Yes!Star

YESTAR INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2393

Annual Report 2013

Yes!Star

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hartono James *(Chairman)*
Ms. Wang Ying
(appointed on 22 Feb 2013)
Mr. Chan To Keung
Ms. Wang Hong (*Chief Financial Officer*)
Ms. Zhang Qi
Ms. Heng Yinmei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming
(appointed on 18 September 2013)
Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
(appointed on 18 September 2013)
Mr. Sutikno Liky
(appointed on 18 September 2013)

AUDIT COMMITTEE

Dr. Hu Yiming *(Chairman)*
Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
Mr. Sutikno Liky

NOMINATION COMMITTEE

Mr. Sutikno Liky *(Chairman)*
Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
Dr. Hu Yiming

REMUNERATION COMMITTEE

Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
(Chairman)
Dr. Hu Yiming
Mr. Sutikno Liky

COMPANY SECRETARY

Mr. Koo Cheuk On Timmie

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Koo Cheuk On Timmie

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants
22/F, Citic Tower
1 Tim Mei Avenue
Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2403, Tung Wai Commercial Building
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Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN SHANGHAI

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Min Hang District
Shanghai
PRC

LEGAL ADVISERS

As to PRC law
Jin Mao P.R.C. Lawyers
19/F, Sail Tower
266 Han Kou Road
Shanghai 200001
PRC

As to Cayman Islands law
Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

COMPLIANCE ADVISER

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Shanghai Tianyaoqiao Road Sub-branch
Bank of China Gaoxin Sub-branch
Guangxi Beibu Gulf Bank Gaoxin Sub-branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan 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
26/F, Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong
(with effect from
31 March 2014
to be relocated to
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong)

STOCK CODE

2393

COMPANY'S WEBSITE

http://www.yestarcorp.com

CHAIRMAN'S STATEMENT

Mr. Hartono James
Chairman

Dear valued shareholders,

On behalf of the board of directors (the "Board") of Yestar International Holdings Company Limited (the "Company" or "Yestar", and, together with its subsidiaries, the "Group"), I am pleased to present the first annual report of the Group as a listed company for the year ended 31 December 2013 (the "Year").

2013 was a truly remarkable year for Yestar. Firstly, our shares were successfully listed on the mainboard of the Hong Kong Stock Exchange Limited on 11 October 2013. This laid a solid capital platform for our long-term development as well as enhanced our corporate image in the international market. Secondly, we have once again delivered outstanding results for the Year. Driven by the strong performances of our core businesses, namely medical imaging, and color photographic paper businesses, revenue for the Year increased by 22.8% year-on-year to approximately RMB1,173.3 million. The net profit increased substantially by 12.6% to approximately RMB65.3 million after taking the one-off listing expenses of RMB15.5 million incurred during the year into account. To extend our deepest gratitude on the continuous support of our shareholders, the Board has proposed a final dividend of HKD8.9 cents per ordinary share for the year ended 31 December 2013.

We have established ourselves as a leading player in the imaging consumable industry in the People's Republic of China (the "PRC"). This was made possible thanks to our extensive sales and distribution network, covering 18 major cities in the PRC. Such extensive channel allows us to reach out to local distributors, providing effective aftersales services, and to implement customized marketing strategies for different regions in the PRC. Our sales networks, together with our cost-competitive processing platform, have successfully facilitated Fujifilm to penetrate the PRC market. Currently, Fujifilm color photographic paper has over 35% of market share.

Plant in Guangxi

Our capability on effective market penetration and ability to deliver quality products at competitive prices have earned us the trustworthy and long-standing business relationship with Fujifilm and further extended our presence to the medical imaging business. In 2010, we have successfully tapped into the medical consumable market by processing medical film for Fujifilm, which has contributed significantly since then and now it accounted for 40.4% of our business. Leverage on the technical know-how, we started manufacturing and selling dental films under our house brand "Yes!Star". With our current presence, we are at a good position to further explore the business opportunities in the PRC's medical industry.

As one the world's most populated countries with a population of 1.3 billion, the healthcare industry in the PRC is huge. According to the statistics of Frost & Sullivan, total healthcare expenditure in the PRC will grow at a CAGR of 17.8% from 2012 to 2016. This would reach US$668.1 billion in value by 2016. Of which, medical device is amongst the most lucrative markets in the industry. As stated in the "Twelfth Five-Year Plan", the central government aims to create a solid platform that ensures quality healthcare services to every citizen by 2020. And one of the most important steps is to construct more hospitals, healthcare centers and clinics in order to improve the basic infrastructure and their accessibility. This will inevitably lead to a sharp rise in the spending on medical devices, and fuelling the medical device industry to grow vigorously in the PRC.

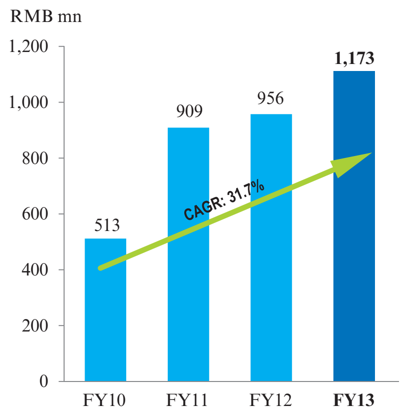
Our long-term goal is to become a leading player in the PRC's medical industry. With such target in mind, we plan to further develop the medical consumable business and venture into the medical device industry. This would allow us to move further on the value chain, and in the process creating synergy with our medical imaging business. Based on the target's sales network and manufacturing capability, we are prepared to evaluate any potential merger and acquisition projects that may arise in our course of business. In addition, we will actively seek strategic collaboration with Fujifilm in order to co-develop the medical device and consumable business. Utilizing Fujifilm's technological advantages in the medical device industry, together with our expertise in the PRC market, we are in a favorable position to reach our long-term goal. Our house brand "Yes!Star is currently under the development stage. With an aim to build "Yes!Star" to be a leading brand in the medical consumable industry, we plan to introduce new product lines and enhance marketing efforts. We believe that the "Yes!Star" brand will soon become a prominent player in the medical industry. All these endeavors and efforts will pave our way to become a leading player in the PRC's medical industry, and in turn delivering sustainable growth to Yestar.

APPRECIATION

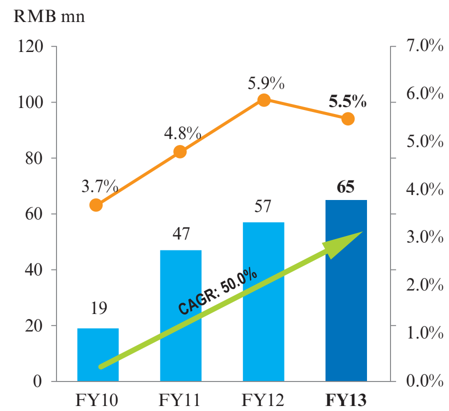
I would like to express my greatest gratitude to our shareholders, customers and business partners for their continuous support. I would also like to extend my sincere thanks to our fellow directors for their guidance and insight, and our staff for their dedication and support. Together, we will achieve greater success in the upcoming year.

FINANCIAL HIGHLIGHTS 2013

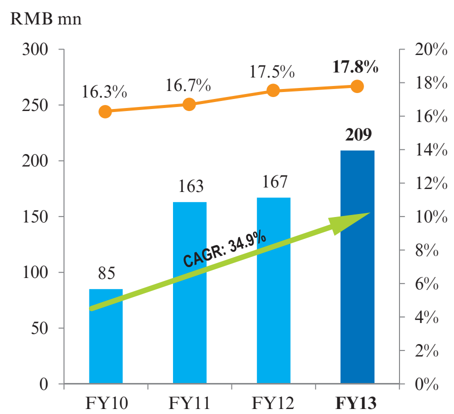
Revenue



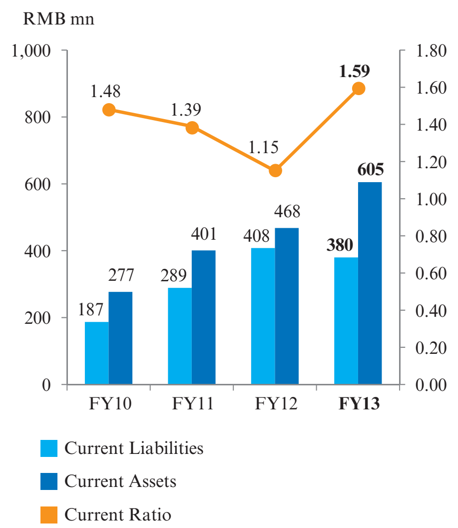
Net Profit and Net Margin



Gross Profit and Gross Margin



Balance Sheet Summary



BUSINESS REVIEW

The Group is one of the leading providers of color photographic paper in the PRC and a provider of a broad range of imaging products in the PRC, principally engaging in the processing, marketing, sales and distribution of various Fujifilm imaging products, namely color photographic paper products, medical imaging products, and industrial imaging products. Leverage on the technology know-how and the sales network, the Group also manufactures and sales dental films and industrial NDT (non-destructive testing) x-ray films under our house brand "Yes!Star".

Sales and distribution network

The Group has a well-established sales and distribution network with 18 sales offices covering major cities across the PRC. Such extensive channel allows us to reach out to local distributors, providing effective aftersales services and to implement customized marketing strategies for different regions in the PRC.

Long-standing and mutually beneficial relationship with Fujifilm

The family of the Group's founder and Chairman Mr. James Hartono has established long-standing and trustworthy business relationship with Fujifilm since 1971. Over the 43 years, the Hartono family and Fujifilm has jointly developed the imaging consumable markets in Indonesia, Cambodia, Vietnam and India. Since 2001, the Group has joint hands with Fujifilm to co-develop the imaging consumable market in the PRC. Such collaboration has successfully facilitated the penetration of Fujifilm products in the PRC's imaging consumable market.

Results

For the year ended 31 December 2013, ("the Year"), the Group registered outstanding performance. Capturing the strong growth in the medical film business, and the increasing demand in professional color photographic paper, revenue for the Year surged by 22.8% to RMB1,173.3 million as compared with RMB955.8 million in 2012. Gross profit for the Year increased by 25.2% year-on-year to RMB209.4 million (2012: RMB167.3 million). Gross profit margin maintained at a stable level of 17.8% (2012: 17.5%). Profit attributable to owners of the parent grew by 15.1% year-on-year to RMB 65.1 million. Due to the one-off listing expenses of RMB15.5 million incurred during the Year, net profit margin decreased slightly by 0.5 percentage points to 5.6% (2012: 6.1%). Earnings per share for the Year was RMB0.18 (2012: RMB0.17). The Board recommends a payment of a final dividend of HKD8.9 cents (equivalent to RMB7.0 cents) per share.

COLOR PHOTOGRAPHIC PAPER BUSINESS — ACCOUNTS FOR 45.2% OF OVERALL REVENUE

The Group is the sole processor and exclusive distributor of Fujifilm color photographic paper in the PRC. The Group processes, markets, sales and distributes, and provides after-sales support for Fujifilm professional and minilab color photographic papers in the PRC.

In the recent years, the color photographic paper industry in the PRC has seen strong demand from the professional color photographic papers. This is attributed to the continual growth in disposable income in the PRC. With the desire to capture unforgettable moments such as wedding, graduation, family gathering and every growing step of a baby, this affluent population are increasingly willing to spend on lifestyle products, such as professional photography. The bloom in the professional photography business has translated into the strong demand of professional color photographic papers. With our extensive sales network in the PRC and the strong recognition of the Fujifilm brand, the Group has successfully capitalized this growth.

