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If you have sold or transferred all your shares in Austar Lifesciences Limited, you should at once hand this circular to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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AUSTAR

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Austar Lifesciences Limited

奥星生命科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6118)

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

23 March 2021

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

- “Board” the board of Directors
- “Closing Net Cash” as of the Completion Date, the amount equal to the sum of (i) the cash held on hand or in deposit, checking or other similar accounts, including money market accounts, by or for the benefit of the Pall-Austar JV Group (less the face amount of checks in transit plus the amount of deposits in transit to the extent that the corresponding account receivable, if any, has been eliminated from the final closing balance sheet), (ii) cash equivalents (including marketable securities) held by or for the benefit of the Pall-Austar JV Group, reduced by the sum of (I) any company indebtedness, other than the JV Partner Shareholder Loans and company employee indebtedness (but only to the extent such amount was not withheld or deducted from the Consideration), (II) any company transaction costs (but only to the extent such costs were not withheld from withheld or deducted from the Consideration), (III) any company employee indebtedness (but only to the extent such amount was not withheld or deducted from the Consideration), (IV) any tax payables amount (but only to the extent such amount was not withheld or deducted from the Consideration), and (V) such costs Pall-Austar WFOE has not yet paid or made arrangement for payment for the costs in connection with or arising from the Factory Relocation prior to Completion (but only to the extent such costs were not withheld or deducted from the Consideration), and (iii) any purchase price paid for certain inventories acquired pursuant to the request of the Purchaser) (which are not counted as inventory or otherwise include in the Closing Net Working Capital calculation); provided that the sums in (i) and (ii) above shall not include amounts subject to a lien or claim of a third party not discharged on or prior to Completion
- “Closing Net Working Capital” as of the Completion Date, (i) the consolidated current assets of the Pall-Austar JV Group, which shall consist of account receivables, inventories (but excluding any inventories that are acquired pursuant to the request of the Purchaser) and note receivables, and excluding cash and cash equivalents minus (ii) the consolidated current liabilities of the Pall-Austar JV Group, which shall consist of account payables, but excluding short-term debt, tax payables, salary payables and costs Pall-Austar WFOE has not yet paid or made arrangement for payment for the costs in connection with or arising from the Factory Relocation prior to Completion

DEFINITIONS

“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Austar Lifesciences Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal
“Completion Date”	the date on which Completion shall take place, subject to the satisfaction or waiver (as the case may be) of all conditions precedent (other than those that by their terms are not contemplated to be satisfied until the time of Completion) and in accordance with the SP Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	US\$34,500,000, the total consideration of the Disposal and subject to the adjustments as set out in the section headed “The SP Agreement - Consideration and its adjustment” in the Letter from the Board of this circular
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser pursuant to the SP Agreement
“Factory Relocation”	the relocation, at the own expenses of Pall-Austar WFOE, of the offices, plants and labs of Pall-Austar WFOE from a location situated in Huairou District, Beijing, to a location situated in Shunyi District, Beijing
“Group”	the Company and its subsidiaries
“EUR”	the lawful currency of European Union
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party independent of the Company and the connected persons of the Company
“JV Partner”	Pall Life Sciences Belgium BV, a company incorporated in Belgium

DEFINITIONS

“JV Partner Shareholder Loans”	all loans together with relevant interest owing to the JV Partner or its affiliates by the Pall-Austar JV Group as of the Completion Date, including but not limited to the shareholder’s loans with an aggregate principal amount of US\$1 million plus accrued unpaid interest up to the Completion Date, and as at the date of the SP Agreement, such amounted to approximately US\$1.49 million
“Latest Practicable Date”	17 March 2021, being the last practicable date prior to the printing of this circular for the purpose of ascertaining information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	4:00 p.m. on 30 September 2021
“Pall-Austar JV”	PALL-AUSTAR Lifesciences Limited, a company incorporated in Hong Kong with limited liability and as at the date of the SP Agreement, owned as to 60% by the Vendor and 40% by the JV Partner
“Pall-Austar JV Group”	Pall-Austar JV and Pall-Austar WFOE
“Pall-Austar WFOE”	頗爾奧星包裝科技(北京)有限責任公司 (PALL Austar Packaging Technology (Beijing) Co., Ltd.*), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of Pall-Austar JV
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Beckman Coulter Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“Relevant Business”	the business undertaken by the Pall-Austar JV Group in connection with (i) the research, development, manufacturing, marketing, distribution, sales, license and provision of assemblies, systems and other products for single use applications that are used in the processing, production, storage and delivery of pharmaceutical, therapeutic, biotech and medical products, materials and instruments and (ii) the provision of services related to such products

