Yes!Star

YESTAR INTERNATIONAL HOLDINGS COMPANY LIMITED
巨星國際控股有限公司

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立的有限公司)

Stock Code 股份代號：2393

Annual Report 年報 2014

Yes!Star

CONTENTS

EXECUTIVE DIRECTORS

Mr. Hartono James *(Chairman)*
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. Tirtamarta Karsono (Kwee Yoe Chiang)
Mr. Sutikno Liky

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Koo Cheuk On Timmie

AUTHORIZED REPRESENTATIVES

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Mr. Koo Cheuk On Timmie

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

2393

COMPANY'S WEBSITE

http://www.yestarcorp.com

CHAIRMAN'S STATEMENT

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 a set of outstanding results for the year ended 31 December 2014 (the "Year").

REALIZING OUR VISION AND TRANSFORMING INTO A MEDICAL CONSUMABLE COMPANY

In the Year, we made two very important moves to transform Yestar into a medical consumables player in the People's Republic of China (the "PRC") successfully. First, the Group's priority is placed in growing our medical business. In the Year, our medical business has surpassed the color photographic paper business, and medical business become our major revenue and profit contributor. Second, we acquired 70% of the entire equity interests (the "Acquisition") of a well-established In Vitro Diagnostic (IVD) product distributor — Jiangsu Uno Technology Development Company Limited ("UNO", or 江蘇歐諾科技發展有限公司). Established in 2011, UNO is a major distributor of the world's largest and leading IVD researchers and manufacturers — Roche Diagnostic (Roche) and Becton Dickinson (BD). Managed by an experienced team with solid medical background, UNO has established close relationship with over 279 hospitals (mainly Grade 3 hospitals) and clinics in the Jiangsu and Anhui province, the PRC. With the Acquisition, we now have incorporated a strong medical consumable sales network, a fine product line and an experienced management team into the Group, which become the backbone for Yestar in pursuing greater market shares in the PRC's fast-growing medical and healthcare industry.

RESULTS OVERVIEW

Continuing the success from 2013, we have recorded another set of strong results with net profit increased significantly by approximately 55.1% to approximately RMB100.9 million (2013: approximately RMB65.1 million). Since medical business has a relatively higher net profit margin, the increase in revenue contribution from this segment has thus elevated the overall net profit and net margin of the Group. Net profit margin increased by approximately 1.1 percentage points to approximately 6.6% in 2014. Whilst we continue to look for opportunities to increase shareholder value, we are also committed to sharing the returns with our shareholders through annual dividends. For the Year, the

Board recommends the payment of the final dividend of HK3.4 cents per share to appreciate the long-term support of our shareholders.

THE UNLIMITED POTENTIAL OF THE IVD INDUSTRY

With increasing health consciousness and an aging population in the PRC, the demand for medical checkup and diagnostic services is booming. IVD is a method to perform external diagnostic tests on an individual and is also applied in many diagnostic processes. The applications of IVD tests cover infectious disease (HIV, Hepatitis and tuberculosis etc.) screening, blood glucose monitoring, pregnancy tests and even molecular diagnosis (DNA related diseases). Each test requires a specific type of reagent, and each reagent can only be used once. This means, IVD business has virtually unlimited new products to offer and enormous demand for Yestar to capture and grow. According to Renub Research, the PRC's IVD market is projected to reach approximately USD6,335.5 million in 2018, representing a 139.8% growth from that of 2013 (2013: approximately USD2,641.8 million). In addition, this is an industry with high-entry barrier. The marketing and sales of IVD products demands a solid medical related knowledge, which limits the numbers of player in the market. The wide product spectrum, massive demand and high-entry barrier contribute to the IVD business a blue ocean for Yestar to explore.

PROSPECTS

In the past 10 years, we have struck strategic partnership with Fujifilm and assist its imaging consumable products to penetrate into the PRC market. Such successful market penetration relied heavily on nationwide sales infrastructure, systematic management platform and capital resources of Yestar. UNO has a strong product line, experienced management team with medical background and entrenched network with hospitals, clinics and healthcare departments. Together, Yestar and UNO, will create synergy and form a comprehensive platform to capture greater opportunities and business potential in the IVD business.

With such solid platform now established, we will continue to venture into the IVD business through geographical expansion and new products launching. The first step is to enhance our presence in the Anhui Province with a top-down approach. By directly marketing Roche products and BD products to provincial healthcare departments, and then, to implement the application to municipal hospitals, we will achieve a wider range of penetration in a short period of time. This will further consolidate our leading position in the Eastern China. These strategies will generate new revenue stream whilst increase our market share in the region.

Our long-term strategy is to build a nationwide IVD distribution network by utilizing Yestar's extensive sales infrastructure and implementing our systematic management philosophy. The acquisition of UNO has cemented a solid foundation towards this goal.

Looking ahead, with the color photographic paper and industrial imaging product businesses as a stable revenue contributor, we are well prepared to seek expansion through potential merge and acquisition. We believe the acquisition will not only accelerate our growth, but also generate fruitful returns to our shareholders.

APPRECIATION

The Yestar team has been recognized for their professionalism and commitment to achieve the excellence. It is my privilege and honour to be part of the Yestar team. On behalf of the Board, I would like to express my sincere thanks to our team. I would also like to express my greatest gratitude to the trust and support of our shareholders, customers and business partners. Together we will definitely achieve another fruitful year in 2015.

Hartono James
Chairman

Hong Kong, 16 March 2015

MARKETING:

From the middle: Ms. Wang Ying (first on the left), Ms. Kuang Liying (second on the left), Mr. Hartono James (first on the right), Mr. Masahiro "Sam" Ota (second on the right)

On 10 January 2014, the new product release of Fujifilm's high-end quality paper digital was solemnly held at the Howard Johnson Hotel in Shanghai.

Mr. Masahiro "Sam" Ota, General Manager of Fujifilm (China) Investment Co., Ltd., Mr. Matsushima Hiromoto, Director of Fujifilm (China) Investment Co., Ltd., Ms. Kuang Liying, President of Shanghai Trade Association of Photography Profession, Mr. Hartono James, Chairman of Yestar International Holdings Company Limited, Ms. Wang Ying, General Manager of Yestar (Shanghai) Co., Ltd., and the representatives of all the distributors of Fujifilm's professional photographic paper and over 50 VIP professional photo developing labs across China participated in the event and discussed about the future development of the imaging industry.

On 13 September 2014, the launching ceremony of "Fuji Developing Trip in Germany" was grandly held at Jin Mao Tower in Lujiazui, Pudong, Shanghai.

Mr. Masahiro "Sam" Ota, General Manager of Fujifilm (China) Investment Co., Ltd., Ms. Wang Ying, General Manager of Yestar (Shanghai) Co., Ltd., Mr. Yan Taichang, President of China Portrait Photography Society, Mr. Zhou Shengjun, Chairman of the Supervisory Committee of China Portrait Photography Society and other VP-level leaders of China Portrait Photography Society participated in this event. Such developing trip in Germany allowed high-end pre-wedding photography studio clients in China to have a more profound and comprehensive understanding of the Fujifilm brand and paved the way for Yestar to cooperate with high-end pre-wedding photography studios in China.

From the middle: Mr. Masahiro "Sam" Ota (first on the left), Ms. Wang Ying (first on the right), Mr. Yan Taichang (second on the right), Mr. Zhou Shengjun (third on the right)

Mr. Hartono James (first on the left), Mr. Matsushima Hiromoto (second on the left) and Mr. Yan Taichang (first on the right)

During "Fuji Developing Trip in Germany", Mr. Matsushima Hiromoto, Director of Imaging Products of Fujifilm (China) Investment Co., Ltd., Mr. Yan Taichang, President of China Portrait Photography Society, and Mr. Hartono James, Chairman of Yestar International Holdings Company Limited, joined their hands in Cologne, Germany signifying a historic moment that turned a new page in the cooperation between Fujifilm, Yestar and China Portrait Photography Society.

In addition to the above major events, the marketing department also participated in 7 Fujifilm imaging product roadshows across China in Guangzhou, Yantai, Zhengzhou, Dalian, Chengdu, Hefei and Shenyang between March and October 2014 with outstanding results of marketing and boosting the sales of Fujifilm's Quality Paper Digital, new chemicals and new equipment.

In Photo & Imaging Shanghai 2014 held in July 2014, Fujifilm's booth showcased a wide variety of imaging products, including Fujifilm's quality paper digital, photo paper under our house brand Yes!Star, our WeChat printer and Fujifilm's new compact dry printer, FrontierDX-100, all of which have drawn huge attention and admiration from the public.

P&I Exhibition

NDT Exhibition

The 19th China International Exhibition on Quality Control & Testing Equipment was successfully held in Shanghai Everbright Convention & Exhibition Center in October 2014. The industrial NDT film with a special package under our house brand Yes!Star was rolled out and attracted the full attention of visitors. 2011 Yes!Star industrial films have been well received by a wide range of clients since their launch and their market shares are rising.

In early November 2014, the Company organized another trip, namely "Japan Thanksgiving Trip", for high-end photo developing lab clients for them to visit the headquarters and plants of Fujifilm in Japan.

The Shanghai round of "The Way to Win-Walk with the Master", our industrial exchange activity, in December 2014 showcased Fujifilm's latest studio products and solutions and marked the perfect conclusion of our marketing activities for 2014.

Japan Thanksgiving Trip

ACTIVITIES OF OUR PLANT IN GUANGXI:

Group photo of the Management of our Guangxi plant

For the sake of our smooth operation, the General Manager of Yestar Imaging convenes the "Manager-grade Operation and Management Review and Planning Conference" at the beginning of each month to closely monitor the progress of the monthly targets of Yestar Imaging.