In 2013, revenue contributed by the color photographic paper business decreased by 11.5% year-on-year to RMB530.6 million. A short-term supply disruption due to market consolidation has led to the stock up on Fujifilm products in 2012. This has resulted in an unusually high revenue base for the Group in 2012. Professional photographic papers overtook minilab photographic papers in the Year to be the major revenue contributor to this segment. The revenue generated from the professional photographic paper increased by 9.2% to RMB295.1 million, accounted for 55.6% of the segment revenue.

The overall gross profit margin for the color photographic paper business also saw significant improvement as the brand influence of Fujifilm color photographic paper in the PRC market has given the Group pricing power to increase the average selling prices of both professional and minilab color photographic paper during the year. As such, the gross profit margin of the color photographic paper business increased from 19.4% in 2012 to 22.5% in 2013, representing an encouraging growth of 3.1 percentage points.

Revenue breakdown of core products

For the year ended 31 December	2012 RMB'000	2013 RMB'000	Year-on-year change
Professional color photographic paper	270,285	295,071	+9.2%
Minilab color photographic paper	329,186	235,568	-28.4%
Total	**599,471**	**530,639**	**-11.5%**

Gross profit margins of core products

For the year ended 31 December	2012	2013	Year-on-year change
Professional color photographic paper	21.6%	24.1%	+2.5%
Minilab color photographic paper	17.6%	20.5%	+2.9%
Overall	**19.4%**	**22.5%**	**+3.1%**

MEDICAL IMAGING BUSINESS — ACCOUNTED FOR 40.4 % OF OVERALL REVENUE

Currently, the Group is the sole processer of Fujifilm medical film in the PRC. With the established processing capability, the Group also engages in processing, marketing and selling dental film products under our house brand "Yes!Star".

Chinese has become more and more health conscious, and that partly was supported by the increase in disposable income and living standards. The awareness for health has seen the newly acquired habit to go through routine body checks and preventive diagnosis. As a consumable used in primary diagnostic procedure such as X-ray, Computed Tomography (CT-scans) and Magnetic Resonance Imaging (MRI), medical film demand has since been rising rapidly.

For the year ended 31 December 2013, the medical imaging business recorded outstanding performance with revenue increased by 60.9% year-on-year to RMB474.3 million. In particular, medical film experienced substantial growth with revenue increased by 60.6% year-on-year to RMB470.8 million, accounting for 99.3% of the segment revenue. The revenue of dental film on the other hands, increased by 127.7% to RMB3.5 million.

The overall gross profit margin of the medical imaging business increased by 0.2% from 13.5% in 2012 to 13.7% in 2013, which was mainly attributable to the enhancement in operating efficiency as production volume increased during the Year.

Revenue breakdown of core products

For the year ended 31 December	2012 RMB'000	2013 RMB'000	Year-on-year change
Medical film	293,171	470,829	+60.6%
Dental film	1,537	3,500	+127.7%
Total	**294,708**	**474,329**	**+60.9%**

Gross profit margin of core products

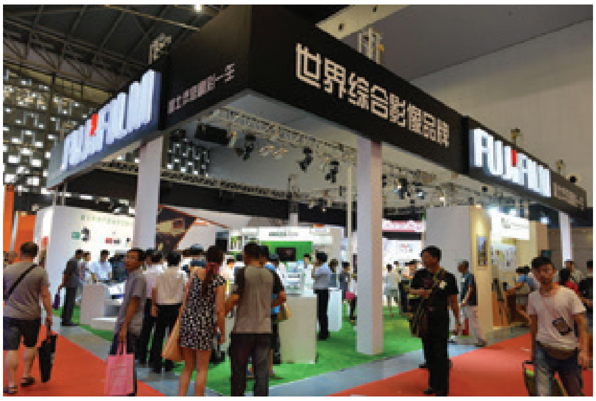
For the year ended 31 December	2012	2013	Year-on-year change
Medical film	13.3%	13.5%	+0.2%
Dental film	38.5%	35.0%	-3.5%
Overall	**13.5%**	**13.7%**	**+0.2%**

INDUSTRIAL IMAGING PRODUCTS — ACCOUNTED FOR 13.1% OF OVERALL REVENUE

The Group markets, sales and distributes Fujifilm NDT x-ray films, and processes Fujifilm PWB (printed wire board) films. Leveraging the technology know-how and distribution channels, the Group also engages in manufacturing, marketing and selling NDT x-ray film under house brand "Yes!Star". NDT x-ray film is widely used to detect metal defects, and major customers are industrial manufacturers in the automotive, aviation and the petro industries. PWB film is a soft electronic board used in almost all small electronic devices including smartphones and tablets. The major customers for this product are electronic devices manufacturers.

The revenue of the industrial imaging business rises from RMB36.4 million in 2012 to RMB154.1 million in 2013, representing an outstanding growth of 323.2%. NDT x-ray film and PWB film accounted for 27.4% and 72.6% of the segment revenue respectively.

BRAND MANAGEMENT



Color Photographic Paper Exhibition

Industrial Films Exhibition

In respect of the color photographic paper business, we held 15 promotion fairs for the full line of Fujifilm products and exchange forums for clients in the PRC during the Year. The products were widely admired for their outstanding quality, great value for money and the innovative mode of operation. Through such marketing campaigns and exchange sessions, the full line of Fujifilm products (including photographic paper, solvents, equipment, etc.) were promoted and we were able to strengthen our relationship with the customers. We achieved considerable success in terms of marketing results as the brand awareness of Fujifilm products among customers in the market was enhanced, and the overall image, market influence and appeal of Yes!Star as exclusive distributor of Fujifilm were reinforced.

We held 5 professional dental equipment exhibitions for Yes!Star dental films. This allowed us to introduce dental films under our own brand to potential customers and to keep abreast of the latest industry information, which gives us new ideas to develop the Yes!Star dental diagnostic product line.

For the promotion of Yes!Star industrial films, we participated in the exhibitions in Beijing and Shanghai in order to promote our brand and enhance our corporate image. We were able to increase our brand awareness within the industry and attract potential customers. In addition, to foster our relationship with major distributors of industrial films, we also organized an appreciation reception to discussed future development and cooperation plans.

HUMAN RESOURCES DEVELOPMENT

Organizational Leadership Development Summit

Corporate goal: To create a better life. Corporate mission: To prosper and to serve our community with excellent services from our top-notch team. Corporate culture: Water culture. Corporate value: Integrity, Appreciation, Innovation, Performance. The Company recognizes the importance of human resources and emphasizes on identifying and developing talents through management trainee programs, leadership development summits (Gold Plan) and various training programs.

Bringing in new blood is crucial to the Company's growth. By organizing management trainee programs, the Company aims at identifying, recruiting and fostering qualified candidates with strong overall management competence and high compatibility with the Company, and cultivating their loyalty towards the Company. The selected trainees will be trained and appraised, and the Company will hire suitable ones to become members of the elite management team.

The Company holds an organizational leadership summit, namely Gold Plan, every year. Not only does it offer a valuable opportunity to strengthen the cohesion of the staff, but it also serves as a forum for experience exchange, mutual learning and self-development. The 1-week summit has different themes for each year which give the outline of various trainings, development programs and exchanges.

A good career image represents the value of an organization. To strengthen the professionalism of the member of the management and to enable them to have a better understanding of business etiquette in daily business activities, which in turn enhance business success, the Company organized a training program named Enhancing Career Image and Business Etiquette. The program centers on boosting personal image and value and gives advices in various aspects such as business attire, career manners, business meetings, company visits, business dining and presentation skills. It also aims to improve the professionalism of the middle and senior management so as to better represent themselves and the Company.

Corporate Social Responsibility

Care for Staff and Value our People

Safeguarding our staff's interest is always the Company's top priority. By developing the competence of the staff and enhancing the cohesion among them, the Company can align the loyalty of the staff with the corporate mission. Besides implementing the social insurance system in strict compliance with the Labour Law, the Company also provides other benefits including donations to peasant workers.

Activities are organized regularly for staff, such as family days and annual gatherings, allowing the employees to socialize and experience the pleasure of being part of the "big family" and demonstrating the Company's recognition of human resources.

FAMILY DAY

The theme of the Family Day 2013 was "Appreciate, and share the love". Being a platform to share the corporate culture of "being environmental-friendly, caring, technologically-advanced and innovative", the Company intended to increase the sense of belongings and satisfaction of the staff. It was also an opportunity for the family of the staff to better understand the development of the Group and the corporate cohesion, thereby allowing the Company to win support of the staff and their family.

"Entering the New Era" is chosen as the theme of the 2014 annual gathering. Such theme is perfectly fit for the occasion as Yestar was successfully listed on the Hong Kong Stock Exchange in 2013.

Go Green — Protect the environment and save resources — is the Company's social responsibility

The Company vigorously boosts the utilization of resources and the recovery and treatment of waste. On the other hand, the Company follows its green principle by using various networked electronic devices and equipments to promote a paperless office. Other measures include using energy-saving office equipments, reducing solid waste and carbon dioxide emissions and minimizing radiation in the working environment. In March 2014, as a move to promote the importance of plants to the natural environment and raise the awareness about the sustainable development of the nature, the Company participated in a tree-planting campaign. By doing so, the Company strives to make contributions to building an environmental-friendly and energy-saving society, as well as to align its own interest with the social interest.

Philanthropy and Serving the Community

The Company is always committed to fulfill its social responsibility by repaying the community. In 2013, the Company made donations of HKD1 million to the Community Chest of Hong Kong, a charitable organization.

As at 31 December 2013, the Company had 719 employees. The Company acknowledges that there is a reciprocal relationship between the development of the corporation and the society. As such, it endeavors to facilitate the growth of the local economy and society with its business development, and regards promoting social harmony and economic prosperity as its social responsibility and commitment.

In 2014, the Company will continue to complement its development strategies with its social responsibility. It is dedicated to becoming a socially responsible enterprise while implementing its own business goals.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained a sound financial position during the year under review. As at 31 December 2013, the Group had a cash and bank balance of approximately RMB283.0 million, and its gearing ratio and current ratio were 34.25% and 1.59, respectively. Trade and bills receivables as at the end of the Year were RMB16.8 million, and inventory amounted to RMB272.7 million. The total interest-bearing loans of the Group as at 31 December 2013 was approximately RMB117.2 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by about 5.6% from RMB49.6 million for the year ended 31 December 2012 to RMB52.4 million for the year ended 31 December 2013, and accounted for about 5.2% and 4.5%, respectively, of the Group's revenue for the respective reporting periods.

Administrative Expenses

The Group's administrative expenses increased by about 53% from RMB41.1 million for the year ended 31 December 2012 to RMB62.9 million for the year ended 31 December 2013, and accounted for about 4.3% and 5.4%, respectively, of the Group's revenue for the respective reporting periods. This was mainly attributable to the listing expenses of RMB15.5 million and the increases in depreciation charge of property, plant and equipment and staff remuneration.

Finance Costs

The Group's finance costs increased by about 100%, from RMB2.9 million for the year ended 31 December 2012 to RMB5.8 million for the year ended 31 December 2013. This was mainly attributable to the increase in average interest-bearing loans during the reporting period.

For the year ended 31 December 2013, interest rates of the interest-bearing loans ranged from 3.3% to 7.5%, while those for the year ended 31 December 2012 ranged from 5.4% to 7.5%.

Foreign Exchange Exposure

Most of the revenue-generating operations of the Group were transacted in Chinese Yuan which is the presentation currency of the Group. For the year ended 31 December 2013, the Group was exposed to the foreign currency risk arising from the purchasing in US Dollars. The Group will monitor its foreign currency exposure closely.

Capital structure

The shares of the Company were listed on the Stock Exchange on 11 October 2013. On 1 November 2013, the over-allotment option was exercised fully and 16,875,000 shares were allotted and issued by the Company. Since then, there has been no change to the capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserves.

