focusing on life science consumables, advanced therapies and advanced bioprocessing technologies.

For the Period under Review, the Group's total revenue amounted to approximately RMB700.9 million, representing a decrease of approximately 23.8% over that from the six months ended 30 June 2023, primarily attributable to the decrease in revenue from the business segments of Integrated Process and Packaging Systems and Consulting, Digitalization and Construction, and partially offset by the increase in revenue from the business segment of Life Science Equipment and Consumables.

The following table sets forth, for each of the six months ended 30 June 2024 and 2023, the breakdown of the Group's revenue by business segment from continuing operations:

	For the six months ended 30 June				
	2024		2023		Change
Revenue by business segment	***RMB'000***	***%***	*RMB'000*	*%*	*%*
	(Unaudited)		(Unaudited and restated)		
Integrated Process and Packaging Systems	**309,273**	**44.1%**	456,559	49.7%	-32.3%
Consulting, Digitalization and Construction	**216,586**	**30.9%**	301,693	32.8%	-28.2%
Life Science Equipment and Consumables	**175,060**	**25.0%**	161,205	17.5%	8.6%
Total	**700,919**	**100%**	919,457	100.0%	-23.8%

Integrated Process and Packaging Systems

The Group's revenue from the business segment of Integrated Process and Packaging Systems decreased by approximately RMB147.3 million or 32.3% from approximately RMB456.6 million for the six months ended 30 June 2023 to approximately RMB309.3 million for the Period under Review. The decrease was mainly due to decrease in opening backlog.

Consulting, Digitalization and Construction

The Group's revenue from the business segment of Consulting, Digitalization and Construction decreased by approximately RMB85.1 million or 28.2% from approximately RMB301.7 million for the six months ended 30 June 2023 to approximately RMB216.6 million for the Period under Review. The decrease was mainly due to decrease in opening backlog.

Life Science Equipment and Consumables

The Group's revenue from the business segment of Life Science Equipment and Consumables increased by approximately RMB13.9 million or 8.6% from approximately RMB161.2 million for the six months ended 30 June 2023 to approximately RMB175.1 million for the Period under Review. The increase was mainly due to the increase of order-in-take for the Period under Review.

The following table sets forth the breakdown of the Group's revenue from continuing operations geographical regions for the six months ended 30 June 2024 and 2023:

	For the six months ended 30 June				
	2024		2023		Change
Revenue by geographical regions	***RMB'000***	*%*	*RMB'000* (Unaudited and restated)	*%*	*%*
	(Unaudited)				
Mainland China	**652,139**	**93.0%**	881,900	95.9%	-26.1%
Other locations	**48,780**	**7.0%**	37,557	4.1%	29.9%
Total	**700,919**	**100.0%**	919,457	100%	-23.8%

The Group derived its revenue mainly from customers in Mainland China, which accounted for approximately 93.0% of the total revenue for the Period under Review (2023: approximately 95.9%).

Cost of sales

The Group's cost of sales decreased by approximately RMB177.0 million or 24.2% from approximately RMB732.5 million for the six months ended 30 June 2023 to approximately RMB555.5 million for the Period under Review. The decrease is mainly in line with the decrease in revenue.

Gross profit and gross profit margin

The Group's gross profit from continuing operations decreased by approximately RMB41.5 million or 22.2% from approximately RMB186.9 million for the six months ended 30 June 2023 to approximately RMB145.4 million for the Period under Review. The gross profit margin increased from approximately 20.3% for the six months ended 30 June 2023 to approximately 20.7% for the Period under Review. The gross profit margin increase is mainly attributable to the increase gross profit margin from the business groups of Integrated Process and Packaging Systems and Life Science Equipment and Consumables.