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 60% of the issued shares of Pall-Austar JV which as at date of the SP Agreement, is held by the Vendor
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“SP Agreement”	the share purchase agreement dated 11 February 2021 entered into by and among the Purchaser, the Vendor and Pall-Austar JV in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “USA”	the United States of America
“US\$”	United States dollar, the lawful currency of the United States
“Vendor”	Austar Pharmaceutical Process Systems Limited 奧星製藥工藝系統有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

** For identification purposes only*

LETTER FROM THE BOARD

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Austar Lifesciences Limited

奧星生命科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6118)

Executive Directors:

Mr. Ho Kwok Keung, Mars

(Chairman and Chief Executive Officer)

Mr. Ho Kin Hung

Mr. Chen Yuewu

Madam Zhou Ning

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-executive Director:

Madam Ji Lingling

Principal place of business

in Hong Kong:

Workshop 6 on 1/F.

New Trade Plaza

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New Territories

Hong Kong

Independent non-executive Directors:

Mr. Cheung Lap Kei

Madam Chiu Hoi Shan

Mr. Leung Oi Kin

23 March 2021

To the Shareholders

Dear Sir or Madam

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

INTRODUCTION

Reference is made to the announcement dated 15 February 2021 in which the Company announced that on 11 February 2021, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the SP Agreement with the Purchaser and Pall-Austar JV in relation to the Disposal.

This circular is despatched to the Shareholders for information purposes only and contains, among other matters, further details of the SP Agreement and the transactions contemplated thereunder and information required under the Listing Rules.

LETTER FROM THE BOARD

The principal terms of the SP Agreement are summarised as follows:

THE SP AGREEMENT

Date: 11 February 2021

Parties

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

Assets to be disposed of

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

Consideration and its adjustment

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

Post-Completion adjustment to the Consideration

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

- (a) if the Closing Net Cash on the Final Closing Balance Sheet is positive, the Purchaser shall pay to the Vendor an amount equal to 60% of such amount, whereas if such Closing Net Cash amount is negative, the Vendor shall pay to the Purchaser an amount equal to 60% of such amount; and

LETTER FROM THE BOARD

- (b) if Closing Net Working Capital on the Final Closing Balance Sheet is less than US\$3,400,000 by at least US\$340,000, the Vendor shall pay to the Purchaser the amount equal to 60% of such difference; and if the Closing Net Working Capital on the Final Closing Balance Sheet exceeds US\$3,400,000 by at least US\$340,000, the Purchaser shall pay to the Vendor the amount equal to 60% of such excess.

Basis of Consideration

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

Conditions precedent

Completion is conditional upon the fulfilment or, if applicable, waiver of the certain conditions prior to the Long Stop Date including but not limited to the following:

- (1) the representations and warranties provided by the Vendor or Pall-Austar JV in any transaction documents (including the SP Agreement) remaining true and correct in all respects (or all material respects, where applicable) as of the date of the SP Agreement and as of the Completion Date;
- (2) the representations and warranties provided by the Purchaser in the SP Agreement remaining true and correct in all respects (or all material respects, where applicable) as of the date of the SP Agreement and as of the Completion Date;
- (3) the Vendor, the Purchaser and Pall-Austar JV having performed or complied in all material respects with all respective obligations, agreements and covenants contained in the transaction documents (including the SP Agreement) to be performed or complied with by each of them prior to Completion;
- (4) there having been no material adverse change on the Pall-Austar JV Group and the ability of the Vendor and Pall-Austar JV in consummating the transactions and performing their obligations under the SP Agreement;
- (5) Pall-Austar JV having repaid its loans owing to the Vendor and/or the Vendor's affiliates as of the Completion Date;
- (6) the Vendor having obtained the written approval from the controlling shareholder of the Company, Standard Fortune Holdings Limited, in lieu of holding a general meeting;
- (7) the Factory Relocation having been completed; and

LETTER FROM THE BOARD

- (8) the Vendor and its affiliates having entered into certain commercial contracts and ancillary agreements to the SP Agreement which facilitate the transfer of governance, operation and business of the Pall-Austar JV Group with the Purchaser, the Pall-Austar JV Group or other relevant parties, as applicable, effective as of Completion.

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

As at the Latest Practicable Date, other than condition (6) above, none of the conditions precedent has been fulfilled.

Completion

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

Other arrangements

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

- (1) a transition services agreement pursuant to which the Vendor and its affiliates shall provide to Pall-Austar WFOE sufficient information technology support for the operation and management of the business undertaken by the Pall-Austar JV Group for up to 12 months (and may be extended for an additional 6 months) after Completion;
- (2) an agreement to terminate all former agreements in relation to the Pall-Austar JV Group which were entered into by the Vendor and its affiliates, the Pall-Austar JV Group and/or the JV Partner and its affiliates in connection with the formation and operation of such joint venture;
- (3) a trademark licence agreement and technology licence agreement for the grant of a licence of the use of certain intellectual property owned by the Group to the Pall-Austar JV Group;
- (4) an exclusive distribution agreement and a non-exclusive distribution agreement for distribution of the Pall-Austar JV Group's products by the Group; and
- (5) a strategic framework agreement in relation to strategic business cooperation of the Group and Pall Corporation after Completion,

each of which shall become effective upon Completion.

LETTER FROM THE BOARD

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

INFORMATION ON THE GROUP AND THE VENDOR

The Group is a leading integrated engineering solutions provider targeting reputable pharmaceutical manufacturers and research institutes in the PRC and the emerging countries. The Group provides its services and products under six business segments, namely, (1) Liquid and Bioprocess System; (2) Clean Room and Automation Control and Monitoring System; (3) Powder and Solid System; (4) GMP Compliance Service; (5) Life Science Consumables; and (6) Distribution and Agency of Pharmaceutical Equipment.

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

INFORMATION ON THE PURCHASER

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

The Purchaser, through its wholly-owned subsidiary the JV Partner, owned 40% of the issued shares of Pall-Austar JV as at the Latest Practicable Date.

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

LETTER FROM THE BOARD

INFORMATION ON PALL-AUSTAR JV

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

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

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

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

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

LETTER FROM THE BOARD

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

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has been always positioning itself as an integrated engineering solutions provider for the biopharma and life sciences industry with competence in process, automation and compliance. In particular in the field of biotechnology, by taking the role as a bioprocess system engineering solution integrator, it is expected that the Group would need strong strategic component and equipment partners for integration. Having considered the business strategies of the Group, the Directors are of the view that the Disposal is strategically preferable in that in addition to having the proceeds of the Disposal to strengthen the Group's cash position with cash injection, it also offers opportunity of strategic partnership with Pall Corporation, an affiliate of the Purchaser. The Group has provided customers with an integrated engineering solutions and established long-term close relationship with its customers for years. As stated in the paragraph headed "The SP Agreement — Other arrangements" in this Letter from the Board, the Group will enter into, among other agreements, a strategic framework agreement in relation to strategic business cooperation between the Group and Pall Corporation after Completion. It is expected that after Completion, the Group, Pall Corporation, and/or its affiliates in Danaher's life science platform will cooperate in more in-depth with more product lines at the strategic partnership level. In such manner, and with the Group's recognised ability in the biological process system solution, the Group can help its business partners and customers to compete in the early stage of the project by using its conceptual design, engineering integration capabilities, solutions, execution and automation capabilities.