Information on employees

As at 31 December 2013, the Group had 719 (2012: 703) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB69.4 million for the year ended 31 December 2013 as compared to approximately RMB52.2 million for the year ended 31 December 2012. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. For the year ended 31 December 2013, bonus was paid to Directors by the Company. Other staff benefits include provision of welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance, central pension scheme as well as share options.

Significant investments held

Except for investment in subsidiaries during the year ended 31 December 2013, the Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments and capital assets

Save as disclosed in the Company's prospectus of the Company dated 27 September 2013, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 December 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges of assets

As at 31 December 2013, the Group did not have any charges on its assets (2012: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2013 (2012: Nil).

PROSPECTS

Color photographic paper business

The demand for professional color photographic papers will continue to grow, and this is driven by the increasingly popular artistic wedding photos and baby photos. This is made possible with the sharp increase in disposable income, and hence the uplift in living standards. The thinking that one set of wedding photo is enough is already outdated. New couples nowadays are taking numerous sets of photos over multiple locations, both within the PRC and abroad. All these valuable photos taken register their fond memories and hence certain to be printed and assembled into photo albums. This is why the demand for professional photographic paper is rising. At the other end, the Chinese government just relaxed the long standing 'One-Child Policy' finally in late 2013. It allows family to have a second baby if either one of the parents was the sole child in their respective families. It is estimated an additional 9.5 million babies would be given birth. This new population bloom will further drive the market of artistic baby photos, and in turn the demand for professional color photographic paper.

Given this promising market potential ahead, the Group will focus on marketing and reinforcing our sales force in 2014. Through the collaboration with professional photographer associations, the Group will initiate marketing campaigns targeting the end users such as professional photo processing labs and photo studios.

Such initiatives will further enhance the awareness of the Fujifilm brand and promote the use of professional photographic papers. Furthermore, the Group plans to expand the sales team by bringing in experienced personnel. All these strategies are necessary for the Group to capture greater market share and further strengthen our leading position in the market.

Medical film business

The PRC is facing an aging population. According to the PRC's Ministry of Civil Affairs, the population over the age of 65 will rise to 330 million by 2025, representing approximately 25% of the total population. Hence, the need for preventive and medical diagnostic screening will continue to grow, thereby driving the demand of medical film.

In view of this rapidly growing market demand, the Group plans to increase production capacity by means of adding work shifts. Such strategy allows us to easily adjust production capacity with the minimum capital expenditure. On top of that, the Group will continue to extend our collaboration with Fujifilm Group in the medical film business by launching new product lines. Leverage on our cost-effective processing platform and the growing market demand, the Group believes the medical film business will continue to bring us promising organic growth.

We plan to further develop the medical consumable business and venture into the medical device industry. This would allow us to move further on the value chain, and in the process creating synergy with our medical imaging business. Based on the target's sales network and manufacturing capability, we are prepared to evaluate any potential merger and acquisition projects that may arise in our course of business. In addition, we will actively seek strategic collaboration with Fujifilm in order to co-develop the medical device and consumable business.

Industrial imaging business

The rapid development of the Chinese economy has facilitated the boom in the application of the industrial NDT technology. The government also places a great deal of importance on the use of Chinese NDT technology in industrial production and has formulated various regulations that meet international standards. Characterized by its correctness, reliability, storability and traceability, X-ray detection is the most important way of NDT and is widely applied in critical tests. NDT has enormous market potential and is expecting a very promising future as the demand for facilities, devices and consumables required for X-ray testing in China has doubled, particularly in the manufacturing of vessels and pressure vessels, aeronautics and astronautics, nuclear and national defense sectors. Industrial film is one of the key consumables of X-ray testing and has an annual demand of millions square meters in China.

Yes!Star industrial films are cut with high precision out of the master rolls imported from Japan. They deliver better value for money and are more popular in the market as compared with similar products due to their high definition, large contrast, low granularity and reasonable prices. As Yes!Star offers a wide range of products which can sufficiently cater to every market need, its industrial films are well-received by all sectors of the manufacturing industry in China.

Front row: (middle) Mr. Hartono James, Chairman of the Board and executive Director; (left) Ms. Wang Ying, executive Director; (right) Ms. Wang Hong, executive Director and chief financial officer
Back row: (middle) Ms. Heng Yinmei, executive Director; (left) Ms. Zhang Qi, executive Director; (right) Mr. Chan To Keung, executive Director

EXECUTIVE DIRECTORS

Mr. Hartono James, aged 38, is our Chairman and chief executive officer.

He joined our management team since our establishment and is responsible for the overall strategic development of our business as well as implementing our strategic objectives and business plans and overseeing the management and operations of all members of our Group.

As Mr. Hartono has also been coordinating between the Directors as well as providing leadership to our Board, he occupies both the positions of chairman and chief executive officer of our Company. Mr. Hartono is the general manager as well as the legal representative of Yestar Shanghai and also a director of all members of our Group. Mr. Hartono is the brother of Ms. Jeane Hartono, Ms. Chen Chen Irene Hartono, and Mr. Rico Hartono, all being our Controlling Shareholders.

Mr. Hartono has over 12 years of experience in the distribution of image printing products in China. Since 2000, he has participated in his family business in the distribution of image printing products. He developed his expertise in the industry when he first became the vice general manager of Yestar Shanghai in 2000. Mr. Hartono was a director of Yesstar (Shanghai) International Trading Co., Ltd 迪星(上海)國際貿易有限公司 (engaged in international trading and import and export trading), Yesstar (Shanghai) Digital Imaging Co., Ltd 迪星(上海)數碼技術有限公司 (engaged in digital photo and minilab processing business) and Shanghai Super Star Digital Electronic Co. Ltd, (上海群星數碼電子有限公司) ("Shanghai Super Star") (engaged in sale and manufacturing of photo-printing equipment, digital camera and provision of after-sales services), all of which were established in the PRC and were deregistered in 2007 as the businesses were not profitable. Mr. Hartono was also one of the beneficial owners of Shanghai Super Star. Mr. Hartono was awarded the Honored citizenship from Nanning city in 2009. He graduated from Portland State University in Oregon, USA with a bachelor degree of science in marketing and finance in June 1997.

Ms. Wang Ying, aged 53, joined the Company in 2010 and is primarily responsible for formulating the sales strategies and product development of our business. She is also the chief executive officer of Yestar Shanghai.

Ms. Wang has over 29 years of experience in image industry. Prior to joining our Group, Ms. Wang had worked for the Processing Group from July 1984 to June 2010. During this period, she worked for certain members of the Processing Group as the project engineer, processing executive, head of quality control department, co-head of sales for processing plant, legal representative and general manager. She also worked for the Processing Group as the chief engineer and head of processing plant.

Ms. Wang was awarded the second prize in respect of her accomplishment on GK-II Medical x-ray Film by Economic Commission of Shanghai in April 1998. Ms. Wang was also awarded the second and the third prize in respect of her accomplishment on RL-II Laser Phototypesetting Film by Economic Commission of Shanghai in July 2003 and by the local government in Shanghai in December 2003, respectively.

Ms. Wang obtained a Bachelor degree in Fine Chemical Engineering Major in Photosensitive Material from East China University of Science and Technology (formerly known as 華東化工學院) in July 1984. She obtained a C.E.O. Associate certificate from British Federal Committee. She has been a committee member of Chinese Society for Imaging Science and Technology (中國感光學會) since 2001. She was a member of National Technical Committee on Light Industrial Machinery of Standardization Administration of the People's Republic of China (全國感光材料標準化技術委員會) from 2004 to 2009.

Mr. Chan To Keung, aged 54, has over 32 years of experience in the production of image printing products. Prior to joining our Group, Mr. Chan worked in Fuji Photo Products Co., Ltd, a wholly owned subsidiary of China-Hongkong Photo Products Holdings Limited which is listed on the Stock Exchange of Hong Kong (Stock Code: 1123) (engaging in distribution of Fujifilm products in Hong Kong and Macau), as senior manager in production, senior manager, manager, assistant manager, supervisor and technician in technical education center from 1977 to 2003.

Mr. Chan completed a three-year part-time evening certificate program specializing in electronics in 1982 held by the technical education and industrial training department of Hong Kong. He further obtained a business administration certificate in 2006 from the Open University of Hong Kong.

Ms. Wang Hong, aged 38, is our chief financial officer and joined the Company in January 2007 and is primarily responsible for overseeing our finance and accounting and financial planning. Ms. Wang is also the financial controller of Yestar Shanghai and a director of Yestar BVI and Yestar HK. Ms. Wang has over 10 years of experience in PRC financial accounting and auditing. Prior to joining our Group, Ms. Wang worked as an accountant for different companies for more than 5 years. Ms. Wang completed the computerized accounting full-time course in July 1997 held by Shanghai Shi Gong Xiao She Zhi Gong College (上海市供銷社職工大學).

Ms. Zhang Qi, aged 43, joined the Company in April 2007 and is primarily responsible for overseeing overall operation and logistics of our Group. Ms. Zhang is the vice general manager and a director of Yestar BVI, Yestar HK and Yestar Shanghai.

Ms. Zhang worked in our logistics department since April 2007. In May 2011, she was appointed as the vice general manager of Yestar Shanghai. Prior to joining our Group, Ms. Zhang worked as finance staff in Shanghai Super Star, a company which engaged in sales and manufacturing of photofinishing equipment, digital camera and provision of after-sales services. Mr. Hartono James was one of the beneficial owners of Shanghai Super Star. Shanghai Super Star was deregistered in January 2007.

Ms. Zhang completed a 2 years materials management course in July 1991 from the secondary vocational training school of East China Electricity Administrative Bureau (華東電力管理局職工中等專業學校).

Ms. Heng Yinmei, aged 48, joined the Company in April 2007 and is primarily responsible for our human resources management and business administrative function. Ms. Heng is the supervisor of Yestar Imaging, Yestar Medical and Yestar Technology.

Ms. Heng has over 17 years of experience in human resources management. Prior to joining our Group, Ms. Heng worked as human resources supervisor from 1995 to 2000 at Shanghai Ke Bao Precision Machinery Co., Ltd. (上海科寶八一精密機械有限公司) and worked as human resource manager from 1 April 2003 to 31 March 2007 at Shanghai Super Star, a company which engaged in sales and manufacturing of photofinishing equipment, digital camera and provision of after-sales service. Mr. Hartono was one of the beneficial owners of Shanghai Super Star. Shanghai Super Star was deregistered in January 2007.

Ms. Heng completed a 2 years English course in The Open University of China (formerly known as the China Central Radio and TV University (中央廣播電視大學) in July 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming, aged 49, joined the Company on 18 September 2013. She is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Dr. Hu has more than 20 years of experience in accounting. Dr. Hu has been a professor of accounting at the accounting department of the Antai College of Economics & Management and the Supervisor of the Company Financial Research Centre of Antai College of Economics & Management at the Shanghai Jiao Tong University, China since January 2005. She has been a committee member of the Professional (Finance and Accounting) Committee of the Chinese Accounting Society (中國會計學會專業委員會(金融會計)) since February 2008. Dr. Hu was a supervisor of Ph.D. students of the School of Accountancy from January 2002 to January 2005 at the Shanghai University of Finance and Economics, China, an associate professor of the MBA Centre of the School of Management at Xiamen University, China from September 1997 to September 1999, a lecturer of the Accounting Department at the Xiamen University, China from April 1991 to September 1997, and a research assistant in the Computer Centre at Xiamen University, China from September 1988 to April 1991. Dr. Hu is also a member of the Accounting Committee of the Asia Pacific Management Accounting Association (亞太管理會計指導委員會).

Dr. Hu obtained a Bachelor of Science degree in Chemistry from Xiamen University, PRC in 1985 and a Ph.D. degree in Management/Accounting from Xiamen University, PRC in 1998.