On 13 March 2014, Mr. Masato Yamamoto, President of Imaging Products of Fujifilm in Tokyo, Department Head Yoshitaka Nakamura, Mr. Matsushima Hiromoto, Director of Fujifilm (China) Investment Co., Ltd., and Department Head Yan Bin visited the plant of Yestar Imaging, reinforcing the cooperation between Yestar and Fujifilm.

From the middle: President Masato Yamamoto (first on the right), Department Head Yoshitaka Nakamura (first on the left), Director Matsushima Hiromoto (second on the left), Department Head Yan Bin (third on the left) and other senior management member of Yestar in our plant

Department Head Yan Bin (first on the left), President Masato Yamamoto (second on the left)

Accompanied by Mr. Hartono, our Chairman, President Masato Yamamoto and Department Head Yan Bin visited the plant of Yestar and conducted technological exchange in respect of quality check with the quality engineers of Yestar. They highly praised Yestar's quality management standards and technological innovations.

MANAGEMENT
DISCUSSION AND ANALYSIS

Yestar plant in Guangxi

BUSINESS REVIEW

Yestar is a high-margin medical consumables company in the PRC's, benefiting from the fast growth in the domestic healthcare industry. Yestar's core businesses focuses on medical imaging products and In Vitro Diagnostic ("IVD") products. It manufactures medical film for Fujifilm and distributes Roche Diagnostic ("Roche") and Becton Dickinson ("BD") branded IVD products in Jiangsu and Anhui provinces, the PRC, respectively. The Group is also a sole processor and exclusive distributor of Fujifilm color photographic papers and industrial imaging products in the PRC. In addition, the Group also manufactures and sells dental films under the house brand "Yes!Star".

The Acquisition of UNO

On 11 September 2014, the Group, through its wholly-owned subsidiary, 巨星貿易(上海)有限公司 (Yestar (Shanghai) Co., Ltd.) ("Yestar Shanghai") entered into a share transfer agreement, pursuant to which Yestar Shanghai agreed to acquire 70% of the entire equity interests in Jiangsu UNO Technology Development Company Limited ("UNO", 江蘇歐諾科技發展有限公司) (the "Acquisition") at an aggregate consideration of RMB245 million.

UNO is a well-established IVD distributor in the PRC, principally engaged in the distribution of medical equipment and associated consumables. Upon the completion of the Acquisition, UNO becomes an indirect non-wholly-owned subsidiary of the Group.

The Acquisition was completed in November 2014. The two months of performance reported by the Acquisition since the completion was satisfactory and in line with the Group's acquisition strategy. The Acquisition presents a valuable investment opportunity to the Group to further develop the medical consumable business, so as to diversify the Group's product range and expand its market share in the PRC's fast-growing medical consumables and healthcare industry.

Developing into a Medical Consumable Company with the UNO Acquisition

The Acquisition is a significant and strategic move that consolidates the Group's position in the PRC's fast-growing medical consumables and healthcare industry. UNO is the PRC's leading distributor of the world's largest and finest IVD brands namely, Roche and BD. With such quality product portfolio on hand, UNO has since firmly established extensive networks amongst Grade 3 hospitals in Jiangsu and Anhui provinces, the PRC. These provide access to large population in these regions. Currently, UNO directly sells products to 106 and 13 hospitals in Jiangsu and Anhui, the PRC

UNO Medical Company Limited in Nanjing

respectively. Together with its 70 and 32 secondary distributors in these provinces, UNO covers over 279 hospitals and clinics in the PRC.

IVD is a method to perform external diagnostic tests on an individual, of which would generate valuable information on one's health status. This can be applied to monitor blood glucose, tests on pregnancy, pathogen detection (e.g. HIV, hepatitis virus and bacteria) to blood cell counts. The use of IVD tests and its range of products are enormous. Since each test requires a specific type of reagent, and that each reagent may only be used once, therefore, the IVD industry provides unlimited business opportunities and growth potential for the Group to expand and explore.

Given such extensive application and continuously evolving product ranges, only industry giants are capable to offer a full range of safe and quality products. Through the Acquisition, the Group has partnered up with Roche and BD, both being leaders in research and development of IVD products. Roche is the world's largest IVD products provider with unparalleled research and development capabilities. It ranks No.1 in the PRC with market share of approximately 21.5% in 2013. According to the Renub Research Analysis, Roche's market share would continue to rise to approximately 27.9% by 2018 as ongoing market consolidation would eliminate lower-tiered players. BD is a leading global medical technology company that manufactures and sells a broad range of medical laboratory equipment and diagnostic products. Leverage on the quality and comprehensive product ranges, together with the market expertise and well-established network of UNO, the Group has now expanded into a high-margin medical consumables company and secured a strong foothold in the PRC's medical industry.

RESULTS

The year of 2014 marked another financially successful year for the Group with revenue increased by approximately 30.5% year-on-year to approximately RMB1,531.4 million (2013: approximately RMB1,173.3 million). This was mainly attributable to the strong growth in the medical consumables business. Gross profit surged from approximately RMB209.4 million in 2013 to approximately RMB263.5 million in 2014, representing an approximately 25.8% increment. The overall gross profit margin decreased slightly to approximately 17.2% (2013: approximately 17.8%). This is mainly due to the change in product mix, as medical film business, with a comparatively lower gross profit margin, has become the dominating revenue contributor during the Year.

Profit attributable to the owners of the parent recorded a substantial growth of approximately 55.1%. Net profit margin increased from approximately 5.6% in 2013 to approximately 6.8% in 2014. The Group's medical film products are sold mainly to the Fujifilm Group, meaning relatively little or no selling or distribution costs incurred. The rise in profit contribution from the medical film business has fed into the Group's overall net profit in the Year. Earnings per share was RMB5.4 cents (2013: RMB4.4 cents, as adjusted for the effect of subdivision of shares in December 2014). The Board recommends the payment of a final dividend of HK3.4 cents per share (2013: HK2.2 cents, as adjusted for the effect of subdivision of shares in December 2014).

MEDICAL CONSUMABLES PRODUCTS — 47.1% OF OVERALL REVENUE

The Group distributes IVD products in Jiangsu and Anhui provinces, manufactures medical films (use in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC. The Group also manufactures, markets and sells dental film products under the house brand "Yes!Star".

Benefited by the uptrend in Chinese disposable income and in turn health consciousness, demand for reliable preventive and treatment diagnostic services are exceptionally strong. The markets of both IVD and radiological examination (X-Ray, MRI and CT-scan etc.) have recorded a strong growth in the PRC. According to Renub Research Analysis, the IVD market in the PRC is expected to reach USD3,110.9 million in 2014, representing a CAGR of approximately 16.6% from 2010 (US$1,685.0 million). Such demand firmly underpins the outstanding growth of the Group's IVD and medical imaging businesses.

The medical business became the major revenue contributor for the Group in 2014, accelerating the Group's development into a medical consumables company. In the Year, revenue of the medical segment recorded substantial increment of approximately 52.0%, reaching approximately RMB721.1 million (2013: approximately RMB474.3 million). Such outstanding performance was due to the two months (November and December 2014) contribution from the Acquisition, as well as the market expansion of Fujifilm in the radiological examination segment in the PRC. Gross profit margin of the medical consumables products decreased slightly from approximately 13.7% in 2013 to approximately 13.3% in 2014.

Revenue and Gross Profit Margin of Medical Consumables Products

For the year ended 31 December	2013 (RMB'000)	2014 (RMB'000)	Year-on-year change
Revenue	474,329	721,138	52.0%
Gross profit margin	13.7%	13.3%	-0.4p.p.

COLOUR PHOTOGRAPHIC PAPER AND DIGITAL IMAGING BUSINESS — 39.6% OF OVERALL REVENUE

The Group engages in manufacturing, marketing, distribution and sale of Fujifilm professional and minilab color photographic papers in the PRC. The Group also manufacturers, distributes and sells color photographic paper product under the house brand Yes!Star.

During the Year, colour photographic paper and digital imaging business continued to serve as a stable revenue and profit contributor. The strong cash flow in this segment equips the Group itself well in seeking greater development in the medical and healthcare business. Revenue of this segment surged by 11.3% year-on-year from approximately RMB544.9 million in 2013 to approximately RMB606.6 million in 2014. This was mainly attributable to the meaningful growth in demand of the professional color photographic paper. The increase in disposable income in the PRC has created a sizeable middle-class population, who have strong demand of lifestyle products and in particular ones that help to capture important moments in life. This fuels the boom of quality, artistic photography for wedding, graduation, family and personal occasions. This translates into the consistent and solid demand of the Group's professional color photographic paper. The gross profit margin of the segment maintained at a stable level of approximately 21.6% (2013: approximately 22.2%). In 2015, the Group plans to introduce Yes!Star High-Quality ink-jet paper and Yes!Star Special Cold Lamination Film Studio.

Revenue and Gross Profit Margin of Color Photographic Paper and Digital Imaging Business

For the year ended 31 December	2013 (RMB'000)	2014 (RMB'000)	Year-on-year change
Revenue	544,942	606,610	11.3%
Gross profit margin	22.2%	21.6%	-0.6p.p.

Yes!Star High-Quality ink-jet paper

INDUSTRIAL IMAGING BUSINESS — 13.3% OF OVERALL REVENUE

The Group also manufactures, markets, distributes and sells of Fujifilm industrial imaging products (NDT x-ray films and PWB films) in the PRC. The Group also manufactures, markets and sells NDT x-ray film under the house brand "Yes!Star".

In the Year, revenue of industry imaging business surged by 32.2% year-on-year from approximately RMB154.1 million in 2013 to approximately RMB203.6 million in 2014. With the sales volume of the PWB film increased significantly, the production has reached a sizable scale. As a result, the gross profit margin of this segment recorded substantial increment from approximately 15.2% in 2013 to approximately 17.9% in 2014.