The following table sets forth the breakdown of the Group's gross profit and gross profit margin from continuing operations by business segment for the six months ended 30 June 2024 and 2023:

	For the six months ended 30 June					
	2024			2023		
Gross profit and gross profit margin from continuing operations by business segment	***RMB'000***	***%***	**Gross profit margin %**	*RMB'000*	*%*	Gross profit margin *%*
	(Unaudited)			(Unaudited and restated)		
Integrated Process and Packaging Systems	**42,298**	**29.1%**	**13.7%**	60,908	32.6%	13.3%
Consulting, Digitalization and Construction	**37,359**	**25.7%**	**17.2%**	70,236	37.6%	23.3%
Life Science Equipment and Consumables	**65,760**	**45.2%**	**37.6%**	55,789	29.8%	34.6%
Total	**145,417**	**100.0%**	**20.7%**	186,933	100.0%	20.3%

Notes:

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

2. Total gross profit margin represents gross profit divided by total revenue for the Period under Review.

Integrated Process and Packaging Systems

The gross profit from the business segment of Integrated Process and Packaging Systems decreased by approximately RMB18.6 million or 30.6% from approximately RMB60.9 million for the six months ended 30 June 2023 to approximately RMB42.3 million for Period under Review. The gross profit margin of the business segment of Integrated Process and Packaging Systems increased from approximately 13.3% for the six months ended 30 June 2023 to approximately 13.7% for the Period under Review. The gross profit margin increase is mainly attributable to purchase savings, projects implementation efficiency improvements and accumulated project team experience specifically for the turnkey projects.

Consulting, Digitalization and Construction

The gross profit from the business segment of Consulting, Digitalization and Construction decreased by approximately RMB32.9 million or 46.8% from approximately RMB70.2 million for the six months ended 30 June 2023 to approximately RMB37.4 million for the Period under Review. The gross profit margin of the business segment of Consulting, Digitalization and Construction decreased from approximately 23.3% for the six months ended 30 June 2023 to approximately 17.2% for the Period under Review. The gross profit decrease is mainly due to revenue decrease. The gross profit margin decreased mainly due to the impact from more intensive competitions and customers' cost down strategy. The Group will continue to work on project execution efficiency improvement by technology upgrading, project execution control and technical skill improvement to improve gross profit margin. For consulting service, the Group is promoting the expansion of high-end compliance consulting business through on-site visits by higher-end consultants to meet the needs of different customer groups for more market share.

Life Science Equipment and Consumables

The gross profit from the business segment of Life Science Equipment and Consumables increased by approximately RMB10.0 million or 17.9% from approximately RMB55.8 million for the six months ended 30 June 2023 to approximately RMB65.8 million for the Period under Review. The increase in gross profit is mainly due to the increase in revenue. The gross profit margin of the business segment of Life Science Equipment and Consumables increased from approximately 34.6% for the six months ended 30 June 2023 to approximately 37.6% for the Period under Review. The increase in gross profit margin is mainly attributable to the change in the product portfolio to improve efficiency and gross profit margin.

The Group will strengthen the promotion through more proactive marketing activities to improve new product market share and meet the customers' requirement of localization of pharmaceutical production. Meanwhile, lean production with the development of self-developed products and improved supply chain management in the business segment are expected to play an important role to improve the gross profit margin.

Selling and marketing expenses

Selling and marketing expenses decreased by approximately RMB28.3 million or 30.6% to approximately RMB63.9 million for the Period under Review from approximately RMB92.2 million for the six months ended 30 June 2023. It was primarily due to the decrease in the staff costs by a total amount of approximately RMB26.3 million, and travelling expenses by a total amount of RMB1.2 million.

Administrative expenses

Administrative expenses decreased by approximately RMB28.9 million or 36.1% to approximately RMB51.2 million for the Period under Review from approximately RMB80.2 million for the six months ended 30 June 2023, mainly due to the decrease in staff costs by a total amount of approximately RMB26.1 million, and other administrative expense items by a total amount of approximately RMB2.8 million.

Research and development expenses

The Group's research and development expenses decreased by approximately RMB4.0 million or 14.6% from approximately RMB27.5 million for the six months ended 30 June 2023 to approximately RMB23.5 million for the Period under Review, mainly due to the decrease in research and development related staff costs by a total amount of RMB4.6 million, offset by an increase of raw materials by a total amount of RMB0.5 million.

Other income

Other income increased by approximately RMB4.6 million or 109.2% to approximately RMB8.8 million for the Period under Review from approximately RMB4.2 million for the six months ended 30 June 2023, mainly attributable to the increase in subsidies granted by local government authorities of the PRC during the Period under Review.