Dr. Hu was an independent non-executive director of International Mining Machinery Holdings Limited (stock code: 1683) ("IMMH"), which was delisted on the Stock Exchange in June 2012, between January 2010 and June 2012.

Mr. Karsono Tirtamarta (Kwee Yoe Chiang), aged 65, joined the Company on 18 September 2013. He is the chairman of our remuneration committee and a member of our audit committee and nomination committee.

Mr. Karsono has over 28 years of experience in automobile distributorship industry. Mr. Kwee was awarded as the Rotary-ASME Entrepreneur of the Year in 2006. He is the founder and executive chairman of the Eurokars Group, a private-held automobile distributorship which manages the distributionship of well-known marques in Singapore and Indonesia. Eurokars Group was conferred the third position in 2011 in the Enterprise 50 Award, which was jointly organized by The Business Times and KPMG, sponsored by OCBC Bank and supported by the Infocomm Development Authority of Singapore, International Enterprise Singapore, Singapore Business Federation and SPRING Singapore.

Mr. Sutikno Liky, aged 38, joined the Company on 18 September 2013. He is the chairman of our nomination committee and a member of our audit committee and remuneration committee.

Mr. Sutikno has over 9 years of experience in management and global supply chain services. He has been the chief operating officer of International Sources, Inc (USA) with responsibility to oversee its operation, primarily in Asia, since January 2004. He is also a legal representative and the chairman of the board of International Sources (Shanghai) Co., Ltd., overseeing its factories and joint ventures in the PRC. International Sources provides global supply chain services.

Mr. Sutikno obtained Bachelor degrees in Industrial Systems Engineering, Information Systems and Finance (his areas of concentration in Engineering were Manufacturing, Operation Research and Engineering Management) from The Ohio State University, Columbus, Ohio, the United States in June 1997.

SENIOR MANAGEMENT

Mr. Ho Tobing, aged 42, is the vice general manager of Yestar Shanghai. Mr. Ho has been the vice general manager of Yestar Shanghai since 2012 and is responsible for overseeing the operation of medical division. Mr. Ho has over 6 years of experience in the distribution of image printing products. He also worked in Yestar Shanghai as the regional manager, national sales general manager and chief operating officer during the period from 2003 to 2009.

Ms. Liao Changxiang, aged 39, is the general manager of Yestar Technology, Yestar Medical and Yestar Imaging. Ms. Liao joined us in 2007 and is primarily responsible for overseeing our finance, accounting and logistics of our operations in Guangxi.

Ms. Liao has over 13 years of experience in finance. Prior to joining our Group, Ms. Liao was the chief financial officer of Guangxi Runyu Business and Trade Group Corporation (廣西潤宇工貿集團有限公司) from January 2003 to May 2007 and from March 1999 to March 2002, worked in Nanning Yangda Tank Factory (南寧椂達水箱廠) which later merged with Nanning Eight Rhombus Motors Accessories Co., Ltd (南寧八菱汽車配件有限公司), a subsidiary of Nanning Baling Technology Co., Ltd (南寧八菱科技股份有限公司) (Stock Code: 002592), the shares of which are listed on the Shenzhen Stock Exchange.

Ms. Liao has been a senior accountant recognized by the Department of Human Resources and Social Security of Guang Xi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳) since December 2010. Ms. Liao obtained a Master of Business Administration from Guangxi University in June 2009.

Mr. Koo Cheuk On Timmie, aged 42, is the Company Secretary, and was appointed on 1 April 2012. Mr. Koo is the founder of Normsun Professional Services Group, a private business engaged in the provision of accounting, taxation advisory, company secretarial and management consultancy services, and has been a Certified Public Accountant (Practicing) since 2004. He worked in one of the big four international audit firms for nearly ten years with profound auditing experiences for various locally-listed companies and multinational groups from a wide range of industries.

Mr. Koo is a fellow of the Hong Kong Institute of Certified Public Accountants (FCPA (Practicing)), a fellow of the Association of Chartered Certified Accountants (UK) (FCCA), a fellow of the Taxation Institute of Hong Kong (FTIHK), an associate of the Institute of Chartered Accountants in England and Wales (ACA), a member of the Society of Chinese Accountants and Auditors (MSCA) and a Hong Kong Certified Tax Adviser (CTA). He graduated from the University of Hong Kong with a bachelor of business administration.

The directors of the Company (the "Directors") have pleasure in presenting their first annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 (the "Financial Statements") since the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited on 11 October 2013 (the "Listing Date").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in note 17 to the Financial Statements.

REORGANIZATION AND USE OF PROCEEDS

The Company was incorporated in the Cayman Islands with limited liability on 1 February 2012 as an exempted company and became the holding company of the companies now comprising the Group in 2013. The companies comprising our Group underwent a reorganization to rationalize our Group's structure in preparation for the Listing.

Details of the corporate reorganization and change in share capital of the Company are set out in the paragraph headed "Corporate reorganization" and "Changes in share capital of our Company" of Appendix IV "Statutory and General Information" to the prospectus of the Company dated 27 September 2013 (the "Prospectus") respectively.

The net proceeds of the Global Offering including net proceeds of the exercise of the over-allotment option received by the Company were approximately HKD130 million, after deduction of the underwriting fees and commission and expenses.

As at 31 December 2013, the net proceeds of the Global offering has not been applied and utilized.

These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds — Use of Proceeds" in the Prospectus. The Directors are not aware of material change to the planned use of proceeds as at the date of this report. Any net proceed that was not applied immediately have been placed on the short-term interest bearing deposits with authorized financial institutions in Hong Kong as at the date of this report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group at 31 December 2013 are set out in the Financial Statements on pages 35 to 95.

The Directors recommends the payment of a final dividend of HKD8.9 cents (equivalent to RMB7.0 cents) per share for the year ended 31 December 2013 (2012: Nil) to all shareholders whose names appear on the register of members of the Company on 26 May 2014. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on or about 6 June 2014.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 96. This summary does not form part of the audited Financial Statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 29 to the Financial Statements.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in note 30 to the Financial Statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB85.3 million (2012: RMB: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 63.36% of the total sales for the year and sales to the largest customer included therein amounted to approximately 49.83%. Purchases from the Group's five largest suppliers accounted for approximately 93.75% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 52.77%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the year amounted to HKD1 million.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

Details of movements in property, plant and equipment and prepaid land lease premium during the year are set out in notes 14 and 15 to the Financial Statements.

INTEREST-BEARING LOANS

Particulars of interest-bearing loans of the Group as at the balance sheet date are set out in note 26 to the Financial Statements. As at 31 December 2013, the Group did not have any charges on its assets (31 December 2012: Nil).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33 to the Financial Statements, no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company who held office during the year and up to the date of this report are:

Executive Directors:

Mr. Hartono James *(Chairman)*
Ms. Wang Ying (appointed on 22 Feb 2013)
Mr. Chan To Keung
Ms. Wang Hong *(Chief Financial Officer)*
Ms. Zhang Qi
Ms. Heng Yinmei

Independent Non-Executive Directors:

Dr. Hu Yiming (appointed on 18 September 2013)
Mr. Karsono Tirtamarta (Kwee Yoe Chiang) (appointed on 18 September 2013)
Mr. Sutikno Liky (appointed on 18 September 2013)

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 11 October 2013, the Listing Date, which shall be terminated at any time by giving to the other not less than 3 months' written notice, subject to retirement by rotation and re-election at annual general meeting.

Each of the independent non-executive Directors has executed a letter of appointment with the Company for a term of three years commencing from 11 October 2013, the Listing Date unless otherwise terminated in accordance with the terms of the letter of appointment, subject to retirement by rotation and re-election at annual general meeting.

In accordance with the Article 83(3) of Company's Articles of Association, Ms. Wang Ying, Dr. Hu Yiming, Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky, all were appointed by the Board as an addition to the existing Board in 2013, shall retire from office at the AGM.

In accordance with the Article 84(1) of Company's Articles of Association, at each AGM one-third of the Directors for the time being shall retire from office by rotation. Accordingly, Ms. Zhang Qi and Ms. Heng Yinmei shall retire from office at the AGM.

All retiring Directors shall eligible offer themselves for re-election at the AGM.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

NON-COMPETE UNDERTAKING

At the time of Listing, each of Ms. Jeane Hartono, Mr. James Hartono, Mr. Rico Hartono and Ms. Chen Chen Irene Hartono (the "Controlling Shareholders") gave a non-competition undertaking in favour of the Company, pursuant to which each of the Controlling Shareholders undertakes and covenants with the Company that he/she will not, and will procure that none of his/her associates shall directly or indirectly, either on his/her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any right or interest in or render any services to or otherwise be involved in any business directly or indirectly in competition with, or likely to be in competition with, the image-printing business and the medical imaging business carried out by the Group in the PRC.

Details of the non-competition undertaking have been set out in the section headed "Relationship with our Controlling Shareholders — Non-competition undertaking" in the Prospectus.

The non-competition undertaking has become effective from the Listing Date.

The Company has received the confirmation from each of the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking from the Listing Date to the date of this report.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms from the Listing Date up to the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors and Senior Management on pages 15 to 18 of this annual report.

CONNECTED TRANSACTIONS

The Company has not entered into any connected transactions to be disclosed under the Listing Rules during the year.

SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all the shareholders of the Company on 18 September 2013, the Company has conditionally adopted the Share Option Scheme.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as our Board may approve from time to time.

Participants under the Share Option Scheme include the following:

2.1 any director, chief executive or employee (whether full-time or part-time) of each member of our Group;

2.2 any discretionary objects of a discretionary trust established by any director, chief executive or employee (whether full time or part time) of each member of our Group;

2.3 a company beneficially owned by any director, chief executive or employee (whether full time or part time) of each member of our Group;

2.4 any consultant, professional and other adviser to each member of our Group (including their employees, partners, directors or executives or any persons, firms or companies proposed to be appointed for providing such services); and

2.5 any director, chief executive or employee (whether full-time or part-time) of Capital Group Pte. Ltd. and its subsidiaries from time to time.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix IV to the Prospectus. The principal terms of the Share Option Scheme are summarized as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 18 September 2013 and will remain in force until 17 September 2023. The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme and their terms of issue.

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a Business Day;

(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(c) the nominal value of a Share.

Upon acceptance of the options, the grantee shall pay HKD1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than ten years commencing on the date of grant and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

An offer shall be deemed to have been accepted by the Grantee and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the offer duly signed by the grantee together with a remittance in favor of our Company of HKD1.0 by way of consideration for the granting thereof is received by our Company within the acceptance period as specified in the offer letter, and the option to which the offer relates shall be deemed to have been granted on the offer date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 45,000,000 shares, being 10% of the total number of Shares in issue immediately following completion of the Global Offering but without taking into account any Shares to be issued upon exercise of the over-allotment option, unless the Company obtains an approval from our shareholders in general meeting for refreshing the 10% limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Any further grant of options in excess of this 1% limit must be separately approved by the shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

At 31 December 2013, no option has been granted by the Company to subscribe for shares of the Company.

Apart from the aforesaid Share Option Schemes, at no time during the year ended 31 December 2013 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were 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 any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in ordinary shares

Name of directors	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued share capital
James Hartono	66,352,500	—	—	66,352,500	—	66,352,500	14.21%

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were 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 were taken or deemed to have 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 Listing Rules relating to the required standard of dealings by the directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at the date of this report, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal valve of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Jeane Hartono	Beneficial owner	169,222,500	36.25%
James Hartono	Beneficial owner	66,352,500	14.21%
Rico Hartono	Beneficial owner	66,352,500	14.21%
Chen Chen Irene Hartono	Beneficial owner	29,868,750	6.40%

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' Interests and/or Short Positions in Shares and Underlying Shares of the Company" above, at 31 December 2013, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

COMPETITION AND CONFLICT OF INTERESTS

During the year, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period from the Listing Date to 31 December 2013 (the "Review Period"), the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the Listing Rules since its listing on 11 October 2013 and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 26 to 32 in this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 May 2014 to 15 May 2014 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the Annual General Meeting of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12 May 2014.