Revenue and gross profit margin of industrial imaging business

For the year ended 31 December	2013 (RMB'000)	2014 (RMB'000)	Year-on-year change
Revenue	154,063	203,605	32.2%
Gross profit margin	15.2%	17.9%	2.7p.p.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group continued to have healthy financial position for the year ended 31 December 2014 ("the Year") with cash and cash equivalents of approximately RMB194.7 million as at the end of December 2014 (2013: RMB283.0 million). The decrease in cash and cash equivalents was mainly attributable to payment in relation to the Acquisition of UNO during the Year.

As at 31 December 2014, the Group's gearing ratio was approximately 32.68% (2013: 34.25%, calculated as the interest-bearing bank loans and other borrowings divided by total equity as at the end of December 2014. The decrease in gearing ratio was mainly attributable to decrease in the interest-bearing bank loans and other borrowings of the Group during the Year.

The total interest-bearing loans and other borrowings of the Group as at the end of December 2014 was approximately RMB106.2 million (2013: approximately RMB117.2 million), out of which unsecured bank loan amounting to USD4,014,141 is denominated in United States dollars. Save as above, all borrowings and bank balances of the Group are principally denominated in Chinese Yuan which is also the presentation currency of the Group.

The current ratio as at the end of December 2014 was 1.19 (2013: 1.59), based on current assets of approximately RMB654.1 million and current liabilities of approximately RMB551.7 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by about 8.7% from approximately RMB52.4 million in 2013 to approximately RMB57.0 million in 2014, and accounted for about 4.5% and 3.7%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the increase in marketing expenses for imaging business of the Group during the Year.

Administrative Expenses

The Group's administrative expenses decreased by about 6.8% from approximately RMB62.9 million in 2013 to approximately RMB58.7 million in 2014, and accounted for about 5.4% and 3.8%, respectively, of the Group's revenue for the respective reporting years.

Finance Costs

The Group's finance costs maintained at a stable level. For the Year, the finance cost was approximately RMB5.7 million (2013: approximately RMB5.8 million).

For the Year, interest rates of the interest-bearing loans ranged from 2.1% to 7.8%, while those for the year ended 31 December 2013 ranged from 3.3% 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, the Group was exposed to foreign currency risk arising from the purchasing in US Dollars. The Group will monitor its foreign currency exposure closely.

Issued Capital and Capital structure

With effect from 16 December 2014, each of the issued and unissued shares of par value of HK$0.10 each in the share capital of the Company was subdivided into four subdivided shares of par value of HK$0.025 each. Since then, there has been no change to the capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserve. The Group finances its working capital requirements through a combination of funds generated from operations and borrowings.

Information on employees

As at 31 December 2014, the Group had 711 (2013: 719) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB77.2 million for the year ended 31 December 2014 as compared to approximately RMB69.4 million for the year ended 31 December 2013. 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 2014, 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

Save as disclosed above and except for investment in subsidiaries during the Year, 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 prospectus of the Company dated 27 September 2013 and the announcement of the Company dated 26 January 2015 regarding possible acquisition of equity interest in a company in the PRC engaging in the medical In Vitro Diagnostic industry in the PRC, the Group did not have any other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as disclosed above in relation to the Acquisition, during the Year, the Group did not have any other material acquisitions and disposals of subsidiaries and affiliated companies.

Charges of assets

As at 31 December 2014, none of the Group's property, plant and equipment was pledged (2013: Nil). In addition, only bank loans of approximately RMB24.5 million (2013: Nil) were secured by the pledge of 70% of equity interest in UNO, a non wholly-owned subsidiary of the Company.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2014 (2013: Nil).

PROSPECTS

The need for diagnostics consumables will continue to grow in the PRC as the population is aging fast. According to the National Bureau of Statistics, population over aged 65 will reach 342.0 million in 2030, accounting for 23.6% of the total population (2013: 132.0 million). In addition, the Ministry of Health ("MOH") enlisted elderly's health management into the State basic public health services since 2009; under which, those aged over 65 years are entitled to free-of-charge physical check-up, auxiliary examinations and health guidance. This further escalates the demand for accurate diagnosis and innovative medical products, thereby increasing the need for IVD products and medical films. According to the Renub Research Analysis, the PRC's IVD market is expected to reach US$6,335.5 million by 2018, doubling the size in 2013.

The Acquisition has thus laid a solid foundation for the Group to capture these opportunities in the industry. With the current network, the Group aims to further penetrate and explore business opportunities in the Jiangsu and Anhui provinces. In 2015, the Group plans to establish business relationship with additional 30 hospitals. In particular, 25 hospitals in Anhui and 5 hospitals in Jiangsu province. In addition, the Group will also recruit additional 7 and 5 secondary distributors in Anhui and Jiangsu respectively. Such channel expansion strategy will not only increase the Group's total revenue but will also consolidate our leading position in the market. On the product level, the Group will introduce 3 series of diagnostic products in 2015, namely ProGRP (胃泌素釋放肽前體), Calcitonin (降鈣素) and Syphilis (梅毒). These new products are used to screen lung cancer, medullary thyroid cancer and syphilis disease, respectively. The Group believe that the introduction of new products will enable us to offer a comprehensive diagnostic solution and help us in gaining more business opportunities with hospitals and research institutes.

The Group targets to introduce a series of house brand medical dry film and dry film applications in 2015 to provide a comprehensive product offering. This Yes!Star brand medical film and printer series will be mainly targeting the emerging mass market, especially catering the needs from the rural areas and ones that are complementary to the high-end focused Fujifilm brand.

In 2014, the Group took an important step in moving closer to our long-term strategic goal of becoming a leading player in the PRC's medical consumables industry. Looking ahead, the Group will continue to expand distribution networks and enrich product offerings in the medical industry through means of merge and acquisitions. With the Group's international platform, strong consolidation capability and partnerships with industry giants, Yestar believes that the medical business will generate fruitful return to our shareholders.

Ms. Zhang Qi (first on the left), Mr. Chan To Keung (second on the left), Mr. Hartono James (third on the left), Ms. Heng Yinmei (first on the right), Ms. Wang Hong (second on the right), Ms. Wang Ying (third on the right).

EXECUTIVE DIRECTORS

Mr. Hartono James, aged 39, 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. Mr. Hartono is also responsible for coordinating between the Directors as well as providing leadership to our Board.

Mr. Hartono is the general manager as well as the legal representative of Yestar (Shanghai) Co., Ltd 巨星貿易上海有限公司 ("Yestar Shanghai") and also a director of all members of our Group. Mr. Hartono is the brother of Ms. Hartono Jeane, Ms. Hartono Chen Chen Irene, and Mr. Hartono Rico, all being our Controlling Shareholders.

Mr. Hartono has over 14 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 54, 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 30 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 56, has over 33 years of experience in the production of image printing products. Prior to joining our Group in 2006, 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 39, 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 Asia Company Limited ("Yestar BVI") and Yestar International (HK) Company Limited ("Yestar HK"), all are wholly-owned subsidiaries of the Company.

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 44, 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 49, 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 (Guangxi) Imaging Technology Co., Ltd (廣西彩星化工科技有限公司) ("Yestar Imaging"), Yestar (Guangxi) Medical System Co., Ltd. (廣西巨星醫療器械有限公司) ("Yestar Medical") and Yestar (Guangxi) Technology Co., Ltd (廣西巨星科技有限公司) ("Yestar Technology"), all are wholly-owned subsidiaries of the Company.

Ms. Heng has over 18 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 51, 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 21 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 66, 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 30 years of experience in automobile industry. Mr. Kwee was awarded the Rotary-ASME Entrepreneur of the Year in 2006. He is the founder and executive chairman of the Eurokars Group, a privately-held automobile distributorship group which operates well-known automotive brands 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 40, 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 10 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

Ms. Liao Changxiang, aged 40, 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 14 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 (南寧樣達水箱廠) 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 43, 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 annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 (the "Financial Statements").

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 18 to the Financial Statements.

USE OF PROCEEDS

The Company was incorporated in the Cayman Islands with limited liability on 1 February 2012 as an exempted company.

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 2014, 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 of the Company dated 27 September 2013 ("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 2014 and the state of affairs of the Group as at 31 December 2014 are set out in the Financial Statements on pages 43 to 115.

The Directors recommends the payment of a final dividend of HK3.4 cents per share for the year ended 31 December 2014 (2013: HK2.2 cents, as adjusted for the effect of subdivision of shares in December 2014) to all shareholders whose names appear on the register of members of the Company on 26 May 2015. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on 5 June 2015.

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 116. This summary does not form part of the audited Financial Statements.

ISSUED 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 2014, 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 RMB83.6 million (2013: RMB: approximately RMB85.3 million).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 59.1% of the total sales for the year and sales to the largest customer included therein amounted to approximately 52.5%. Purchases from the Group's five largest suppliers accounted for approximately 86.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 44.9%.

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 approximately RMB220,000.

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 AND OTHER BORROWINGS

Particulars of interest-bearing loans and other borrowings of the Group as at 31 December 2014 are set out in note 26 to the Financial Statements. As at 31 December 2014, none of the Group's property, plant and equipment was pledged (2013: Nil). In addition, only bank loans of approximately RMB24.5 million (2013: Nil) were secured by the pledge of 70% of equity interest in UNO, a non wholly-owned subsidiary of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 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
Mr. Chan To Keung
Ms. Wang Hong *(Chief Financial Officer)*
Ms. Zhang Qi
Ms. Heng Yinmei

Independent Non-Executive Directors:

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

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, 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 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 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. Accordingly, Mr. Hartono James, Mr. Chan To Keung and Ms. Wang Hong shall retire from office at the forthcoming annual general meeting to be held on 8 May 2015 (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

Each of Ms. Hartono Jeane, Mr. Hartono James, Mr. Hartono Rico and Ms. Hartono Chen Chen Irene (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 Company has received the confirmation from each of the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking for the Year.

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 for the Year.

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 17 to 21 of this annual report.

