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AUSTAR

奥星

Austar Lifesciences Limited

奥星生命科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6118)

**DISCLOSEABLE TRANSACTION -
CONSTRUCTION AGREEMENT
FOR THE NEW SONGJIANG FACILITY**

On 23 October 2020, Shanghai Austar, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with the Contractor pursuant to which Shanghai Austar agreed to engage the Contractor as main contractor for the provision of construction services for the New Songjiang Facility on the Land at an aggregate Consideration of RMB113,660,000.

The New Songjiang Facility will take the place of the Group's facilities on the Existing Songjiang Land and Facility and will also combine with the development plan of the Songjiang Production Centre to allow the Group to cope with its expanding business and capture future opportunities.

As the highest applicable percentage ratio as defined in the Listing Rules in respect of the transactions contemplated under the Construction Agreement exceeds 5% but is less than 25%, the transactions contemplated under the Construction Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

On 23 October 2020, Shanghai Austar, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with the Contractor pursuant to which Shanghai Austar agreed to engage the Contractor as main contractor for the provision of construction services for the New Songjiang Facility on the Land at an aggregate Consideration of RMB113,660,000.

Further particulars of the Construction Agreement are set out below.

THE CONSTRUCTION AGREEMENT

Date : 23 October 2020

Parties : (1) Shanghai Astar, an indirect wholly-owned subsidiary of the Company which is principally engaged in the provision of integrated engineering solutions and pharmaceutical equipment manufacturing; and

(2) the Contractor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the principal business of the Contractor is building construction, and each of the Contractor and its ultimate beneficial owner(s) is an Independent Third Party.

Subject matter : Shanghai Astar agreed to engage the Contractor as main contractor for the provision of, and the Contractor agreed to provide to Shanghai Astar, construction services including, among other things, civil engineering and installation of public works and building intelligent systems and other facilities, for the construction of the New Songjiang Facility on the Land.

Construction period : The construction works is expected to commence on 31 October 2020 (subject to the actual commencement date as stated in the notice of commencement of construction to be issued upon instructions from Shanghai Astar) for an estimated period of 315 days and expected to complete by not later than 12 September 2021 subject to the actual commencement date and other terms of the Construction Agreement.

Consideration : RMB113,660,000 (inclusive of 9% value-added tax) and shall be settled as follows:

(1) as to 10% of the Consideration shall be paid as prepayment within 10 business days after the provision of the Performance Bond by the Contractor to Shanghai Astar;

- (2) by instalments of part of the Consideration (or any adjustment thereof) shall be paid upon certain milestones of the construction works having been attained such that up to 95% of the Consideration (or any adjustment thereof) will have been paid within 10 business days upon Shanghai Austar's confirmation of the project settlement audit after completion of the construction works; and
- (3) as to 5% of the Consideration (or any adjustment thereof) shall be withheld as retention money which shall be released within 20 business days of the second anniversary of completion inspection of all construction works and expiry of the quality assurance period upon application by the Contractor.

The Consideration was arrived at from a tender process whereby invitation to bid for the construction of the New Songjiang Facility took place and the tender submitted by the Contractor was considered the most appropriate after taking into account the tender price and payment terms, as well as the Contractor's qualifications, experiences, capacity and background. Accordingly, the Directors consider that the Consideration is fair and reasonable. The Consideration will be funded by a portion of the IPO Net Proceeds which was allocated for the purpose of the development of the Songjiang Production Centre and also by the internal resources of the Group and/or bank financing.

Performance Bond : The Contractor shall procure the Performance Bond in the form of a bank guarantee of an amount of RMB22,732,000, representing 20% of the Consideration, to be delivered to Shanghai Austar after the signing of the Construction Agreement to secure the Contractor's due performance of its obligations under the Construction Agreement. The Performance Bond shall be effective until the acceptance of completion of all construction works under the Construction Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

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.

As disclosed in the announcement of the Company dated 6 May 2020, the Group has entered into a relocation compensation agreement with the government authority to surrender the Existing Songjiang Land and Facility, and the Group has also acquired the Land, a new parcel of land located also in the Songjiang area, for the construction, relocation and expansion of the facilities.

The entering into of the Construction Agreement represents the commencement of the construction of the New Songjiang Facilities on the Land, located in Songjiang, Shanghai, the PRC, of an aggregate gross floor area of approximately 31,200 sq. m. The construction of the New Songjiang Facilities is for both the relocation of the facilities from the Existing Songjiang Land and Facility and new facilities to accommodate for the expansion of the Group's business. At the same time, the New Songjiang Facilities will also combine with the development plan of the Songjiang Production Centre together. The New Songjiang Facilities will facilitate enhancement to the production processes of the Group which is in line with the long term goal of expanding capabilities of the Group and allow the Group to cope with its expanding business and capture future opportunities.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Construction Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio as defined in the Listing Rules in respect of the transactions contemplated under the Construction Agreement exceeds 5% but is less than 25%, the transactions contemplated under the Construction Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration of RMB113,660,000 payable by Shanghai Austar to the Contractor under the Construction Agreement
“Construction Agreement”	the general construction agreement dated 23 October 2020 entered into between Shanghai Austar and the Contractor in relation to the construction of the New Songjiang Facility
“Contractor”	南通四建集團有限公司 (Nantong Sijian Group Company Ltd.*), a company incorporated in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Existing Songjiang Land and Facility”	the existing production plants, offices and other facilities of the Group located in Songjiang, Shanghai, the PRC with an aggregate site area of approximately 33,300 sq. m. with the buildings constructed thereon of an aggregate gross floor area of approximately 3,700 sq. m.
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	a party independent of the Company and the connected persons of the Company
“IPO Net Proceeds”	the net proceeds received by the Company from its initial public offering on the Stock Exchange on 7 November 2014
“Land”	a parcel of land situated in Songjiang, Shanghai, the PRC with an aggregate site area of approximately 24,200 sq. m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Songjiang Facility”	the 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 the Land under the Construction Agreement
“Performance Bond”	a performance bond in the form of a bank guarantee in an amount of RMB22,732,000, representing 20% of the Consideration, to be provided to Shanghai Astar for the purpose of securing the Contractor’s obligations and liabilities under the Construction Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Astar”	上海奧星製藥技術裝備有限公司 (Shanghai Astar Pharmaceutical Technology Equipment Co., Ltd.*), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Songjiang Production Centre”	the new production centre to be constructed by the Group in Songjiang, Shanghai, the PRC, further details are set out in the section headed “Business – Business Strategies – To establish R&D centre and consolidate production workshops” in the prospectus of the Company dated 28 October 2014
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 23 October 2020

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

** For identification purpose only*