In addition, the Board has resolved to recommend the payment of a final dividend of HKD8.9 cents (equivalent to RMB7.0 cents) per share to members whose names appear on the Register of Members of the Company on 26 May 2014. The Register of Members of the Company will also be closed from 23 May 2014 to 26 May 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, subject to approval at the Annual General Meeting of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22 May 2014.

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs. Ernst & Young, is to be proposed at the forthcoming general meeting.

By order of the Board
Yestar International Holdings Company Limited

James Hartono
Chairman, CEO and Executive Director

10 March 2014

CORPORATE GOVERNANCE PRACTICES

During the Review Period, the Directors consider that the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code"), save for the following:

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by Mr. Hartono James. The Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

Under Code Provision A.2.7 of the CG Code, the Chairman should at least annually hold meeting with the non-executive directors (including independent non-executive directors) without the executive directors present. The Chairman did not hold any meeting with independent non-executive directors during the Review Period as the Company was listed on the Stock Exchange on 11 October 2013. The Chairman intends to hold at least one meeting per year with non-executive directors (including independent non-executive directors) without the executive directors present.

Under Code Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. Since the Company was listed on the Stock Exchange on 11 October 2013 and each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment. The Company did not arrange any training to the Board members during the Review Period. From 2014 onwards, the Company will invite professionals to provide trainings or briefing to the Directors from time to time to refresh their knowledge and skills.

THE BOARD OF DIRECTORS

The Board provides leadership, guidance and strategic decisions to the Group's activities and oversees its financial performances. The Board has delegated its powers to the management for the Group's daily management and operations.

Composition and Responsibilities

Throughout the Review Period and subsequently up to the date of the annual report, the Board comprises nine directors ("Directors"), of which six are executive Directors, and three are independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:

Mr. Hartono James
(Chairman & Chief Executive Officer)
Ms. Wang Ying
Mr. Chan To Keung
Ms. Wang Hong *(Chief Financial Officer)*
Ms. Zhang Qi
Ms. Heng Yinmei

Independent Non-executive Directors:

Dr. Hu Yiming
Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
Mr. Sutikno Liky

The biographical details and responsibilities of the Directors as well as the senior management are set out in the section "Biographical Details of the Directors and Senior Management" on pages 15 to 18 of this annual report.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" of this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The Executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The independent non-executive Directors contribute valuable views and proposals for the Board's deliberation and decisions.

The Company has throughout the Review Period met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the Review Period, the independent non-executive Directors represent at least one-third of the Board.

Prior to their respective appointment, each of the Independent Non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the Independent Non-executive Directors in respect of their independence. The Board considers that all Independent Non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

Procedure for Seeking Independent Professional Advice by Directors

The Company has agreed to provide separate independent professional advice to Directors to assist them to discharge their duties. The Company will develop a written procedure to enable Directors, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense.

The Company has subscribed an insurance policy with an aim to indemnify its Directors from any losses, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective services agreements entered into with the Company.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business.

Appropriate notices are given to all Directors in advance for attending regular and other board or board committee meetings. Meeting agendas and other relevant information are provided to the Directors in advance of board or board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes will be sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

During the Review Period, the Board had not held any meeting taking into account the short period of time after its listing.

Appointment, Re-election and Removal

Each of the executive Directors and independent non-executive Directors has entered into a service contract and letter of appointment with the Company for an initial term of three years from 11 October 2013, the date of Listing. The aforesaid service contracts and the letters of appointment may be terminated by not less than three month's notice in writing served by either party on the other.

In accordance with the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on the terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Specific enquiries have been made with all Directors, all Directors confirmed in writing that they have complied with the required standard set out in the Model Code regarding their securities transactions for the Review Period.

Induction and Continuous Professional Trainings of Directors

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors have also been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development.

The Company did not arrange any training to the Board members during the Review Period and will invite professionals to provide trainings or briefing to the Directors from time to time regarding the latest developments on the Listing Rules to refresh their knowledge, if and when necessary in order to facilitate the discharge of their responsibilities as director of the listed company.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the relevant Code Provisions. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system and internal control procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting and internal control procedures and ensure that the management has discharged its duty to have an effective internal control system.

The composition of the Audit Committee is as follows:

Independent Non-executive Directors:

Dr. Hu Yiming *(Chairman)*
Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
Mr. Sutikno Liky

None of the members of the Audit Committee is a former partner of the Company's existing auditing firm. Dr. Hu Yiming, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

Since the Audit Committee was only established on 18 September 2013 and the Company was listed on the Stock Exchange on 11 October 2013, the Audit Committee did not hold any meeting during the Review Period. From 2014 onwards, the Audit Committee will hold meeting at least twice a year.

The Audit Committee has reviewed the consolidated financial statement of the Group for the year ended 31 December 2013, including the accounting principles and practices adopted by the Group, selection and appointment of the external auditor, and also reviewed the effectiveness of the internal control and risk management systems of the Company.

Remuneration Committee

The Board established the Remuneration Committee on 18 September 2013 with written terms of reference in compliance with the relevant Code Provisions. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for, inter alia, formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the Remuneration Committee is as follows:

Independent Non-executive Directors:

Mr. Karsono Tirtamarta (Kwee Yoe Chiang) *(Chairman)*
Dr. Hu Yiming
Mr. Sutikno Liky

Since the Remuneration Committee was only established on 18 September 2013 and the Company was listed on the Stock Exchange on 11 October 2013, the Remuneration Committee considers that it is not necessary to hold any meeting during the Review Period to review the remuneration policy to the Board and members of senior management in the short period of time after its listing. From 2014 onwards, the Remuneration Committee will hold meeting at least once a year.

Nomination Committee

The Board established the Nomination Committee on 18 September 2013 with written terms of reference in compliance with the relevant Code Provisions. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the Nomination Committee is as follows:

Independent Non-executive Directors:

Mr. Sutikno Liky *(Chairman)*
Dr. Hu Yiming
Mr. Karsono Tirtamarta (Kwee Yoe Chiang)

Since the Nomination Committee was only established on 18 September 2013 and the Company was listed on the Stock Exchange on 11 October 2013, the Nomination Committee considers that it is not necessary to hold any meeting during the Review Period to review the composition of the Board in the short period of time after its listing. From 2014 onwards, the Nomination Committee will hold meeting at least once a year.

Board diversity policy

The Company recognizes the benefits of having diversity in the composition of the Board and adopted its own board diversity policy on 18 September 2013.

The Company noted that that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service will be considered. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group.

Number of Meetings and Directors' Attendance

During the Review Period, the Board, Audit Committee, Remuneration Committee and Nomination Committee had not held any meeting taking into account the short period of time after its listing.

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with the Code Provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; (e) to review the Company's compliance with Corporate Governance Code and disclosure in the corporate governance report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements for the year ended 31 December 2013 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the Listing Rules. The Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by auditor about their reporting responsibilities is set out in the Independent Auditor's Report on pages 33 and 34 of the Financial Statements.

External Auditors' Remuneration

During the year, the Company engaged Messrs. Ernst & Young as the external auditors and the reporting accountants in relation to the listing. The fee in respect of audit services and non-audit services in connection with its recent Global Offering provided by Messrs. Ernst & Young for the year ended 31 December 2013 amounted to approximately RMB1,300,000 and RMB2,240,000 respectively.

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditors for annual audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the Review Period.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness through the Audit Committee. The Board and the Audit Committee have reviewed the effectiveness of the Group's internal control systems on all major operations of the Group during the Review Period.

The Board has identified specific issues for further assessment. As such, the Group has engaged an external service provider which has reported internal control fact findings to the Board. No major issues but areas for improvement have been identified. All of the recommendations from the Group's external service provider will be properly followed by the Group to ensure that they are implemented. The Board and the Audit Committee considered that the key areas of the Group's internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, are reasonably implemented and the Group has fully complied with the provisions of CG Code regarding the internal control systems in general for the year ended 31 December 2013.

DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

With the establishment of the Audit Committee, Remuneration Committee and Nomination Committee, the Independent Non-executive Directors will be able to effectively devote their time to perform the duties required by the respective board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

At the time of Listing, each of the controlling shareholders (as defined in the Listing Rules) of the Company gave a non-competition undertaking in favour of the Company. Each of them has confirmed compliance with such non-competition undertaking. The Board comprising all the independent non-executive directors is of the view that such controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company.

The Board comprising all the independent non-executive Directors, based on the written confirmation provided by each of the controlling shareholders, is of the view that such controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company.

Details of the Deed of Non-competition were disclosed in the Prospectus under the section headed "Relationship with Our Controlling Shareholders".

COMPANY SECRETARY

The Company engages Mr. Koo Cheuk On Timmie ("Mr. Timmie Koo"), an external service provider, as its Company Secretary. Ms. Wang Hong, an executive Director and chief financial officer, is the primary contact person to Mr. Timmie Koo at the Company in respect of any compliance and company secretarial matters of the Company.

During the Review Period, Mr. Timmie Koo, undertook over 15 hours' professional training to update his skill and knowledge in compliance with the Corporate Governance Code.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2013, the shareholders have passed resolutions on 18 September 2013 approving the adoption of new memorandum and articles of association of the Company. Save as the aforesaid, there has been no changes in the constitutional documents of the Company.

SHAREHOLDERS' RIGHTS

The Way by Which Shareholders Can Convene Extraordinary General Meeting ("EGM")/Put Forward Proposal

According to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 85 of the Articles of Association provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and a written notice signed by the person to be proposed of his willingness to be elected have been lodged at the head office provided that the minimum length of the period during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Accordingly, if a shareholder of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details to the head office and principal place of business of the Company.

The relevant procedures are set out in the circular to the shareholders which is sent together with this annual report and the Company's website at http://www.yestarcorp.com.

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company at our head office in Hong Kong or by email through the Company's website.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information, news and events about the Group on its website for easy access by the shareholders. In addition, the Company meets the shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

10 March 2014

To the shareholders of Yestar International Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yestar International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, Citic Tower
1 Tim Mei Avenue
Central
Hong Kong

10 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	1,173,334	955,818
Cost of sales		(963,899)	(788,508)
Gross profit		209,435	167,310
Other income and gains	5	7,176	8,468
Selling and distribution expenses		(52,430)	(49,638)
Administrative expenses		(62,947)	(41,101)
Other expenses		(1,797)	(591)
Finance costs	6	(5,771)	(2,875)
PROFIT BEFORE TAX	7	93,666	81,573
Income tax expense	10	(28,331)	(23,540)
PROFIT FOR THE YEAR		65,335	58,033
Attributable to:			
Owners of the parent		65,072	56,517
Non-controlling interests		263	1,516
		65,335	58,033
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents)	13	18	17

Details of the dividends proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR	65,335	58,033
Other comprehensive income:		
Exchange differences on translation of foreign operations	(1,117)	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	64,218	58,033
Attributable to:		
Owners of the parent	63,955	56,517
Non-controlling interests	263	1,516
	64,218	58,033

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	104,352	95,888
Prepaid land lease payments	15	15,606	15,022
Intangible assets	16	2,524	2,675
Deferred tax assets	18	8,350	5,943
		130,832	119,528
CURRENT ASSETS			
Inventories	19	272,704	177,768
Trade and bills receivables	20	16,848	100,754
Prepayments, deposits and other receivables	21	29,259	24,339
Amount due from a director	23	—	1,916
Pledged deposits	22	3,316	2,503
Cash and cash equivalents	22	283,027	160,393
		605,154	467,673
CURRENT LIABILITIES			
Interest-bearing loans	26	117,212	25,000
Trade and bills payables	27	215,322	244,246
Other payables and accruals	28	37,066	25,561
Tax payable		7,371	22,422
Dividend payables		3,384	83,972
Amounts due to related parties	24	—	6,736
		380,355	407,937
NET CURRENT ASSETS		224,799	59,736
TOTAL ASSETS LESS CURRENT LIABILITIES		355,631	179,264
NON-CURRENT LIABILITIES			
Interest-bearing loans	26	—	20,000
Other payables	28	9,133	9,133
Deferred tax liabilities	18	4,313	1,028
		13,446	30,161
NET ASSETS		342,185	149,103