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 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 HKD1.00 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 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 2014, 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 2014 was 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 2014, 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 Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in ordinary shares

Name of director	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
Hartono James	245,410,000	—	20,000,000 (Note 1)	265,410,000	—	265,410,000	14.21%

Note:

1. 20,000,000 shares were beneficially owned by Amrosia Investments Limited, a company wholly-owned by Mr. Hartono James.

Save as disclosed above, as at 31 December 2014, 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 31 December 2014, 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
Hartono Jeane	Beneficial owner	676,890,000	36.25%
Hartono Rico	Beneficial owner	265,410,000	14.21%
Hartono Chen Chen Irene	Beneficial owner	119,475,000	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, as at 31 December 2014, 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 Year, 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.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Set out below is information in relation to the connected transaction and/or continuing connected transaction involving the non-wholly-owned subsidiary, particulars of which were previously disclosed in the announcement of the Company dated 12 September 2014 and are required under the Listing Rules to be disclosed in this annual report and Financial Statements of the Company:

Master Sales and Purchase Agreement

On 11 September 2014, UNO, an prospective indirect non-wholly-owned subsidiary of the Company in the PRC upon completion of the Acquisition, entered into a master sales and purchase agreement with Nanjing Uno 南京歐諾醫療設備有限公司 ("Nanjing Uno"), pursuant to which Nanjing Uno shall procure their customers to enter into agreement(s) with UNO for distributions of diagnostics products of Roche Diagnostics (Shanghai) Ltd. (羅氏診斷產品(上海)有限公司) ("Roche Diagnostics Products") and the products of Becton, Dickinson and Company (Shanghai) Limited (碧迪醫療器械(上海)有限公司) ("BD Products") within 180 days from 11 September 2014 to transact the distributions of Roche Diagnostics Products and BD

Products directly. During the period, for customers which have yet entered into new sales and purchase agreement(s) with UNO, Nanjing Uno will back to back procure products from UNO and sell such products to their customers until a sales and purchase agreement having been entered between UNO and Nanjing Uno's customers.

Ms. Hang Wenxia and Ms. Xu Di are directors of UNO and hold the equity interest of Nanjing Uno as to 95% and 5% respectively, Nanjing Uno is an associate of Ms. Hang, who together with Ms. Xu are both the connected persons of the Company. Therefore the transaction contemplated under the master sales and purchase agreement with Nanjing Uno constitutes continuing connected transaction of the Company under the Listing Rules as the Acquisition completed on 10 November 2014.

The aggregate turnover for the sales of Roche Diagnostics Products and BD products for period from the completion of the Acquisition to 31 December 2014 under the master sales and purchase agreement, which is subject to the relevant aggregate annual cap previously disclosed in the announcement of the Company dated 12 September 2014, amounted to approximately RMB3.3 million.

Confirmation of Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the Audit Committee (AC) comprising 3 independent non-executive Directors, under the authority delegated by the Board, reviewed the aforesaid continuing connected transaction under the master sales and purchase agreement.

The AC confirmed that:

The continuing connected transaction was entered into in the ordinary and usual course of business of the Group, and on normal commercial terms or better and which are no less favourable than those terms available from independent third parties, and the terms of the continuing connected transactions under the master sales and purchase agreement are fair and reasonable and in the interest of the Company and the shareholders as a whole;

During the Year, the amounts of the continuing connected transaction under the master sales and purchase agreement did not exceed the corresponding aggregate annual cap of RMB50.0 million previously disclosed in the announcement of the Company dated 12 September 2014.

Confirmation of Auditors of the Company

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Listing Rules" issued by the HKICPA. The external auditor issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided to the Stock Exchange in accordance with the requirements of the Listing Rules.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 13.51B(1) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the change of directors' information of the Company are as follows:

The monthly salary of Mr. Hartono James, the Chairman and an executive Director of the Company, increased from RMB123,200 to RMB135,520 since 1 January 2015.

The monthly salary of Ms. Wang Ying, an executive Director of the Company, increased from RMB72,800 to RMB80,080 since 1 January 2015.

The monthly salary of Mr. Chan To Keung, an executive Director of the Company, increased from RMB80,000 to RMB89,600 since 1 January 2015.

The monthly salary of Ms. Wang Hong, an executive Director of the Company, increased from RMB33,600 to RMB36,960 since 1 January 2015.

The monthly salary of Ms. Zhang Qi, an executive Director of the Company, increased from RMB40,000 to RMB44,000 since 1 January 2015.

The monthly salary of Ms. Heng Yinmei, an executive Director of the Company, increased from RMB36,000 to RMB39,600 since 1 January 2015.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 during the year under review.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 31 to 40 in this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6 May 2015 to 8 May 2015 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM 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 5 May 2015.

In addition, the Board has resolved to recommend the payment of a final dividend of HK3.4 cents per share to members whose names appear on the Register of Members of the Company on 26 May 2015. The Register of Members of the Company will also be closed from 22 May 2015 to 26 May 2015 (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 AGM 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 21 May 2015.

AUDITORS

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

By order of the Board
Yestar International Holdings Company Limited

Hartono James
Chairman, CEO and Executive Director

Hong Kong, 16 March 2015

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance, practices and procedures. The Company believes that good corporate governance is one of the key factors leading to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

Throughout the Year, the Directors consider that the Company has complied with all corporate governance codes ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), 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 all independent non-executive Directors during the Year without the executive Directors present. The Company held five board meetings during the Year. The Chairman did brief all Directors including independent non-executive Directors on the issue arising at each board meeting in advance separately. The Chairman considered that a separate meeting with each of independent non-executive Directors of the Company is more appropriate and effective to ensure their independent opinion to the Company on the issue arising take into account their different professional experience, education background and life experience. Each of independent non-executive Directors has provided his/her recommendations to the Chairman individually in relation to the corporate's issues, objectives and strategies during their respective meeting(s) and/or telephone conversation with the Chairman during the Year.

The Chairman will commit to hold at least one physical meeting per year with all independent non-executive Directors without the executive directors present in 2015.

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. During the Year, only executive Directors and senior management of the Company received continuous professional development and training on the latest Listing Rules, internal control system and risk management of the Company to enhance their knowledge and skills. All independent non-executive Directors of the Company had their tight schedule and the Company could not figure out a possible date for all independent non-executive Directors to attend the training during the Year. However, certain independent non-executive Directors have attend professional trainings delivered by law firm individually.

The Company will figure out a possible date in the year 2015 for all Directors to attend and receive professional training or briefing regarding the latest developments on the Listing Rules to refresh their knowledge and to discharge their duty as director of a listed company.

THE BOARD OF DIRECTORS

Composition and Responsibilities

Throughout the Year, the Board comprises nine 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

During the Year, there was no change in the composition of the Board.

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 17 to 21.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to 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 Year 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 Year, 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 for the year. 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 as at the date of this report.

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 consider to 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. For the year ended 31 December 2014, a total of five Board meetings were held.

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meeting, board committee meetings and general meeting held during the year ended 31 December 2014:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2014 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors:					
Hartono James	5/5	N/A	N/A	N/A	1/1
Wang Ying	4/5	N/A	N/A	N/A	0/1
Chan To Keung	5/5	N/A	N/A	N/A	1/1
Wang Hong	5/5	N/A	N/A	N/A	1/1
Zhang Qi	4/5	N/A	N/A	N/A	0/1
Heng Yinmei	5/5	N/A	N/A	N/A	0/1
Independent non-executive Directors:					
Hu Yiming	4/5	2/2	1/1	1/1	1/1
Karsono Tirtamarta (Kwee Yoe Chiang)	4/5	2/2	1/1	1/1	1/1
Sutikno Liky	4/5	2/2	1/1	1/1	1/1

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.

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 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 throughout the Year and as at the date of this report.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to he Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors.

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 Year.

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.

During the Year, only executive Directors and senior management of the Company received continuous professional development and training on the latest Listing Rules, internal control system and risk management of the Company to enhance their knowledge and skills. All independent non-executive Directors of the Company had their tight schedule and the Company could not figure out a possible date for all independent non-executive directors to attend the training during the year. However, certain independent non-executive Directors have attend professional trainings delivered by law firm individually.

The Company will figure out a possible date in the year 2015 for all Directors to attend and receive professional training or briefing regarding the latest developments on the Listing Rules to refresh their knowledge and to discharge their duty as director of a 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 CG Code. 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.

During the Year, the Audit Committee held two meetings. Details of the attendance of the members of the Audit Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Audit Committee during the year is as follows:

— met with the external auditors and reviewed the annual and interim reports of the Company;

— reviewed the effectiveness of the Company's internal control and risk management systems;

— reviewed the major transaction and the continuing connected transaction of the Company;

— reviewed the non-competition undertaking by the Controlling Shareholders of the Company;

— reviewed and approved audit fee;

— recommended the re-appointment of auditors; and

— reviewed arrangements for the employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters.

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

During the Year, the Remuneration Committee held one meeting. Details of the attendance of the members of the Remuneration Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Remuneration Committee during the Year is as follows:

— reviewed the remuneration packages of the executive Directors and senior management of the Company and recommended to the Board the proposal of their fixed salaries for the year 2015; and

— reviewed and recommended to the Board the directors' fees of the independent non-executive Directors for the year 2015.

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)

During the Year, the Nomination Committee held one meeting. Details of the attendance of the members of the Nomination Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Nomination Committee during the year is as follows:

— reviewed the existing Board's structure, size and composition;

— reviewed the independence of the Independent non-executive Directors; and

— made recommendation on the retiring Directors at the 2015 AGM of the Company.