Other (losses)/gains – net

The Group recorded other losses, net of approximately RMB0.6 million for the Period under Review compared to other gains, net of approximately RMB8.7 million for the six months ended 30 June 2023, mainly due to the exchange losses amounted to RMB2.5 million for the Period under Review, while for the six months ended 30 June 2023 the exchange gains amounted to RMB7.4 million.

Finance costs – net

The net finance costs increased by approximately RMB2.8 million or 57.8% to approximately RMB7.7 million for the Period under Review from approximately RMB4.9 million for the six months ended 30 June 2023, such increase was mainly due to the increase in interest expense of bank borrowings of approximately RMB2.4 million.

Share of net (loss)/profits of investments accounted for using the equity method

The Group's share of net profits of investments accounted for using the equity method decreased by approximately RMB4.3 million, from approximately RMB4.0 million for the six months ended 30 June 2023 to a share of net loss of approximately RMB0.3 million for the Period under Review, due to the decrease in profit contribution from the Group's investment in the joint venture Noozle Fluid Technology (Shanghai) Co., Ltd., by approximately RMB2.3 million, ROTA Verpackungstechnik GmbH & Co. KG ("**ROTA KG**") by approximately RMB1.8 million and STERIS-AUSTAR Pharmaceutical Systems Hong Kong Limited by approximately RMB0.3 million.

Profit/(loss) before income tax

The Group recorded profit before income tax of approximately RMB9.2 million for the Period under Review, as compared with the loss before income tax of approximately RMB6.4 million for the six months ended 30 June 2023, which was due to the factors as described above in this section.

Income tax expense

The income tax expense increased by approximately RMB3.1 million, from approximately RMB1.9 million for the six months ended 30 June 2023 to approximately RMB5.0 million for the Period under Review, which was mainly due to the increase in profit before income tax for the Period under Review.

Profit/(loss) for the period from continuing operations

The Group recorded a profit of approximately RMB4.2 million for the Period under Review, as compared with a loss of approximately RMB8.3 million for the six months ended 30 June 2023 from continuing operations, which was primarily attributable to the factors as described above in this section.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	**19,539**	(64,830)
Net cash generated from/(used in) investing activities	**12,350**	(25,366)
Net cash (used in)/generated from financing activities	**(56,007)**	82,370
Net decrease in cash and cash equivalents	**(24,118)**	(7,826)

For the Period under Review, the Group had net cash generated from operating activities of approximately RMB19.5 million mainly attributable to:

i. the profit before income tax from continuing operations for the Period under Review of approximately RMB9.2 million, plus the depreciation of property, plant, and equipment and right-of-use assets of approximately RMB21.7 million, interest expense of approximately RMB9.3 million, amortisation of intangible assets of approximately RMB3.6 million, and partially offset by the interest income of approximately RMB1.5 million;

ii. The increase in contract liabilities of approximately RMB64.0 million, partially offset by the increase in contract assets of approximately RMB2.6 million, the increase in trade and other receivables of approximately RMB21.9 million and the decrease in trade and other payables of approximately RMB41.2 million.

For the Period under Review, the Group had net cash generated from investing activities of approximately RMB12.4 million, which was mainly attributable to proceeds from disposed of land use right of RMB12.4 million redemption of term deposits over three months of approximately RMB10.0 million and dividend received from a joint venture of RMB1.2 million, partially offset by payment for property, plant and equipment of approximately RMB5.6 million and payment for intangible assets of approximately RMB5.8 million.

For the Period under Review, the Group had net cash used in financing activities of approximately RMB56.0 million mainly attributable to repayments of borrowings of approximately RMB185.8 million and interest paid for bank borrowings of approximately RMB7.8 million, partially offset by the proceeds from bank borrowings of approximately RMB141.4 million.

Net current assets

The Group's net current assets had decreased by approximately RMB20.3 million from approximately RMB396.1 million as at 31 December 2023 to approximately RMB375.9 million as at 30 June 2024.