As Single Use Technology (SUT) is one of the important parts of the biological process system, the Group as a biological process system integrator will firmly and actively build up its competence to develop the business with understanding on the process and competence in engineering and automation integration. In the next 3 to 5 years, it will be difficult for the Group to have the competitive advantage if it just relies on parts layer such as SUT bags produced by the existing plant of the Pall-Austar JV Group. To avoid falling into a vicious price competition, the Group needs strong strategic component and equipment partners for integration, like Pall Corporation and its affiliates in Danaher's life science platform which are able to offer the Group opportunities with comprehensive leading bioprocess components and equipment. In such case, the Group will be able to provide the customers the SUT or hybrid design and consult service of systems engineering different from other competitors so that the Group can establish the position as a strong SUT systems engineering provider in the market. It is expected that even though the Group will not engage in certain areas of the Relevant Business for a certain period after Completion pursuant to the SP Agreement, the management of the Group is of the view that such limitation will not have adverse influence on the business development of the Group; subject to compliance with certain requirements in the SP Agreement, the Group will be free to continue to develop its BioProcess System Integrated

LETTER FROM THE BOARD

Engineering Solution as consultant and total solution provider and to integrate products, including other third party products, as the Group so elects. Further, the Group will enter into an exclusive distribution agreement and a non-exclusive distribution agreement to be effective upon Completion for distribution of the Pall-Austar JV Group's products, so as to allow the Group to serve its customers with such products and services during the period.

The Directors expect to recognise a gain of approximately RMB160 million from the Disposal, being the difference between the Consideration and the estimated unaudited carrying amount of the Group's equity interest in the Pall-Austar JV Group as at the Completion Date and taking into account the estimated expenses and tax in relation to the Disposal. Shareholders should note that the final amount of gain/loss on the Disposal to be recorded by the Company will be subject to the determination of the Consideration adjustments as referred to in the paragraph headed "The SP Agreement - Consideration and its adjustment" above, and the review and audit by the auditors of the Company. It is expected that the proceeds from the Disposal will be used for general working capital and/or future development of the Group. As at the Latest Practicable Date, the Group does not have any specific plan regarding the application of the net proceeds to any specific plans of the future development of the Group.

The Directors expect that after the Disposal, the Company's revenue and other items in the consolidated income statement will not be materially affected except for the share of interest net profits from Pall-Austar JV as the Group accounted for its interest in the Pall-Austar JV Group using the equity method before the Disposal. The Directors expect that after the Disposal, the total assets of the Group would increase by approximately RMB160 million, being the difference between the estimated net proceeds of RMB187 million to be received by the Company from the Disposal and the estimated unaudited carrying amount of the Group's equity interest in the Pall-Austar JV Group as at the Completion Date.

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

LISTING RULES IMPLICATIONS

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

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

LETTER FROM THE BOARD

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

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

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Disposal and the transactions contemplated thereunder are in the interests of the Company and that the terms of the SP Agreement are fair and reasonable and in the interests of the Shareholders as a whole. If a general meeting was to be convened for the approval of the Disposal and the transactions contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Disposal and the transactions contemplated thereunder at such general meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Group for the year ended 31 December 2017, the year ended 31 December 2018 and the year ended 31 December 2019, together with accompanying notes have been published in the annual reports of the Company for the year ended 31 December 2017 (pages 101 to 179), the year ended 31 December 2018 (pages 107 to 201) and the year ended 31 December 2019 (pages 111 to 209). The unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 together with accompanying notes have been published in the interim report of the Company the six months ended 30 June 2020 (pages 38 to 70).