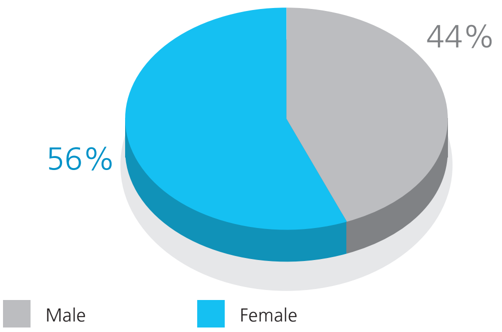
Board diversity policy

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

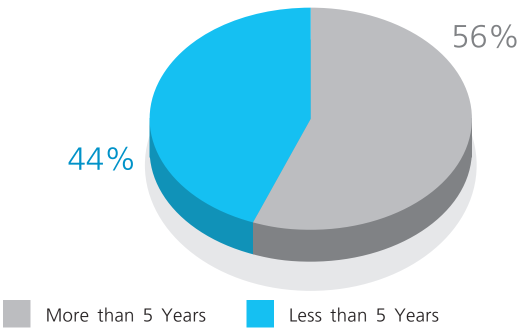
The Company noted that that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board 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. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Current composition of the Diversified Board

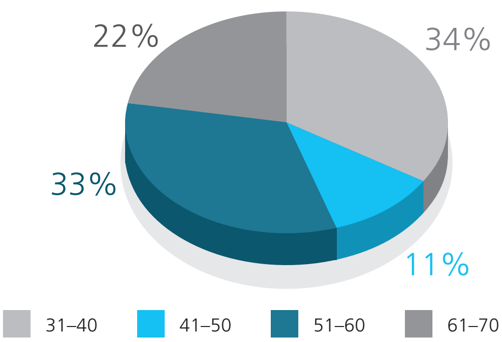
GENDER



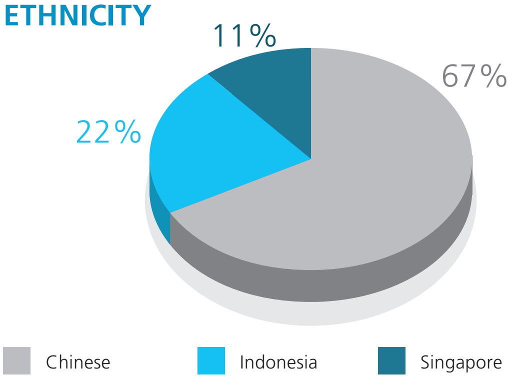
LENGTH OF SERVICE WITH THE GROUP



AGE



ETHNICITY



Note: Nationality is based on passport and does not necessarily reflect ethnic origin.

The Nomination Committee has monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held. However, the Company intends to set measurable objectives for achieving diversity on the Board soon.

Corporate Governance Function

During the Year, the Board has reviewed the corporate governance practices of the Company with reference to the terms of reference of corporate governance duties adopted by the Company on 18 September 2013. The summary of their work of is as follows:

— reviewed the Company's policies and practices on corporate governance and make recommendations;

— reviewed and monitored the training and continuous professional development of Directors and senior management of the Group;

— reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

— developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and

— reviewed the Company's compliance with CG 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 2014 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 41 and 42 of the Consolidated Financial Statements.

External Auditors' Remuneration

During the Year, the Company engaged Messrs. Ernst & Young as the external auditors. The fee in respect of audit services and non-audit services provided by Messrs. Ernst & Young for the year ended 31 December 2014 amounted to HK$2,279,568 and HK$114,278 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 year.

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 including subsidiaries during the year.

The Board has identified specific issues for further assessment. As such, the Group has engaged an external service provider which has reported internal control 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 wit the provisions of CG Code regarding the internal control systems in general for the year ended 31 December 2014.

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

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 provided a confirmation to the Company confirming that he and his associates have not breached the terms of the undertaking contained in the Non-competition Deed during the Year.

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 all controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company for the year ended 31 December 2014.

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 Year, 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, the shareholders of the Company have passed a resolution on 15 December 2014 approving the subdivision of each of the existing issued and unissued shares of par value of HK$0.10 each in the share capital of the Company into four subdivided shares of par value of HK$0.025 each. Upon the share subdivision became effective on 16 December 2014, the authorized share capital of the Company is now HK$100,000,000 divided into 4,000,000,000 subdivided shares of HK$0.025 each. Save as the aforesaid, there has been no changes in the constitutional documents of the Company during the year.

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.

Hong Kong, 16 March 2015

EY 安永

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 43 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 2014, 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 Hong Kong Companies Ordinance.

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

16 March 2015

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	1,531,353	1,173,334
Cost of sales		(1,267,888)	(963,899)
Gross profit		263,465	209,435
Other income and gains	5	10,719	7,176
Selling and distribution expenses		(57,005)	(52,430)
Administrative expenses		(58,673)	(62,947)
Other expenses		(5,733)	(1,797)
Finance costs	6	(5,725)	(5,771)
PROFIT BEFORE TAX	7	147,048	93,666
Income tax expense	10	(43,502)	(28,331)
PROFIT FOR THE YEAR		103,546	65,335
Attributable to:			
Owners of the parent		100,900	65,072
Non-controlling interests		2,646	263
		103,546	65,335
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For the profit for the year	13	RMB5.4 cents	RMB4.4 cents

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 2014

	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR	103,546	65,335
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	206	(1,117)
Net other comprehensive income to be reclassified to profit or loss in subsequent years	206	(1,117)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	206	(1,117)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	103,752	64,218
Attributable to:		
Owners of the parent	101,106	63,955
Non-controlling interests	2,646	263
	103,752	64,218

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	104,009	104,352
Prepaid land lease payments	15	15,279	15,606
Intangible assets	16	249,718	2,524
Goodwill	17	87,315	—
Deferred tax assets	19	7,477	8,350
		463,798	130,832
CURRENT ASSETS			
Inventories	20	327,201	272,704
Trade and bills receivables	21	105,197	16,848
Prepayments, deposits and other receivables	22	22,899	29,259
Pledged deposits	23	4,100	3,316
Cash and cash equivalents	23	194,724	283,027
		654,121	605,154
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	101,713	117,212
Trade and bills payables	27	282,778	215,322
Other payables and accruals	28	39,815	37,066
Tax payable		29,409	7,371
Dividends payable		—	3,384
Amounts due to non-controlling interests	24	98,000	—
		551,715	380,355
NET CURRENT ASSETS		102,406	224,799
TOTAL ASSETS LESS CURRENT LIABILITIES		566,204	355,631

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	4,500	—
Other long term payables	28	164,277	9,133
Deferred tax liabilities	19	72,370	4,313
		241,147	13,446
NET ASSETS		325,057	342,185
EQUITY			
Equity attributable to owners of the parent:			
Issued capital		37,044	37,044
Reserves	30	228,165	263,261
Proposed final dividend	12	50,450	32,667
		315,659	332,972
Non-controlling interests		9,398	9,213
TOTAL EQUITY		325,057	342,185

Director

Director

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 29)	Share premium account* RMB'000 (note 30)	Contributed surplus* RMB'000 (note 30)	Put-option written on non-controlling interests reserve* RMB'000	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 2014	37,044	85,688	84,991	—	18,330	75,369	32,667	(1,117)	332,972	9,213	342,185
Profit for the year	—	—	—	—	—	100,900	—	—	100,900	2,646	103,546
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	206	206	—	206
Total comprehensive income for the year	—	—	—	—	—	100,900	—	206	101,106	2,646	103,752
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	67,579	67,579
Final 2013 dividends declared	—	(159)	—	—	—	—	(32,667)	—	(32,826)	—	(32,826)
Proposed final 2014 dividend (note 12)	—	(50,450)	—	—	—	—	50,450	—	—	—	—
Transfer from retained earnings	—	—	—	—	5,533	(5,533)	—	—	—	—	—
Put options in relation to non-controlling interests	—	—	—	(85,593)	—	—	—	—	(85,593)	(70,040)	(155,633)
At 31 December 2014	37,044	35,079	84,991	(85,593)	23,863	170,736	50,450	(911)	315,659	9,398	325,057
At 1 January 2013	—	—	111,526	—	10,989	17,638	—	—	140,153	8,950	149,103
Profit for the year	—	—	—	—	—	65,072	—	—	65,072	263	65,335
Other comprehensive income for the year:	—	—	—	—	—	—	—	—	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(1,117)	(1,117)	—	(1,117)
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 RMB228,165,000 (2013: RMB263,261,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		147,048	93,666
Adjustments for:			
Finance costs	6	5,725	5,771
Interest income		(2,517)	(631)
Provision for impairment of inventories	7	—	848
Depreciation of items of property, plant and equipment	7	14,046	12,585
Amortisation of prepaid land lease payments	7	327	327
Amortisation of other intangible assets	7	3,443	532
Loss/(gain) on disposal of items of property, plant and equipment	7	1	(48)
		168,073	113,050
(Increase)/decrease in trade and bills receivables		(60,278)	83,906
Decrease/(increase) in prepayments, deposits and other receivables		56,377	(4,289)
Increase in inventories		(16,926)	(95,784)
Increase/(decrease) in trade and bills payables		7,094	(28,924)
(Decrease)/increase in other payables and accruals		(11,010)	11,505
Increase in pledged deposits		(784)	(813)
		142,546	78,651
Income tax paid		(29,457)	(42,504)
NET CASH FLOWS FROM OPERATING ACTIVITIES		113,089	36,147
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(10,447)	(22,350)
Additions to prepaid land lease payments		—	(911)
Purchases of intangible assets		(737)	(381)
Proceeds from disposal of items of property, plant and equipment		132	898
Interest received from term deposits		3,148	—
Acquisition of entities under common control		—	(6,286)
Acquisition of a subsidiary		(140,760)	—
Decrease in an amount due from a director		—	1,916
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(148,664)	(27,114)

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from capital contribution		—	128,608
New interest-bearing loans		(286,765)	97,212
Repayment of bank loans		275,766	(25,000)
Dividends paid		(36,210)	(80,588)
Interest paid		(5,725)	(5,771)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(52,934)	114,461
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(88,509)	123,494
Cash and cash equivalents at beginning of year		283,027	160,393
Effect of foreign exchange rate changes, net		206	(860)
CASH AND CASH EQUIVALENTS AT END OF YEAR		194,724	283,027
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and non-pledged bank balances		149,724	155,078
Non-pledged time deposits		45,000	127,949
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	23	194,724	283,027

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	26,624	26,535
		26,624	26,535
CURRENT ASSETS			
Amounts due from subsidiaries	25	62,425	62,898
Cash and cash equivalents	23	31,628	64,344
		94,053	127,242
NET CURRENT ASSETS		94,053	127,242
TOTAL ASSETS LESS CURRENT LIABILITIES		120,677	153,777
NET ASSETS		120,677	153,777
EQUITY			
Issued capital		37,044	37,044
Reserves	30(b)	33,183	84,066
Proposed final dividend	12	50,450	32,667
TOTAL EQUITY		120,677	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 Hartono Jeane, Hartono Rico, Hartono James and Hartono Chen Chen Irene.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 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, distribution of medical equipment and diagnostic reagents.