	Notes	2013 RMB'000	2012 RMB'000
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	29	37,044	—
Reserves	30	263,261	140,153
Proposed final dividend	12	32,667	—
		332,972	140,153
Non-controlling interests		9,213	8,950
TOTAL EQUITY		342,185	149,103

Director

Director

Year ended 31 December 2013

	Attributable to equity holders of the parent									
	Issued capital RMB'000 (note 29)	Share premium account* RMB'000 (note 30)	Contributed surplus* RMB'000 (note 30)	Statutory reserve fund* RMB'000 (note 30)	Retained earnings* RMB'000	Proposed final dividend RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	—	—	108,855	7,059	42,521	—	—	158,435	23,152	181,587
Total comprehensive income for the year	—	—	—	—	56,517	—	—	56,517	1,516	58,033
Capital contribution	—	—	7	—	—	—	—	7	—	7
Acquisition of entities under common control	—	—	(6,286)	—	—	—	—	(6,286)	—	(6,286)
Special dividend declared (note 12)	—	—	—	—	(77,470)	—	—	(77,470)	(6,768)	(84,238)
Acquisition of non-controlling interest	—	—	8,950	—	—	—	—	8,950	(8,950)	—
Transfer from retained earnings	—	—	—	3,930	(3,930)	—	—	—	—	—
At 31 December 2012	—	—	111,526	10,989	17,638	—	—	140,153	8,950	149,103
At 1 January 2013	—	—	111,526	10,989	17,638	—	—	140,153	8,950	149,103
Total comprehensive income for the year	—	—	—	—	65,072	—	(1,117)	63,955	263	64,218
Issue of shares	37,044	131,238	—	—	—	—	—	168,282	—	168,282
Share issue expenses	—	(12,883)	—	—	—	—	—	(12,883)	—	(12,883)
Acquisition of entities under common control	—	—	(26,535)	—	—	—	—	(26,535)	—	(26,535)
Proposed final 2013 dividend (note 12)	—	(32,667)	—	—	—	32,667	—	—	—	—
Transfer from retained earnings	—	—	—	7,341	(7,341)	—	—	—	—	—
At 31 December 2013	37,044	85,688	84,991	18,330	75,369	32,667	(1,117)	332,972	9,213	342,185

* These reserve accounts comprise the consolidated reserves of RMB263,261,000 (2012: RMB140,153,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		93,666	81,573
Adjustments for:			
Finance costs		5,771	2,875
Interest income		(631)	(2,874)
Provision for impairment of inventories	7	848	—
Depreciation of items of property, plant and equipment	7	12,585	9,316
Amortisation of prepaid land lease payments	7	327	309
Amortisation of other intangible assets	7	532	475
Reversal of impairment of trade receivables	7	—	(554)
(Gain)/loss on disposal of items of property, plant and equipment		(48)	376
		113,050	91,496
Decrease/(increase) in trade and bills receivables		83,906	(63,259)
Increase in prepayments, deposits and other receivables		(4,289)	(6,636)
Increase in inventories		(95,784)	(44,941)
(Decrease)/increase in trade and bills payables		(28,924)	60,391
Increase/(decrease) in other payables and accruals		11,505	(20,175)
(Decrease)/Increase in pledged deposits		(813)	2,063
Decrease in amounts due from a related party and a shareholder		—	46,774
		78,651	65,713
Income tax paid		(42,504)	(21,075)
NET CASH FLOWS FROM OPERATING ACTIVITIES		36,147	44,638

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(22,350)	(51,883)
Additions to prepaid land lease payments	(911)	—
Purchases of intangible assets	(381)	(608)
Proceeds from disposal of items of property, plant and equipment	898	—
Receipt of government grants	—	9,133
Interest received from term deposits	—	2,874
Acquisition of entities under common control	(6,286)	—
Decrease in an amount due from a director	1,916	4,570
Decrease in an amount due from a related party	—	14,098
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(27,114)	(21,816)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from capital contribution	128,608	7
New interest-bearing loans	97,212	45,000
Repayment of bank loans	(25,000)	(46,600)
Dividend paid	(80,588)	—
Interest paid	(5,771)	(2,875)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	114,461	(4,468)
NET INCREASE IN CASH AND CASH EQUIVALENTS	123,494	18,354
Cash and cash equivalents at beginning of year	160,393	142,039
Effect of foreign exchange rate changes, net	(860)	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	283,027	160,393
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and non-pledged bank balances	155,078	75,285
Non-pledged time deposits	127,949	85,108
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION	283,027	160,393

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	26,535	—
		26,535	—
CURRENT ASSETS			
Amounts due from subsidiaries	25	62,898	—
Cash and cash equivalents	22	64,344	—
		127,242	—
NET CURRENT ASSETS		127,242	—
TOTAL ASSETS LESS CURRENT LIABILITIES		153,777	—
NET ASSETS		153,777	—
EQUITY			
Issued capital	29	37,044	—
Reserves	30(b)	84,066	—
Proposed final dividend	12	32,667	—
TOTAL EQUITY		153,777	—

Director *Director*

1. CORPORATE INFORMATION

Yestar International Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2012 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the Company's ultimate controlling shareholders are Jeane Hartono, Rico Hartono, James Hartono and Chen Chen Irene Hartono.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 2013 (the "Listing").

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the following principal activities:

- manufacture and sale of color photographic paper, industrial NDT x-ray film and PWB film, and trading of imaging equipment; and
- manufacture and sale of medical dry films, medical wet films and dental films.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards (the "IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: *Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in June 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 12, IFRS 13, IFRS 19 (2011), amendments to IFRS 10, IFRS 11, IFRS 12, IAS 1 and IAS 36, and certain amendments included in Annual Improvements to IFRSs 2009–2011 Cycle, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and addresses the issues in ISIC 12 Consolidation — Special Purpose Entities. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

(c) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(d) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(e) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(f) IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(g) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognized or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(h) Annual Improvements 2009–2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- IAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (Revised)	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are the members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and their useful lives
Plant and machinery	5–10 years
Office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and other receivables, and amounts due from related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in other income and gains or finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

Financial assets designed upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss. The loss arising from impairment is recognized in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reverse to the statement of profit or loss in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognized in the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognized in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the statement of profit or loss, is removed from other comprehensive income and recognized in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss — is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, dividend payables, amounts due to related parties and interest-bearing loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives also are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect to deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the service are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% to 22% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is the Hong Kong dollar ("HKD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequent recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal sell and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(ii) Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, the differences will impact the carrying value of the receivables, doubtful debt expenses and write-back of trade receivables in the period in which the estimate has been changed.

(iii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period.

(v) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(vi) Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

(a) Imaging printing products: manufacture and sale of color photographic paper, industrial NDT x-ray film, and trading of imaging equipment.

(b) Medical imaging products: manufacture and sale of medical dry films, medical wet films and dental film.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that corporate and unallocated expenses are excluded from this measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2013

	Imaging printing products RMB'000	Medical imaging products RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	699,005	474,329	1,173,334
Segment results	31,435	62,585	94,020
Reconciliation:			
Corporate and other unallocated expenses			(354)
Profit before tax			93,666
Segment assets	437,915	231,798	669,713
Reconciliation:			
Corporate and other unallocated assets			66,273
Total assets			735,986
Segment liabilities	226,691	162,797	389,488
Reconciliation:			
Corporate and other unallocated liabilities			4,313
Total liabilities			393,801
Other segment information:			
Depreciation of items of property, plant and equipment	10,506	2,079	12,585
Amortization of prepaid land lease payments	327	—	327
Amortization of intangible assets	522	10	532
Gain on disposal of items of property, plant and equipment	(48)	—	(48)
Operating lease rentals	7,336	1,535	8,871
Capital expenditure*	22,603	588	23,191

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2012

	Imaging printing products RMB'000	Medical imaging products RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	661,110	294,708	955,818
Segment results	42,938	38,635	81,573
Reconciliation:			
Corporate and other unallocated expenses			—
Profit before tax			81,573
Segment assets	359,590	224,362	583,952
Reconciliation:			
Corporate and other unallocated assets			3,249
Total assets			587,201
Segment liabilities	234,875	202,195	437,070
Reconciliation:			
Corporate and other unallocated liabilities			1,028
Total liabilities			438,098
Other segment information:			
Depreciation of items of property, plant and equipment	7,969	1,347	9,316
Amortization of prepaid land lease payments	309	—	309
Amortization of intangible assets	464	11	475
Reversal of impairment trade receivables	(554)	—	(554)
Loss on disposal of items of property, plant and equipment	376	—	376
Operating lease rentals	7,355	916	8,271
Capital expenditure*	44,822	8,119	52,941

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the year ended 31 December 2012, the Group had one customer from whom the revenue raised by medical imaging products of RMB300,097,000 individually accounted for more than 10% of the Group's total revenue during the year.

During the year ended 31 December 2013, the Group had one customer from whom the revenue raised by medical imaging products and printing imaging products of RMB492,690,000 individually accounted for more than 10% of the Group's total revenue during the year.

Geographical information

Since the Group solely operates business in the People's Republic of China ("PRC") and all of the non-current assets of the Group are located in the PRC, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	2013 RMB'000	2012 RMB'000
Revenue		
Sale of goods	1,173,334	955,818
Other income and gains		
Government grants (note (a))	3,675	2,721
Sale of scrap materials	1,914	1,591
Interest income	1,268	3,572
Others	319	584
	7,176	8,468

Note (a): The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 RMB'000	2012 RMB'000
Finance costs		
Interest on interest-bearing loans wholly repayable within five years	5,270	2,649
Guarantee fee	426	226
Interest arising from discounted bills	75	—
	5,771	2,875

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000
Cost of inventories sold	963,899	788,508
Employee benefit expense (including directors' remuneration as set out in note 8):		
— Wages and salaries	62,666	47,061
— Pension scheme contributions	6,758	5,155
	69,424	52,216

	2013 RMB'000	2012 RMB'000
Research and development costs	1,567	1,165
Auditors' remuneration	1,468	2,167
Depreciation of items of property, plant and equipment (note 14)	12,585	9,316
Amortisation of prepaid land lease payments (note 15)	327	309
Amortisation of other intangible assets (note 16)	532	475
Impairment of inventories (note 19)	848	—
Reversal of impairment of trade receivables	—	(554)
Minimum lease payments under operating leases	8,871	8,271
(Gain)/loss on disposal of items of property, plant and equipment	(48)	376

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 RMB'000	2012 RMB'000
Fees	135	—
Other emoluments:		
Salaries, allowances and benefits in kind	4,697	4,220
Discretionary bonuses*	124	—
Pension scheme contributions	148	107
	4,969	4,327

* Certain executive directors of the Company are entitled to a bonus payment which is determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 RMB'000	2012 RMB'000
Huang Deyin	45	—
Hu Yiming	45	—
Zeng Jinsong	45	—
	135	—

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

The remuneration of each of the executive directors during the year is as follows:

	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2013				
James Hartono*	2,990	—	—	2,990
Wang Ying	1,402	—	37	1,439
Chan To Cheung	1,221	—	—	1,221
Zhang Qi	644	—	37	681
Heng Yinmei	524	—	37	561
Wang Hong	540	—	37	577
	7,321	—	148	7,469
Year ended 31 December 2012				
James Hartono*	1,765	—	—	1,765
Wang Ying	612	—	34	646
Chan To Cheung	870	—	—	870
Zhang Qi	382	—	19	401
Heng Yinmei	312	—	20	332
Wang Hong	279	—	34	313
	4,220	—	107	4,327

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* James Hartono is a director and the Chief Executive of the Company.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2012: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2012: one) non-director, highest paid employee for the year are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	697	458

9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
Nil to HKD1,000,000	1	1

During the year ended 31 December 2013, no directors or highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the non-director and highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax is to be provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profit of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential rates.