The said annual reports and interim report of the Company are available on the Company's website at www.austar.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS

As at the close of business on 31 January 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

(a) Bank borrowings and loan from a non-controlling shareholder of a subsidiary

	As at 31 January 2021 RMB'000
Bank borrowings, secured and unguaranteed (<i>Note 1</i>)	20,000
Bank borrowings, guaranteed and unsecured (<i>Note 2</i>)	10,000
Loan from a non-controlling shareholder of a subsidiary, unsecured and unguaranteed	1,642
Total	31,642

Note 1: As at 31 January 2021, the bank borrowings are secured by the Group's buildings and land use rights and unguaranteed.

Note 2: As at 31 January 2021, the bank borrowings are unsecured and guaranteed by Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs.

(b) Lease liabilities

As at 31 January 2021, the current and non-current lease liabilities of the Group were RMB12,732,000, and RMB32,262,000, respectively, representing the outstanding rental amounts mainly in respect of leases of certain properties from third parties.

(c) Guarantees

As at 31 January 2021, the Group provided guarantees to bank in respect of irrevocable letters of credit utilised by an associate of the Group totaling EUR887,000 approximated at RMB6,954,000. It sets forth the maximum exposure of these guarantees to the Group.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 January 2021, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into account of the internal resources of the Group and the available banking facilities, the Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial and trading position of the Group since 31 December 2019, being the date on which the latest published audited financial statements of the Company were made up.

5. BUSINESS PROSPECTS**Trading and financial prospects of the Group**

Due to the outbreak of COVID-19, a short-term negative impact was observed in which business growth for the first three months of 2020 was slowed-down as a result of difficult face-to-face communications and travel restrictions in the PRC. Thereafter, thanks to the PRC's appropriate control measures, the industry gradually recovered to a certain extent that allowed project execution to be carried out and business orders in relation to COVID-19 had greatly increased. It is believed that the growth of sales will be able to maintain good momentum for a long period in the PRC due to the increasing demands for improvements in public health management capability, and also the urgent need of a COVID-19 vaccine. Looking forward, it is believed that much more significant investments would be poured onto the life sciences and biopharmaceutical sectors which would bring more orders to the Group.

The growth in the biopharmaceutical and pharmaceutical market in the PRC will give the Group sufficient project experiences for consolidating a concrete foundation for building core competence elements including products, technologies, project execution capability, knowledge and expertise, and the establishment of the sales and business teams in Europe, the Middle East and North Africa will bring to the Group additional sales and business opportunities. A temporary impact on the market of the emerging countries is obvious in the first half of this year. The prospects in post-pandemic era is optimistic as more vaccine facilities will be constructed. Health concerns and awareness from the public will lead to governments to reallocate more resources to the healthcare and life sciences sectors. The new teams of the Group in the South East Asia and the Middle East have been doing their best in this pandemic as new means of communications such as webinars and on-line meetings shall have to be adopted to maintain good contacts with customers and agents. A significant pipeline of projects is under discussion and preparation which hopefully can turn out to become fruitful orders in the coming months and years.

COVID-19 brought about the awareness of biosafety, and one of the key elements in biosafety is to ensure the facility is designed and maintained with proper decontamination concept, design, consumable, equipment, and process installed. Biosafety technology and facilities, one of the Group's 12 technology applications, is focusing on this area, with internal SMEs, external consultants, and the Group's Technical Advisory Committee working together for customised solutions. Decontamination related to Washing, Disinfection and Sterilization, as one of the Group's key technical competence, will be helping biosafety-concerned customers in controlling their containment risks. All these existing knowledge and competence will be further expanded to cater for the growing demands of life sciences in the post-pandemic era.

The Group has been developing 12 technology applications in its competence and knowledge model and individual specific technology application teams are being gradually established step by step in the following two to three years. In the first half year of 2020, five technology application teams have been established, namely Biopharma process and technology, Containment technology, Cleanroom/HVAC/EMS/BMS, Filling, freeze-drying and inspection, and Biosafety technology and facilities. Regular workshops were held for the purpose of better unification of technology capabilities of individual product lines into comprehensive technology solutions.