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 accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of schedule 11 to that Ordinance. The financial statements 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 2014. 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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.

If the Group loses control over a subsidiary, it derecognises (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 recognises (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 recognised 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.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Combination Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective IFRSs*

1 Effective from 1 July 2014

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

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*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The *Annual Improvements to IFRSs 2010–2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 Operating Segment: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Put options in relation to non-controlling interests

During the process of acquiring the majority stake of a subsidiary, the Group provides the minority shareholders the right to dispose of the equity interests held by them to the Group ("Put Options"). The equity interests in such subsidiary held by the minority shareholders shall be recognised as non-controlling interests in the consolidated financial statements of the Group. At the same time, for Put Options, the Group shall assume the obligations to acquire in cash the equity interests in such subsidiary held by the non-controlling interests. The present value of the amount payable at the time of buying of the corresponding equity interests of such Put Options shall be deducted from non-controlling interests and shall be recognised as the financial liabilities of the Group. Such financial liabilities shall be re-measured at the present value of future exercise in the subsequent period, with changes charged to equity.

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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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 recognised 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)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Distribution rights and customer relationship

Intangible assets include distribution rights and customer relationship are acquired through acquisitions of subsidiaries and are recognised according to their fair values on the acquisition date. distribution rights and customer relationship is amortised over the estimated useful lives of 15 years based on management's estimates on how long the Group remain the distribution rights and customer relationship.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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 recognised on the straight-line basis over the lease terms.

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 recognised 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 recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

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 recognised 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 recognised 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 recognised 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.

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 other income and gains in the statement of profit or loss. The loss arising from impairment is recognised 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 recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired , when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to 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 recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

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 recognised 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.

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 derecognised (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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, recognised 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).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised 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 recognised, the previously recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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 recognised in the statement of profit or loss, is removed from other comprehensive income and recognised 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 recognised in the statement of profit or loss — is removed from other comprehensive income and recognised 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 recognised directly in other comprehensive income.

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 recognised 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, dividends payable, 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 as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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 recognised in the statement of profit or loss. The net fair value gain or loss recognised 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 recognised in the statement of profit or loss when the liabilities are derecognised 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.

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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 recognised 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 recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax liabilities are recognised 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, 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 recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, deferred tax assets are recognised 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 recognised 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised 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 recognised 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 recognised 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;

(c) rental income, on a time proportion basis over the lease terms; and

(d) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings 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 recognised as a liability.

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 recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the 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.

The resulting exchange differences are recognised 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 recognised 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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 goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB87,315,000 (2013: Nil). Further details are given in note 17.

(ii) 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 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)

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) Deferred tax assets

Deferred tax assets are recognised 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 recognised, 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 organised 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; and

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

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.

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2014

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	810,215	721,138	1,531,353
Segment results	66,389	81,529	147,918
Reconciliation:			
Corporate and other unallocated expenses			(870)
Profit before tax			147,048
Segment assets	678,137	407,796	1,085,933
Reconciliation:			
Corporate and other unallocated assets			31,986
Total assets			1,117,919
Segment liabilities	476,074	244,418	720,492
Reconciliation:			
Corporate and other unallocated liabilities			72,370
Total liabilities			792,862
Other segment information:			
Depreciation of items of property, plant and equipment	11,589	2,457	14,046
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	661	2,782	3,443
Loss on disposal of items of property, plant and equipment	1	—	1
Operating lease rentals	6,578	1,877	8,455
Capital expenditure*	8,914	2,270	11,184

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2013

	Imaging printing products RMB'000	Medical products and equipment 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
Amortisation of prepaid land lease payments	327	—	327
Amortisation 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

* 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 2014, the Group had one customer from whom the revenue raised by selling medical imaging products and printing imaging products of RMB801,068,000 (2013:RMB492,690,000) accounted for more than 50% (2013: more than 10%) of the Group's total revenue during the year.

Details of the concentration of credit risk arising from the customers are set out in note 37 to the financial statements.

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:

	2014 RMB'000	2013 RMB'000
Revenue		
Sale of goods	1,526,331	1,173,334
Rental income	5,022	—
	1,531,353	1,173,334
Other income and gains		
Government grants (note (a))	6,191	3,675
Sale of scrap materials	—	1,914
Interest income	4,335	1,268
Others	193	319
	10,719	7,176

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:

	Group	
	2014 RMB'000	2013 RMB'000
Finance costs		
Interest on bank loans, overdrafts and other loans wholly repayable within five years	5,623	5,270
Guarantee fee	—	426
Interest arising from discounted bills	102	75
	5,725	5,771

7. PROFIT BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
Cost of inventories sold	1,267,888	963,899
Employee benefit expense (including directors' remuneration as set out in note 8):		
— Wages and salaries	70,199	62,666
— Pension scheme contributions	6,979	6,758
	77,178	69,424
Research and development costs	1,988	1,567
Auditors' remuneration	1,870	1,468
Depreciation of items of property, plant and equipment (note 14)	14,046	12,585
Amortisation of prepaid land lease payments (note 15)	327	327
Amortisation of other intangible assets (note 16)	3,443	532
Impairment of inventories (note 20)	—	848
Minimum lease payments under operating leases	8,455	8,871
Loss/(gain) on disposal of items of property, plant and equipment	1	(48)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014 RMB'000	2013 RMB'000
Fees	600	135
Other emoluments:		
Salaries, allowances and benefits in kind	5,347	7,321
Discretionary bonuses*	2,625	—
Pension scheme contributions	185	148
	8,157	7,469
	8,757	7,604

* Certain executive directors of the Company are entitled to bonus payments which are 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:

	2014 RMB'000	2013 RMB'000
Hu Yiming	200	45
Tirtamarta Karsono (Kwee Yoe Chiang)	200	45
Sutikno Liky	200	45
	600	135

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2014				
Hartono James*	2,150	1,093	—	3,243
Wang Ying	922	585	26	1,533
Chan To Cheung	960	409	—	1,369
Zhang Qi	480	215	53	748
Heng Yinmei	432	143	53	628
Wang Hong	403	180	53	636
	5,347	2,625	185	8,157
Year ended 31 December 2013				
Hartono James*	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

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

* Hartono James is a director and the chief executive of the Company.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2013: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining non-director, highest paid employee for the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	—	697

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2014	2013
Nil to HKD1,000,000	—	1

During the year ended 31 December 2014, 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.

10. INCOME TAX (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Current tax		
— Income tax in the PRC for the year	38,240	27,453
— Deferred tax (note 19)	5,262	878
Total tax charge for the year	43,502	28,331

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:

	2014 RMB'000	2013 RMB'000
Profit before tax	147,048	93,666
Tax at an applicable tax rate	36,762	23,417
Lower tax rate for certain loss making entities in different jurisdictions	218	902
Adjustments to current tax of previous periods	(190)	250
Expenses not deductible for tax	1,860	477
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries (note 19)	4,852	3,285
Tax charge at the Group's effective rate	43,502	28,331

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB836,000 (2013: loss of RMB354,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Proposed final — HK3.4 cents (2013:HK2.2 cents, as adjusted for the effect of share subdivision in December 2014) per ordinary share	50,450	32,667

On 16 March 2015, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2014 of HK3.4 cents (2013: HK2.2 cents, as adjusted for the effect of share subdivision in December 2014) 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 1,867,500,000 in issue during the year ended 31 December 2014 (2013: 1,462,377,000), as though the stock split of 466,875,000 shares happened since its issuance. Pursuant to the written resolution of the shareholders of the Company passed on 15 December 2014, every one (1) share in the capital of the Company was subdivided into four (4) subdivided shares of par value of HKD0.025 each so that the authorised share capital of the Company became HKD100,000,000 divided into 4,000,000,000 subdivided shares of HKD0.025 each.

The calculation of basic earnings per share is based on:

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to owners of the parent used in the basic earnings per share calculation:	100,900	65,072
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	1,867,500	1,462,377
Basic and diluted earnings per share (RMB cents)	5.4	4.4

The diluted earnings per share amount is equal to the basic earnings per share amount for the years ended 31 December 2014 and 2013, as there were no diluting events 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 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 and 1 January 2014	26,066	18,734	86,620	8,636	13,905	16,483	170,444
Additions	1,070	186	214	1,211	1,770	5,996	10,447
Transfers	6,425	1,323	369	230	—	(8,347)	—
Acquisition of a subsidiary (note 31)	—	1,407	—	—	2,645	—	4,052
Disposals	—	—	—	(346)	(49)	—	(395)
At 31 December 2014	33,561	21,650	87,203	9,731	18,271	14,132	184,548
Accumulated depreciation:							
At 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 and 1 January 2014	1,205	13,544	42,000	4,182	5,161	—	66,092
Charge for the year (note 7)	1,373	1,193	7,768	1,425	2,287	—	14,046
Acquisition of a subsidiary (note 31)	—	522	—	—	141	—	663
Disposals	—	—	—	(233)	(29)	—	(262)
At 31 December 2014	2,578	15,259	49,768	5,374	7,560	—	80,539
Net book value:							
At 31 December 2014	30,983	6,391	37,435	4,357	10,711	14,132	104,009
At 31 December 2013	24,861	5,190	44,620	4,454	8,744	16,483	104,352

As at 31 December 2014, none of the Group's property, plant and equipment was pledged (2013: none).