As at 30 June 2024, the Group's total current assets amounted to approximately RMB1,563.5 million, which was an decrease of approximately RMB10.3 million as compared with approximately RMB1,573.8 million as at 31 December 2023. The decrease was primarily due to the factors set out below:

i. prepayments and other receivables of approximately RMB9.6 million, cash of approximately RMB23.8 million, term deposits with initial terms of over three months of approximately RMB10.0 million, non-current assets held for sale of approximately RMB8.6 million.

ii. offset by the increase in contract assets of approximately RMB7.4 million, the increase in trade and notes receivables of approximately RMB16.9 million, and inventory of approximately RMB8.2 million, pledged bank deposit of approximately 9.2 million.

The Group's total current liabilities amounted to approximately RMB1,187.6 million, which was an increase of approximately RMB9.9 million as compared with approximately RMB1,177.7 million as at 31 December 2023. The increase was primarily due to:

i. the increase in contract liabilities of approximately RMB64.0 million, current portion of long-term borrowings in the amount of approximately RMB20.5 million and lease liabilities in the amount of approximately RMB4.9 million; and

ii. offset by decrease in trade and other payables in the amount of RMB52.1 million, short-term borrowings in the amount of approximately RMB29.6 million.

Borrowings and gearing ratio

As at 30 June 2024, the total short-term interest-bearing bank borrowings amounted to RMB225.7 million and bore interest rates ranging from 2.00% to 4.00% per annum (31 December 2023: from 2.40% to 4.00% per annum). The long-term bank borrowings and current portion of long-term borrowings amounted to RMB75.5 million and RMB85.0 million respectively and bore interest rates ranging from 3.30% to 4.35% per annum (31 December 2023: 3.50% to 4.35% per annum).

The Group's gearing ratio decreased to approximately 37.0% as at 30 June 2024 from approximately 39.2% as at 31 December 2023. 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 30 June 2024, in addition to pledged bank deposits of approximately RMB45.5 million, the Group had buildings and right-of-use assets having a total carrying amount of approximately RMB227.7 million and approximately RMB65.5 million respectively (31 December 2023: buildings, right-of-use assets and assets classified as held for sale having a total carrying amount of approximately RMB229.9 million, approximately RMB61.8 million and approximately RMB8.6 million respectively) which were pledged as collateral for certain bank borrowings of the Group.

Contingent liabilities

As at 30 June 2024, the Group provides guarantee to banks in respect of two irrevocable letters of credit utilised by ROTA KG totalling EUR887,000 approximated at RMB6,796,000. It sets forth the maximum exposure of these guarantees to the Group.

INTERIM DIVIDEND

The Directors did not declare the payment of any interim dividend for the six months ended 30 June 2024 (2023: nil).

CAPITAL STRUCTURE

As at 30 June 2024, the Group had shareholders' equity of approximately RMB780.6 million (31 December 2023: approximately RMB775.5 million). The authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 Shares with par value of HK$0.01 each and the issued share capital was HK$5,125,820 divided into 512,582,000 Shares.

HUMAN RESOURCES

As at 30 June 2024, the Group had 1,492 full-time employees for R&D, sales and marketing, administration, project management and execution and manufacturing, representing a decrease of approximately 7.3% as compared with 1,610 employees as at 31 December 2023. During the Period under Review, the employee costs (including Directors' remuneration) were approximately RMB172.9 million, which was a decrease of approximately 29.9% as compared with approximately RMB246.6 million for the six months ended 30 June 2023.

The decrease in employee costs of the Group was mainly due to the decrease in headcount during the Period under Review.

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

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

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

CAPITAL COMMITMENT

Capital expenditure of property, plant and equipment and intangible assets which has been contracted for but not yet incurred as of 30 June 2024 amounted to approximately RMB2.4 million (31 December 2023: approximately RMB2.1 million).

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

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

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, Great Britain Pound, United States dollar and Hong Kong 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.

EVENT OCCURRING AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**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 Period under Review and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

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

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding its Directors' securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period under Review.

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 one non-executive Director, namely, Madam Ji Lingling. Mr. Cheung Lap Kei is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company. 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 policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period under Review.

The condensed consolidated financial statements have been reviewed by Moore CPA Limited, the Company's independent auditor, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.austar.com.hk). The interim report of the Company for the Period under Review containing all the information required by the Listing Rules will be despatched to the Shareholders (if requested) 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 of its valued Shareholders and various stakeholders for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

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

Hong Kong, 27 August 2024

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