The major components of income tax charge for the year are as follows:

	2013 RMB'000	2012 RMB'000
Current tax		
— Income tax in the PRC for the year	27,453	22,639
— Deferred tax (note 18)	878	901
Total tax charge for the year	28,331	23,540

10. INCOME TAX (CONTINUED)

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled (i.e, in their respective countries of incorporation) to the tax expense at the effective tax rate for the year is as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	93,666	81,573
Tax at an applicable tax rate	23,417	20,393
Lower tax rate for certain loss making entities in different jurisdictions	902	—
Income not subject to tax	—	(258)
Adjustments to current tax of previous periods	250	—
Utilisation of tax losses not provided for	—	(256)
Expenses not deductible for tax	477	123
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries (note 18)	3,285	3,538
Tax charge at the Group's effective tax rate	28,331	23,540

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB354,000 (2012: nil) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

(a) Special dividends

The dividends declared by the Company's subsidiaries to its then shareholders during the year were as follows:

	2013 RMB'000	2012 RMB'000
Declared special dividends	—	84,238
Paid during the year	80,588	—

As part of the Group reorganization, special dividends proposed by the board of directors of Yestar (Guangxi) Technology Co., Ltd. ("Yestar Technology") and Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical") to its then shareholders were approved on 3 November 2012 and 5 November 2012, respectively. These special dividends were declared in connection with the initial public offering.

12. DIVIDENDS (CONTINUED)

(b) Proposed final dividends

	2013 RMB'000	2012 RMB'000
Proposed final — HKD8.9 cents (2012: nil) per ordinary share	32,667	—

On 10 March 2014, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2013 of HKD8.9 cents per ordinary share, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 365,594,000 in issue during the year ended 31 December 2013 (2012: 337,500,000), as though the capitalisation issue of shares of 337,499,000 shares prior to the global offering had been issued on 1 January 2012.

The calculation of basic earnings per share is based on:

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to owners of the parent used in the basic earnings per share calculation:	65,072	56,517
Shares		
Weighted average number of ordinary shares in issue (thousands)	365,594	337,500
Basic and diluted earnings per share (RMB cents)	18	17

The diluted earnings per share amount is equal to the basic earnings per share amount for the years ended 31 December 2013 and 2012, as there were no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2012	—	16,417	67,156	9,774	6,204	2,569	102,120
Additions	—	233	4,006	1,888	1,214	44,992	52,333
Transfers	14,532	2,442	7,075	—	—	(24,049)	—
Disposals	—	(279)	(112)	(1,526)	(294)	—	(2,211)
At 31 December 2012 and 1 January 2013	14,532	18,813	78,125	10,136	7,124	23,512	152,242
Additions	5,768	87	908	791	7,324	7,021	21,899
Transfers	5,766	(166)	7,587	655	208	(14,050)	—
Disposals	—	—	—	(2,946)	(751)	—	(3,697)
At 31 December 2013	26,066	18,734	86,620	8,636	13,905	16,483	170,444
Accumulated depreciation:							
At 1 January 2012	—	11,938	28,476	5,133	3,326	—	48,873
Charge for the year (note 7)	121	860	6,012	1,548	775	—	9,316
Disposals	—	(279)	(76)	(1,372)	(108)	—	(1,835)
At 31 December 2012 and 1 January 2013	121	12,519	34,412	5,309	3,993	—	56,354
Charge for the year (note 7)	1,080	1,028	7,531	1,392	1,554	—	12,585
Transfers	4	(3)	57	(1)	(57)	—	—
Disposals	—	—	—	(2,518)	(329)	—	(2,847)
At 31 December 2013	1,205	13,544	42,000	4,182	5,161	—	66,092
Net book value:							
At 31 December 2013	24,861	5,190	44,620	4,454	8,744	16,483	104,352
At 31 December 2012	14,411	6,294	43,713	4,827	3,131	23,512	95,888

As 31 December 2013, none of the Group's property, plant and equipment was pledged (2012: none).

15. PREPAID LAND LEASE PAYMENTS

Group

	2013 RMB'000	2012 RMB'000
At 1 January	15,022	15,331
Recognized during the year (note 7)	(327)	(309)
Additions	911	—
At 31 December	15,606	15,022

The leasehold land is held under a long-term lease and is situated in Mainland China.

16. INTANGIBLE ASSETS

	Computer software RMB'000
Cost:	
At 1 January 2012	7,284
Additions	608
Disposal	(25)
At 31 December 2012 and 1 January 2013	7,867
Additions	381
At 31 December 2013	8,248
Accumulated amortisation and impairment:	
At 1 January 2012	4,742
Charge for the year (note 7)	475
Disposal	(25)
At 31 December 2012 and 1 January 2013	5,192
Charge for the year (note 7)	532
At 31 December 2013	5,724
Net carrying amount:	
At 31 December 2012	2,675
At 31 December 2013	2,524

17. INVESTMENTS IN SUBSIDIARIES

Company

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	26,535	—

Particulars of the principal subsidiaries are as follows:

Name of company	Place and date of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Subsidiaries					
Yestar Asia Company Limited[1] ("Yestar BVI")	*BVI 1 February 2012*	—*	*100*	—	*Investment holding*
Yestar International (HK) Company Limited[2] ("Yestar HK")	*Hong Kong 29 February 2012*	*HKD10,000*	—	*100*	*Investment holding*
Yestar (Shanghai) Co., Ltd.[3][4] ("Yestar Shanghai")	*PRC/Mainland China 20 July 2000*	*USD11,000,000*	—	*100*	*Marketing and sales of color photographic paper, photo-related products, document printing equipment and consumables, industrial NDT x-ray films and dental films*
Yestar Technology[3][4]	*PRC/Mainland China 23 July 2004*	*USD14,000,000*	—	*92.86*	*Manufacture and sale of color photographic paper and manufacture of industrial NDT x-ray films*
Yestar Medical[3][4]	*PRC/Mainland China 24 December 2009*	*USD1,050,000*	—	*100*	*Manufacture of dental films and manufacture and sale of medical dry films and medical wet films*
Yestar (Guangxi) Imaging Technology Co., Ltd.[3] ("Yestar Imaging")	*PRC/Mainland China 23 November 2010*	*RMB18,000,000*	—	*100*	*Manufacture of color photographic paper and manufacture and sale of PWB films*

* The total number of issued shares of Yestar BVI as at the date of this report is 10,172 which are without par value, and the total subscription price of these issued shares is USD1,100.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

(1) No audited financial statements have been prepared for this entity since its date of incorporation as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(2) No audited financial statements have been prepared for this entity since its date of incorporation.

(3) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(4) Registered as wholly-foreign-owned enterprises under PRC law.

The English names of the subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

18. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

Group

	Elimination of unrealized profits RMB'000	Accruals and provisions RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2012	1,104	2,202	3,306
Deferred tax credited to the statement of profit or loss during the year (note 10)	1,056	1,581	2,637
Gross deferred tax assets at 1 January 2013	2,160	3,783	5,943
Deferred tax credited to the statement of profit or loss during the year (note 10)	979	1,428	2,407
At 31 December 2013	3,139	5,211	8,350

18. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

Group

	Undistributed profits of PRC subsidiaries RMB'000
Gross deferred tax liabilities at 1 January 2012	5,129
Deferred tax charged to the statement of profit or loss during the year (note 10)	3,538
Transferred to tax payable during the year	(7,639)
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	1,028
Deferred tax charged to the statement of profit or loss during the year (note 10)	3,285
At 31 December 2013	4,313

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

19. INVENTORIES

Group

	2013 RMB'000	2012 RMB'000
Raw materials	74,044	72,209
Finished goods	199,508	105,559
	273,552	177,768
Less: Provision for inventories	(848)	—
	272,704	177,768

The carrying amounts of inventories pledged at floating charge as security for interest-bearing loans granted to the Group and for the outstanding trade and bills payables are as follows:

	2013 RMB'000	2012 RMB'000
Trade and bills payables (note 27)	79,980	69,684

20. TRADE AND BILLS RECEIVABLES

Group

	2013 RMB'000	2012 RMB'000
Trade receivables	7,206	96,229
Bills receivable	9,642	4,525
	16,848	100,754

The Group grants different credit periods to customers. The Group generally requires its customers to make payments at various stages of a sale transaction. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Certain customers are required to make partial payment before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables and bills receivable are approximate to their fair values.

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

Group

	2013 RMB'000	2012 RMB'000
Within 90 days	6,040	96,229
91 to 180 days	1,006	—
181 to 365 days	160	—
1 to 2 years	—	—
Over 2 years	—	—
	7,206	96,229

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

The movements in the provision for impairment of trade receivables are as follows:

Group

	2013 RMB'000	2012 RMB'000
At 1 January	—	3,330
Amount written off as uncollectible	—	(2,776)
Impairment losses reversed	—	(554)
At 31 December	—	—

The impaired trade receivables relate to individual customers that were in financial difficulties or were in default in payments and the receivables are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	6,376	96,229
Past due but not impaired:		
Less than 90 days	680	—
91 to 180 days	150	—
181 to 365 days	—	—
1 to 2 years	—	—
	7,206	96,229

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognized Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB700,000 (31 December 2012: RMB3,188,000). The Derecognized Bills have a maturity from one to three months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the year, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the continuing involvement, both during the year or cumulatively.

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled as at 31 December 2013 amounted to RMB2,181,000 (2012: nil). The carrying amount of the assets that the Group continued to recognize as at 31 December 2013 amounted to RMB2,181,000 (2012: nil) and that of the associated liabilities as at 31 December 2013 amounted to RMB2,181,000 (2012: nil).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2013 RMB'000	2012 RMB'000
Prepayments	3,543	3,910
Value added tax input	19,901	10,247
Other receivables	5,815	10,182
	29,259	24,339

The carrying amounts of other receivables approximate to their fair values.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2013 RMB'000	2012 RMB'000
Cash and bank balances	155,078	75,285
Time deposits	131,265	87,611
	286,343	162,896
Less: Pledged deposits		
Pledged for issuance of bank acceptance notes	(3,316)	(2,503)
Cash and cash equivalents	283,027	160,393
Denominated in RMB	162,047	162,118
Denominated in USD	985	778
Denominated in HKD	123,311	—
	286,343	162,896

Company

	2013 RMB'000	2012 RMB'000
Cash and bank balances	1,395	
Time deposits	62,949	—
Cash and cash equivalents	64,344	—
Denominated in HKD	64,344	—

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

23. AMOUNT DUE FROM A DIRECTOR

Group

	Notes	2013 RMB'000	2012 RMB'000
Amount due from a director	(i)	—	1,916

(i) The loan to a director, Mr. James Hartono, who is also a shareholder of the Company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	2013 RMB'000	2012 RMB'000
Maximum amount outstanding during the year	1,916	6,486

The loan was unsecured, interest-free and repayable on demand. The amount was fully settled prior to the Listing.

24. BALANCES WITH RELATED PARTIES

	Notes	2013 RMB'000	2012 RMB'000
Amounts due to fellow subsidiaries			
Capital Group Pte. Ltd.	(i)	—	6,286
KANA (China) Biotechnology ("KANA")	(ii)	—	450
		—	6,736

Notes:

(i) Balances due to Capital Group Pte. Ltd. represented the consideration of USD1,000,000 (equivalent to RMB6,286,000) for the acquisition of the equity interest in Yestar Shanghai by Yestar HK. The balances were settled in January 2013.