The Group is in preparation of undergoing a restructuring of all its services scattered in the different product lines into a harmonised portfolio of services. As a growth point for future business, serious actions have been taken, and together with key service business staff on board, the ultimate target is to achieve service professionalism, wider differentiation from the competitors, better unification of scattered services with customised service plan and more efficient communications between customers and the Group.

6. EVENTS AFTER 31 DECEMBER 2019, BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

- (1) As disclosed in the announcement of the Company dated 6 May 2020, 上海奧星製藥技術裝備有限公司 (Shanghai Austar Pharmaceutical Technology Equipment Co., Ltd.*) (“**Shanghai Austar**”), an indirect wholly-owned subsidiary of the Company, entered into a relocation compensation agreement with 松江區永豐街道都市產業園區管委會 (Songjiang District Yongfeng Street Urban Industrial Park Management Committee*) pursuant to which Shanghai Austar shall receive an aggregate sum of RMB92,324,760 as relocation compensation for the parcel of land situated in Songjiang, Shanghai, the PRC with a site area of an aggregate site area of approximately 33,300 sq. m. together with the buildings constructed thereon, which were owned by Shanghai Austar and used as production plants, offices and other facilities of the Group.
- (2) As disclosed in the announcements of the Company dated 23 October 2020 and 30 October 2020, Shanghai Austar entered into a construction agreement with 南通四建集團有限公司 (Nantong Sijian Group Company Ltd.*) (“**Contractor**”) pursuant to which Shanghai Austar agreed to engage the Contractor as main contractor for the provision of construction services for new production plants, offices and other facilities of the Group of an aggregate gross floor area of approximately 31,200 sq. m. to be constructed on a parcel of land situated in Songjiang, Shanghai, the PRC with an aggregate site area of approximately 24,200 sq. m..

* For identification purposes only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information regarding the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTEREST

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares or underlying Shares (Note 1)	Approximate percentage of interest in the Company
Mr. Ho Kwok Keung, Mars (“Mr. Mars Ho”)	Interest of a controlled corporation	335,929,000 (Note 2)	65.54%
	Interest of spouse	3,750,000 (Note 3)	0.73%
Mr. Ho Kin Hung (“Mr. KH Ho”)	Interest of a controlled corporation	37,271,000 (Note 4)	7.27%

Notes:

1. The percentage shareholding in the Company is calculated by reference to the number of Shares in issue as at the Latest Practicable Date, that is, 512,582,000 Shares.
2. Such Shares were registered in the name of Standard Fortune Holdings Limited (“**SFH**”) which is wholly owned by Mr. Mars Ho. By virtue of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares held by SFH.
3. Such Shares were registered in the name of Honour Choice Ventures Limited (“**HCV**”) which is wholly owned by Madam Gu Xun (“**Madam Gu**”), the spouse of Mr. Mars Ho. By virtue of the SFO, Mr. Mars Ho is deemed to be interested in all the Shares in which Madam Gu is interested or deemed to be interested.
4. Such Shares were registered in the name of True Worth Global Limited (“**TWG**”) which is wholly owned by Mr. KH Ho. By virtue of the SFO, Mr. KH Ho is deemed to be interested in all the Shares held by TWG.

(b) Long positions in shares of associated corporation

Name of Director	Name of association corporation	Capacity/ Nature of interest	Number and class of shares in the associated corporation	Percentage of interest in the associated corporation
Mr. Mars Ho	SFH	Beneficial owner (<i>Note 1</i>)	1 ordinary share	100.00%

Note:

1. As at the Latest Practicable Date, SFH was the holding company of the Company and thus is an associated corporation of the Company. SFH is wholly owned by Mr. Mars Ho.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the following parties, other than the Directors or chief executives of the Company, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of interest in the Company (Note 1)
Madam Gu	Interest of a controlled corporation	3,750,000 (Note 2)	0.73%
	Interest of spouse	335,929,000 (Note 3)	65.54%
SFH	Beneficial owner	335,929,000 (Note 4)	65.54%
TWG	Beneficial owner	37,271,000 (Note 5)	7.27%
Madam Cheung Chau Ping ("Madam Cheung")	Interest of spouse	37,271,000 (Note 5)	7.27%

Notes:

- The percentage shareholding in the Company is calculated by reference to the number of Shares in issue as at the Latest Practicable Date, that is, 512,582,000 Shares.
- Such Shares were registered in the name of HCV, a company wholly owned by Madam Gu. By virtue of the SFO, Madam Gu is deemed to be interested in all the Shares in which HCV is interested or deemed to be interested.
- Such Shares were registered in the name of SFH, a company wholly owned by Mr. Mars Ho. Madam Gu is the spouse of Mr. Mars Ho. By virtue of the SFO, Madam Gu is deemed to be interested in all the Shares in which Mr. Mars Ho is interested or deemed to be interested.
- SFH is wholly owned by Mr. Mars Ho, an executive Director.
- Such Shares were registered in the name of TWG, a company wholly owned by Mr. KH Ho, an executive Director and the spouse of Madam Cheung. By virtue of the SFO, Madam Cheung is deemed to be interested in all the Shares in which Mr. KH Ho is interested or deemed to be interested.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors, there was no other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interest in any business which competes or may compete with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. INTERESTS IN CONTRACT OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which was significant in relation to the business of the Group, nor had any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

- (a) (i) the investment agreement dated 3 July 2019 entered into by and among Austar Biosciences GmbH, an indirect wholly-owned subsidiary of the Company, H+E GmbH, H+E Holding GmbH and Aquarion AG, in relation to the formation of a joint venture in Germany (“**Germany JV**”); (ii) the engineering framework agreement dated 3 July 2019 entered into by and between H+E GmbH and the Germany JV in respect of the provision of the engineering services to the Germany JV; and (iii) the pre-assembly and the assembly services framework agreement dated 3 July 2019 entered into by and between S-Tec GmbH and H+E GmbH for the provision the pre-assembly and assembly services to H+E GmbH, further details of which are set out in the announcements of the Company dated 3 July 2019 and 5 July 2019;
- (b) 上海市城市非居住房屋拆遷補償安置協議 (Shanghai Urban Non-residential Buildings Relocation Compensation Settlement Agreement*) dated 6 May 2020 entered into by and between the 松江區永豐街道都市產業園區管委會 (Songjiang District Yongfeng Street Urban Industrial Park Management Committee*) and Shanghai Austar, in respect of a relocation compensation in an aggregate of RMB92,324,760 to be received by Shanghai Austar, further details of which are set out in the announcement of the Company dated 6 May 2020;
- (c) the general construction agreement dated 23 October 2020 entered into by and between Shanghai Austar and a contractor, namely 南通四建集團有限公司 (Nantong Sijian Group Company Ltd.*), pursuant to which the Group agreed to engage the contractor for the provision of construction services on a land situated in Songjiang, Shanghai, the PRC, further details of which are set out in the announcements of the Company dated 23 October 2020 and 30 October 2020; and
- (d) the SP Agreement.

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9. CORPORATE INFORMATION OF THE COMPANY

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Workshop 6 on 1/F. New Trade Plaza No. 6 On Ping Street, Shatin New Territories Hong Kong
Principal share registrar and transfer agent	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Madam Chan Pui Shan, Bessie <i>ACG, ACS</i>

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the principal place of business of the Company in Hong Kong at Workshop 6 on 1/F., New Trade Plaza, No. 6 On Ping Street, Shatin, New Territories, Hong Kong from the date of this circular up to and including 13 April 2021:

- (a) the memorandum and the articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2019;
- (c) the material contracts referred to in the paragraph headed "Material contracts" of this Appendix; and
- (d) this circular.