15. PREPAID LAND LEASE PAYMENTS

Group

	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	15,606	15,022
Recognised during the year (note 7)	(327)	(327)
Additions	—	911
Carrying amount at 31 December	15,279	15,606

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

16. INTANGIBLE ASSETS

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2013	—	—	7,867	7,867
Additions	—	—	381	381
At 31 December 2013 and 1 January 2014	—	—	8,248	8,248
Additions	—	—	737	737
Acquisition of a subsidiary (note 31)	93,100	156,800	—	249,900
At 31 December 2014	93,100	156,800	8,985	258,885
Accumulated amortisation and impairment:				
At 1 January 2013	—	—	5,192	5,192
Charge for the year (note 7)	—	—	532	532
Disposal	—	—	—	—
At 31 December 2013 and 1 January 2014	—	—	5,724	5,724
Charge for the year (note 7)	1,034	1,742	667	3,443
At 31 December 2014	1,034	1,742	6,391	9,167
Net carrying amount:				
At 31 December 2013	—	—	2,524	2,524
At 31 December 2014	92,066	155,058	2,594	249,718

17. GOODWILL

	2014 RMB'000
Cost:	
At 1 January	—
Acquisition of a subsidiary (note 31)	87,315
At 31 December	87,315
Accumulated impairment:	
At 31 December	—
Net carrying amount:	
At 31 December	87,315

Impairment testing of goodwill

Goodwill acquired through business combinations has been primarily allocated to the following reportable cash-generating units ("CGUs") for impairment testing:

— sale of medical equipment and reagents.

The recoverable amount of CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a fifteen-year period. The discount rates applied to the cash flow projections was 13%. Cash flows beyond the fifteen-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the projected long term average growth rates for the medical and health development industries in Mainland China.

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — Management determined the budgeted gross margins based on past performance and its expectations for the development of the market.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the respective industries.

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

18. INVESTMENTS IN SUBSIDIARIES

Company

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	26,624	26,535

Particulars of the subsidiaries are as follows:

Name of company	Place and date of incorporation/registration and place of 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 sale of color photographic paper, photo-related products, document printing equipment and consumables, industrial NDT x-ray films and dental films*
Yestar (Guangxi) Technology Co., Ltd. [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 (Guangxi) Medical System Co., Ltd.. [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*
Jiangsu Uno.Technology Development Company Limited ("Jiangsu Uno") [3]	*PRC/Mainland China 5 December 2011*	*RMB26,000,000*	—	*70*	*Sale of medical equipment and reagents*

* 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.

18. 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.

19. DEFERRED TAX

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

Deferred tax assets

Group

	Elimination of unrealised profits RMB'000	Accruals and provisions RMB'000	Total RMB'000
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	979	1,428	2,407
Gross deferred tax assets at 1 January 2014	3,139	5,211	8,350
Acquisition of a subsidiary	—	231	231
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	228	(1,332)	(1,104)
At 31 December 2014	3,367	4,110	7,477

19. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2013	—	1,028	1,028
Deferred tax charged to the statement of profit or loss during the year	—	3,285	3,285
Gross deferred tax liabilities at 31 December 2013 and 1 January 2014	—	4,313	4,313
Acquisition of a subsidiary (note 31)	63,899	—	63,899
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(694)	4,852	4,158
At 31 December 2014	63,205	9,165	72,370

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.

20. INVENTORIES

Group

	2014 RMB'000	2013 RMB'000
Raw materials	109,618	74,044
Finished goods	218,431	199,508
	328,049	273,552
Less: Provision for inventories	(848)	(848)
	327,201	272,704

The carrying amounts of inventories pledged at a floating charge as security for the outstanding trade and bills payables are as follows:

	2014 RMB'000	2013 RMB'000
Trade and bills payables (note 27)	64,558	79,980

21. TRADE AND BILLS RECEIVABLES

Group

	2014 RMB'000	2013 RMB'000
Trade receivables	92,914	7,206
Bills receivable	12,283	9,642
	105,197	16,848

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 approximate to their fair values.

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Within 90 days	92,541	6,040
91 to 180 days	259	1,006
181 to 365 days	114	160
	92,914	7,206

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

Group

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	92,914	6,376
Past due but not impaired:		
Less than 90 days	—	680
91 to 180 days	—	150
	92,914	7,206

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.

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

At 31 December 2014, the Group has not endorsed any bills receivable accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers (31 December 2013: with a carrying amount of RMB700,000). The Derecognised Bills had a maturity from one to three months as at 31 December 2013. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills had a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group had transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it had derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills was equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills were not significant.

During the year, the Group has not recognized any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised 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 2014 amounted to RMB2,050,000 (2013: RMB2,181,000). The carrying amount of the assets that the Group continued to recognise as at 31 December 2014 amounted to RMB2,050,000 (2013: RMB2,181,000) and that of the associated liabilities as at 31 December 2014 amounted to RMB2,050,000 (2013: RMB2,181,000).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2014 RMB'000	2013 RMB'000
Prepayments	4,200	3,543
Value added tax input	13,456	19,901
Other receivables	5,243	5,815
	22,899	29,259

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.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2014 RMB'000	2013 RMB'000
Cash and bank balances	153,824	155,078
Time deposits	45,000	131,265
	198,824	286,343
Less: Pledged deposits		
Pledged for issuance of bank acceptance notes	(4,100)	(3,316)
Cash and cash equivalents	194,724	283,027
Denominated in RMB	165,965	162,047
Denominated in USD	880	985
Denominated in HKD	31,979	123,311
	198,824	286,343

Company

	2014 RMB'000	2013 RMB'000
Cash and bank balances	31,628	1,395
Time deposits	—	62,949
Cash and cash equivalents	31,628	64,344
Denominated in HKD	31,628	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 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 authorised to conduct foreign exchange business.

24. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

Group

	Note	2014 RMB'000	2013 RMB'000
Amounts due to non-controlling interests	(note 31)	98,000	—

25. BALANCES WITH SUBSIDIARIES

Company

	Note	2014 RMB'000	2013 RMB'000
Amounts due from subsidiaries	(i)	62,425	62,898

Note:

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014			2013		
Group	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	2.1–7.28	2015	81,713	3.3–7.5	2014	107,212
Bank loans — secured		—	—	3.3–7.5	2014	10,000
Current portion of long term bank loans — secured	7.8	2015	20,000			—
			101,713			117,212
Non-current						
Other secured bank loans	7.8	2016	4,500			—
			106,213			117,212
Analysed into:						
Bank loans repayable:						
Within one year or on demand			101,713			117,212
In the second year			4,500			—
			106,213			117,212

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(1) Certain of the Group's bank loans are secured by the pledge of 70% of equity interests of Jiangsu Uno.

(2) Except for the 30.2% unsecured bank loan which is denominated in United States dollars ("USD"), all borrowings are RMB.

27. TRADE AND BILLS PAYABLES

Group

	2014 RMB'000	2013 RMB'000
Trade payables	218,220	135,342
Bills payable	64,558	79,980
	282,778	215,322

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

	2014 RMB'000	2013 RMB'000
Within 90 days	218,137	135,259
91 to 180 days	68	64
181 to 365 days	15	19
1 to 2 years	—	—
	218,220	135,342

The trade payables are non-interest-bearing and are normally settled within 180 days.

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 20.

28. OTHER PAYABLES AND ACCRUALS

Group

	2014 RMB'000	2013 RMB'000
Current portion:		
Advances from customers	10,128	17,408
Other payables	19,120	9,086
Value added tax payable	536	—
Accrued expenses	249	2,181
Payroll and welfare payable	9,782	8,391
	39,815	37,066
Non-current portion:		
Other payables (Note 1)	8,644	9,133
Put options in relation to:		
non-controlling interests (Note 2)	155,633	—
	164,277	9,133

Note 1: 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. Yestar Imaging has met the condition and started to recognise the deferred government grant in 2014. As at 31 December 2014, the deferred government grant is included in other payables in the consolidated statement of financial position.

Note 2: Put options in relation to non-controlling interests represent the rights granted to the minority shareholders to dispose of the 30% interests in Jiangsu UNO Technology Development Company Limited to the Group during the acquisition of 70% interests by the Company in Jiangsu Uno. Pursuant to the accounting policy of the Group, the present value of the amount required to be paid at the time of exercise in the future deducted from non-controlling interests was recognised as a financial liability of the Group. On 31 December 2014, it was measured by its fair value.

29. ISSUED CAPITAL

Shares

	Note	2014 RMB'000	2013 RMB'000
Authorised:			
ordinary shares of HKD0.025 each (2013: HKD0.10 each)	(i)	100,000	100,000
Issued and fully paid:			
1,867,500,000 (2013: 466,875,000) ordinary shares of HKD0.025 each (2013: HKD0.10 each)		37,044	37,044

A summary of movements in the Company's share capital is as follows:

		Number of shares in issue ('000)	Share capital RMB'000
At 1 January 2013		1	—
Issue of shares for the acquisition of entities under common control		337,499	26,791
New issue of shares		129,375	10,253
At 31 December 2013 and 1 January 2014		466,875	37,044
Stock split	(a)	1,400,625	—
As at 31 December 2014		1,867,500	37,044

Note:

(a) Pursuant to the written resolution of the shareholders of the Company passed on 15 December 2014, every one (1) share in the capital of the company was subdivided into four (4) subdivided shares of par value of HKD0.025 each so that the authorised share capital of the Company became HKD100,000,000 divided into 4,000,000,000 subdivided shares of HKD0.025 each.