(ii) The balance was non-trade in nature, unsecured, interest-free and repayable on demand. The balance was settled prior to the Listing.

The carrying amounts of the balances with related parties approximate to their fair values.

25. BALANCES WITH SUBSIDIARIES

Company

	Notes	2013 RMB'000	2012 RMB'000
Amounts due from subsidiaries	(i)	62,898	—

Note:

(i) The balances due from subsidiaries are non-trade in nature. The balances are unsecured, interest-free and repayable on demand.

The carrying amounts of the balances with subsidiaries approximate to their fair values.

26. INTEREST-BEARING BANK LOANS

Group

	2013 RMB'000	2012 RMB'000
Interest-bearing loans		
Secured	10,000	20,000
Unsecured	107,212	25,000
	117,212	45,000
The bank loans bear interest at rates per annum in the range of	3.30% to 7.50%	5.40% to 7.50%
Analyzed into:		
Interest-bearing loans repayable		
Within one year or on demand	117,212	25,000
In the second year	—	20,000
	117,212	45,000

The above bank loans were all repayable within one year. The carrying amounts of the Group's current bank loans approximate their fair values.

26. INTEREST-BEARING BANK LOANS (CONTINUED)

Group (Continued)

The Group's bank loans that are secured by the pledge of assets are as follows:

	Notes	2013 RMB'000	2012 RMB'000
Guaranteed by:			
An independent third party	(ii)	10,000	20,000

Notes:

(i) The loans were guaranteed by Nanning Southern Financing Guarantee Co., Ltd. ("南寧南方融資性擔保有限公司", formerly known as "南寧南方擔保有限公司", the "Guarantor"), an independent third party of the Group.

Ms. Liao Changxiang, a member of the senior management of the Group, has given personal counter-guarantees in favour of the Guarantor to secure the guarantees provided by the Guarantor in respect of the above interest-bearing loans. The counter-guarantees were released in May 2013.

27. TRADE AND BILLS PAYABLES

Group

	2013 RMB'000	2012 RMB'000
Trade payables	135,342	183,468
Bills payable	79,980	60,778
	215,322	244,246

An aged analysis of outstanding trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2013 RMB'000	2012 RMB'000
Within 90 days	135,259	141,824
91 to 180 days	64	41,547
181 to 365 days	19	—
1 to 2 years	—	—
Over 2 years	—	97
	135,342	183,468

27. TRADE AND BILLS PAYABLES (CONTINUED)

Group (Continued)

The trade payables are non-interest-bearing and are normally settled within 180 days. The carrying amounts of the trade payables approximate to their fair values.

The outstanding bills payable were issued to FUJIFILM (China) Investment Co., Ltd., a major supplier of the Group, for the purchase of raw materials. Pursuant to the purchase agreement, the outstanding bills payable and certain trade payables were secured by a pledge of certain inventories as set out in note 19.

28. OTHER PAYABLES AND ACCRUALS

Group

	2013 RMB'000	2012 RMB'000
Current portion:		
Advances from customers	17,408	11,025
Other payables	9,086	9,398
Value added tax payable	—	170
Accrued expenses	2,181	1,028
Payroll and welfare payable	8,391	3,940
	37,066	25,561
Non-current portion:		
Other payables (Note)	9,133	9,133

The carrying amounts of other payables and accruals approximate to their fair values.

Note: In January 2012, Yestar Imaging received a government grant for the land lease located at Guangxi Province, China. This government grant is conditional upon the payment of a certain amount of tax by Yestar Imaging within 18 months from the commencement of the operation. As at 31 December 2013, this government grant is included in other payables in the consolidated statements of financial position.

29. SHARE CAPITAL

Shares

	Notes	2013 RMB'000	2012 RMB'000
Authorized:			
1,000,000,000 (2012: 3,800,000) ordinary shares of HKD0.10 each	(i)	100,000	380
Issued and fully paid:			
466,875,000 (2012: 1,000) ordinary shares of HKD0.10 each		46,688	100

During the year, the movements in share capital are analysed as follows:

	Notes	Number of ordinary shares (thousand)	Nominal value RMB'000
As at 1 Feb 2012 (date of incorporation)		1	—
As at 31 December 2012 and 1 January 2013		1	—
Issue of shares for the acquisition of entities under common control	(ii)	337,499	26,791
New issue of shares	(iii)	129,375	10,253
As at 31 December 2013		466,875	37,044

Notes:

(i) Pursuant to the written resolution of the shareholders of the Company passed on 18 September 2013, the authorized share capital of the Company was increased from HKD380,000 to HKD100,000,000 by the creation of an additional 996,200,000 shares.

(ii) Pursuant to the written resolution of the shareholders of the Company passed on 18 September 2013, the Company acquired the entire issued shares from Yestar BVI shareholders in consideration of the allotment and issue by the Company of in aggregate 337,499,000 shares to the Yestar BVI shareholders credited as fully paid.

(iii) In connection with the Company's initial public offering, 112,500,000 new shares of HKD0.10 each were issued at a price of HKD1.38 per share for a total cash consideration, before expenses, of approximately HKD155,250,000 on 11 October 2013.

In connection with the fully exercised over-allotment option, 16,875,000 new shares of HKD0.10 each were issued at a price of HKD1.38 per share for a total cash consideration, before expenses, of approximately HKD23,287,500 on 1 November 2013.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity of the Financial Statement.

Share premium

The application of the share premium account of the Company is governed by the Company Law (Revised) of the Cayman Islands. Under the constitutional documents and Companies Law (Revised) of the Cayman Islands, the share premium is distributable as a dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Contributed surplus

The contributed surplus represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until the reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalized as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of this reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the Company. The statutory surplus reserve can be utilized to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

Distributable reserves

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in this report which is prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profits after tax of the PRC Companies can be distributed as dividends after the appropriation to the SRF as set out above.

30. RESERVES (CONTINUED)

(b) Company

	Share premium account RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 February 2012 (date of incorporation)	—	—	—	—
As at 31 December 2012 and 1 January 2013	—	—	—	—
Total comprehensive income for the year	—	(354)	(1,268)	(1,622)
Issue of shares	131,238	—	—	131,238
Share issue expenses	(12,883)	—	—	(12,883)
Proposed final 2013 dividend	(32,667)	—	—	(32,667)
As at 31 December 2013	85,688	(354)	(1,268)	84,066

31. OPERATING LEASE ARRANGEMENTS

Group as a lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to four years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 RMB'000	2012 RMB'000
Within a year	4,020	3,588
In the second to fifth years, inclusive	3,357	1,117
	7,377	4,705

32. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

Group

	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
Plant and machinery	3,755	6,331
Prepaid land lease payments	—	859
	3,755	7,190

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties:

	Notes	2013 RMB'000	2012 RMB'000
Nature of transactions			
Purchase of products			
Shanghai MG	(i)	—	332
Purchase of equipment			
KANA	(i)	—	450
Shanghai MG	(i)	—	—
		—	450
Loans provided to a fellow subsidiary			
Shanghai MG	(ii)	72,967	—
Loans provided to a director			
James Hartono	(ii)	—	667
Loans received from a shareholder			
Rico Hartono	(ii)	6,286	—
Consulting fee			
Capital Group Pte. Ltd.	(iii)	467	—

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(i) The product prices and terms of the above transactions are mutually agreed by the respective parties.

(ii) The loans provided to and received from related parties were unsecured, interest-free and repayable on demand. The loans were settled prior to the Listing.

(iii) According to the consulting agreement entered into between Capital Group Pte. Ltd. and the Group, the Group agreed to pay a consulting fee to Capital Group Pte. Ltd. for rendering the consulting services provided to the Group. The amount was fully settled prior to the Listing.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related parties at the end of each of the year together with maximum outstanding balances due from a director during the year are disclosed in notes 23 and 24 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Basic salaries and other benefits	5,640	4,677
Discretionary bonus and profit sharing	168	—
Pension scheme contributions	170	107
	5,978	4,784

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

	2013 RMB'000	2012 RMB'000
Financial assets — loans and receivables		
Trade and bills receivables	16,848	100,754
Financial assets included in prepayments, deposits and other receivables	5,815	10,165
Amount due from a director	—	1,916
Pledged deposits	3,316	2,503
Cash and cash equivalents	283,027	160,393
	309,006	275,731
Financial liabilities — financial liabilities at amortised cost		
Trade and bills payables	215,322	244,246
Financial liabilities included in other payables and accruals	10,058	9,381
Dividend payables	3,384	83,972
Amounts due to related parties	—	6,736
Interest-bearing loans	117,212	45,000
	345,976	389,335

Company

	2013 RMB'000	2012 RMB'000
Financial assets — loans and receivables		
Amounts due from subsidiaries	62,898	—
Cash and cash equivalents	64,344	—
	127,242	—

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, dividend payables, financial liabilities included in other payables and accruals, amounts due from subsidiaries, an amount due from a director and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of interest-bearing loans has been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing loans as at 31 December 2013 was assessed to be insignificant. The fair value of interest-bearing loans at the end of the reporting period approximated to their corresponding carrying amounts.

Fair value hierarchy

At the end of the reporting period, neither the Group nor the Company had any financial asset or liability measured at fair value.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and bills receivables and trade and bills payables as well as other receivables and payables, which arise directly from its operations.

It is, and has been during the year, the Group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarized below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing loans. The Group does not use derivative financial instruments to hedge its interest rate risk. Since the Company's interest-bearing loans all bear fixed interest, its exposure to risk of changes in market interest rates is low.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from purchases denominated in USD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in USD %	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2013		
If USD weakens against RMB	5	6,071
If USD strengthens against RMB	(5)	(6,071)
Year ended 31 December 2012		
If USD weakens against RMB	5	7,260
If USD strengthens against RMB	(5)	(7,260)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 24% (31 December 2012: 98%) of the Group's trade receivables were due from the Group's largest customer within the medical imaging products and printing imaging products segment.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g, trade and bills receivables), and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2013	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing loans	—	53,509	66,674	—	—	120,183
Trade and bills payables	83	215,239	—	—	—	215,322
Other payables and accruals	10,058	—	—	—	—	10,058
Dividend payable	3,384	—	—	—	—	3,384
	13,525	268,748	66,674	—	—	348,947

31 December 2012	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing loans	—	807	26,627	20,714	—	48,148
Trade and bills payables	41,644	202,602	—	—	—	244,246
Other payables and accruals	9,381	—	—	—	—	9,381
Dividend payable	83,972	—	—	—	—	83,972
Amounts due to related parties	6,736	—	—	—	—	6,736
	141,733	203,409	26,627	20,714	—	392,483

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total debt divided by capital. The Group's total debt consists of interest-bearing loans. Capital represents total equity.

At the end of the reporting periods, the Group's strategy was to maintain the net borrowings to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of the reporting periods were as follows:

Group

	2013 RMB'000	2012 RMB'000
Interest-bearing loans	117,212	45,000
Total equity	342,185	149,103
Gearing ratio	34%	30%

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 10 March 2014.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
RESULTS					
Revenue	1,173,334	955,818	977,098	523,177	455,681
Profit for the year	65,335	58,033	48,295	21,676	21,116
Attributable to:					
Owners of parent	65,072	56,517	47,312	19,297	20,618
Non-controlling interests	263	1,516	983	2,379	498
ASSETS AND LIABILITIES					
Total assets	735,986	587,201	475,861	339,296	231,862
Total Liabilities	393,801	438,098	294,274	206,004	125,014
Net assets	342,185	149,103	181,587	133,292	106,848

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