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 statements.

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.

Put-option written on non-controlling interests reserve

The Put-option written on non-controlling interests reserve represents the difference between the non-controlling interests that the minority shareholders hold at each financial year end but have the right to dispose of to the Group and the present value of the amount payable by the Group to the minority shareholders at the time of buying the corresponding equity interests.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to a 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 capitalised 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 utilised 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.

30. RESERVES

(a) Group (Continued)

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 these financial statements which are 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.

(b) Company

	Share premium account RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
As at 31 December 2013 and 1 January 2014	85,688	(354)	(1,268)	84,066
Loss for the year	—	(836)	—	(836)
Other comprehensive income for the year	—	—	—	—
Exchange differences on translation of foreign operations	—	—	562	562
Total comprehensive income for the year	—	(836)	562	(274)
Final 2013 dividends declared	(159)	—	—	(159)
Proposed final 2014 dividends	(50,450)	—	—	(50,450)
As at 31 December 2014	35,079	(1,190)	(706)	33,183

31. BUSINESS COMBINATION

On 11 September 2014, Yestar (Shanghai) Co., Ltd., a subsidiary of the Company, was entered into a share purchase agreement with Ms. Hang Wenxia and Ms. Xu Di, to acquire a 70% equity interest of Jiangsu Uno Technology Development Company Limited ("Jiangsu Uno") at an aggregate consideration of RMB245 million. Jiangsu Uno is engaged in the distribution of medical equipment and reagents. The acquisition was undertaken under the Company's strategy to develop the medical consumable business and enhance the Group's profitability by introducing a wider range of consumable products to its customers. After completion of this acquisition, Yestar Shanghai would hold a 70% equity interest of Jiangsu Uno, and Ms. Hang would hold a 30% equity interest of Jiangsu Uno. Ms. Hang shall have the right to require Yestar Shanghai to acquire the remaining 30% equity interest in Jiangsu Uno if the net profit of Jiangsu Uno in the upcoming three years ending 31 December 2016 would be able to reach the Annual Guarantee Profit. On 10 November 2014, the business acquisition was completed.

The Group has elected to measure the non-controlling interests in Jiangsu Uno at the non-controlling interest's proportionate share of Jiangsu Uno's identifiable net assets.

31. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of Jiangsu Uno as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 14)	3,389
Intangible assets (note 16)	249,900
Deferred tax assets (note 19)	231
Cash and bank balances	6,240
Trade and notes receivables	28,071
Prepayments, deposits and other receivables	50,648
Inventories	37,571
Trade and notes payables	(60,362)
Accrued liabilities and other payables	(13,270)
Tax payable	(13,255)
Deferred tax liabilities (note 19)	(63,899)
Total identifiable net assets at fair value	225,264
Non- controlling interest	(67,579)
Goodwill on acquisition (note 17)	87,315
	245,000
Satisfied by:	
Cash	147,000
Cash consideration unpaid	98,000
	245,000

The fair value of the trade receivables and other receivables as at the date of acquisition amounted to RMB27,621,000 and RMB1,827,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB27,621,000 and RMB1,827,000, respectively. However, none of the trade receivables and other receivables has been impaired and it is expected that the full contractual amounts can be collected.

31. BUSINESS COMBINATION (CONTINUED)

The Group incurred transaction costs of RMB1,887,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, the acquired subsidiary contributed RMB68,259,000 to the Group's turnover and net profit of RMB8,200,000 to the consolidated profit for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue of the Group and the net profit of the Group for the year ended 31 December 2014 would have been RMB1,797,466,000 and RMB120,508,000, respectively.

An analysis of the cash flows in respect of the acquisition of a subsidiary mentioned above is as follows:

	RMB'000
Consideration settled by cash	(147,000)
Cash and bank balances acquired	6,240
Net outflow of cash and cash equivalents included in cash flows from investing activities	(140,760)
Transaction costs of the acquisition included in cash flows from operating activities	(1,887)
	(142,647)

32. 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:

	2014 RMB'000	2013 RMB'000
Within a year	5,260	4,020
In the second to fifth years, inclusive	1,981	3,357
	7,241	7,377

33. 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

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for:		
Plant and machinery	1,726	3,755
Prepaid land lease payments	—	—
	1,726	3,755

34. 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	2014 RMB'000	2013 RMB'000
Nature of transactions			
Loans provided to a fellow subsidiary			
Shanghai MG	(i)	—	72,967
Loans received from a shareholder			
Hartono Rico	(i)	—	6,286
Consulting fee			
Capital Group Pte. Ltd.	(ii)	—	467

Notes:

(i) 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.

(ii) 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.

34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Basic salaries and other benefits	6,151	8,018
Discretionary bonuses and profit sharing	2,901	—
Pension scheme contributions	216	148
	9,268	8,166

35. 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

2014

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	105,197
Financial assets included in prepayments, deposits and other receivables	5,243
Pledged deposits	4,100
Cash and cash equivalents	194,724
	309,264

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Group (Continued)

2014 (Continued)

Financial liabilities

	Financial liabilities at fair value RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	282,778	282,778
Financial liabilities included in other payables and accruals	—	19,120	19,120
Other long-term payables (note 28)	155,633	—	155,633
Amounts due to non-controlling interests	—	98,000	98,000
Interest-bearing loans	—	106,213	106,213
	155,633	506,111	661,744

Group

2013

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	16,848
Financial assets included in prepayments, deposits and other receivables	5,815
Pledged deposits	3,316
Cash and cash equivalents	283,027
	309,006

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Group (Continued)

2013 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	215,322
Financial liabilities included in other payables and accruals	10,058
Dividends payable	3,384
Interest-bearing loans	117,212
	345,976

Company

	2014 RMB'000	2013 RMB'000
Financial assets		
— loans and receivables		
Amounts due from subsidiaries	62,425	62,898
Cash and cash equivalents	31,628	64,344
	94,053	127,242

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	106,213	117,212	106,213	117,212
Financial liabilities included in other long-term payables	155,633	—	155,633	—
	261,846	117,212	261,846	117,212

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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 values of the non-current portion of financial liabilities included in other long term payables, and the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of financial liabilities included in other long-term payables, and the non-current portion of interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2014:

As part of the purchase agreement, a put option included in other long-term liabilities is payable, which is dependent on the amount of audited profit after tax of Jiangsu Uno for the year ended 31 December 2016 subsequent to the acquisition. The amount recognised as at 31 December 2014 was RMB155,633,000 which was determined using the discounted cash flow model and is under Level 3 fair value measurement. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Significant unobservable valuation inputs for the fair value measurement of the put option are as follows:

Projected profit after tax of Jiangsu Uno	RMB66,242,000 in 2016
Equity interest	30%
Projection	10 times
Discount rate	13%
Discount for own non-performance risk	—

A significant decrease in the profit after tax of Jiangsu Uno would result in a significant decrease in the fair value of the financial liability arising from the put option in relation to non-controlling interest.

Fair value hierarchy

Liabilities measured at fair value:

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Financial liabilities included in other long-term payables	—	—	155,633	155,633

The Group did not have any financial liabilities measured at fair value as at 31 December 2013.

The Company did not have any financial liabilities measured at fair value as at 31 December 2014 (31 December 2013: Nil).

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities measured at fair value: (Continued)

Group (Continued)

The movements in fair value measurements in Level 3 during the year are as follows:

	2014 RMB'000
Amounts included in other long-term payables	
At 1 January	—
Addition	155,633
At 31 December	155,633

Liabilities for which fair values are disclosed:

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	106,213	—	106,213
Financial liabilities included in other long-term payables	—	—	155,633	155,633
	—	106,213	155,633	261,846

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

Group (Continued)

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	117,212	—	117,212

The Company did not have any financial liabilities for which fair values are disclosed as at 31 December 2014 (31 December 2013: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and overdrafts 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 throughout the year under review, 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 summarised below:

Interest rate risk

The Group's exposure to market risk of 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 all of the Company's interest-bearing loans bear fixed interest, its exposure to the risk of changes in market interest rates is low.

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 2014		
If USD weakens against RMB	5	(5,765)
If USD strengthens against RMB	(5)	5,765
Year ended 31 December 2013		
If USD weakens against RMB	5	(6,071)
If USD strengthens against RMB	(5)	6,071

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised 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, and 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 3% (31 December 2013: 24%) of the Group's trade receivables were due from the Group's largest customer within the medical imaging products and printing imaging products segment.

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 2014	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	—	46,918	57,576	4,822	—	109,316
Trade and bills payables	83	282,695	—	—	—	282,778
Other payables and accruals	19,120	—	—	—	—	19,120
Due to non-controlling interest	98,000	—	—	—	—	98,000
Other long term payables	—	—	—	155,633	—	155,633
	117,203	329,613	57,576	160,455	—	664,847

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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

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 maximise 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 2014 and 31 December 2013.

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

	2014 RMB'000	2013 RMB'000
Interest-bearing bank and other borrowings	106,213	117,212
Total equity	325,057	342,185
Gearing ratio	33%	34%

38. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2015, the Company was in the preliminary stage of considering the feasibility of a possible acquisition of equity interest in a company located in People's Republic of China ("PRC"), which is principally engaged in the medical in vitro diagnostic industry in the PRC. As at the date of the financial statements, no definitive legally binding agreement or contract has been entered into by the Company.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2015.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
RESULTS					
Revenue	1,531,353	1,173,334	955,818	977,098	523,177
Profit for the year	103,546	65,335	58,033	48,295	21,676
Attributable to:					
Owners of parent	100,900	65,072	56,517	47,312	19,297
Non-controlling interests	2,646	263	1,516	983	2,379
ASSETS AND LIABILITIES					
Total assets	1,117,919	735,986	587,201	475,861	339,296
Total Liabilities	792,862	393,801	438,098	294,274	206,004
Net assets	325,057	342,185	149,103	181,587	133,292