Yes!Star

YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED
巨星醫療控股有限公司

(formerly known as Yestar International Holdings Company Limited 前稱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

2016
Annual Report
年報

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hartono James *(Chairman)*
Ms. Wang Ying
Mr. Chan To Keung
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Chan Chung Man

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. Ng Chit Sing

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Ng Chit Sing

INDEPENDENT AUDITORS

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Cayman Islands

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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P.O. Box 2681
Grand Cayman KY1-1111
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* (to be renamed to Conyers Trust Company (Cayman) Limited with effect from 30 March 2017)

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STOCK CODE

2393

COMPANY WEBSITE

http://www.yestarcorp.com

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Hartono James
Chairman

Dear valued shareholders,

On behalf of the board of directors (the "Board") of Yestar Healthcare 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 2016 (the "Year").

REMARKABLE RESULTS WITH MEDICAL CONSUMABLES AS MAJOR GROWTH DRIVER

Continuing the success from last year, the Group has once again achieved remarkable results during the Year. Mainly driven by the rapid growth of the medical consumable business, the Group's overall revenue has reached approximately RMB3,021.8 million, recording an approximately 23.1% growth (2015: approximately RMB2,454.7 million). Profit attributable to owners of the parent increased by approximately 23.5% to approximately RMB201.0 million (2015: approximately RMB162.8 million), while net profit margin improved by approximately 0.8 percentage point when compared to 8.1% in 2015, reaching 8.9%. For the Year, the Board proposed a final dividend payment of HK4.4 cents per share in order to show our appreciation for the long-term support and confidence from our shareholders.

SHIFTING FROM PRODUCT-BASED TO PLATFORM BASED STRATEGY

In the past decade, multinational medical brands have gradually shifted its development focus to the Asia-Pacific region, and placed an increasing amount of investment in the IVD industry in the People's Republic of China ("PRC"). Taking Roche Diagnostics ("Roche") as an example, it has placed an investment of CHF450 million to build a diagnostics manufacturing facility in Suzhou, which is designed to produce around 180 different reagents, calibrators and controls for clinical chemistry and immunodiagnostics by 2018. The increase in investment in the PRC has signified the bullish view from the multinational corporations on the IVD market.

Yestar, as one of the leading distributors in the PRC's IVD industry, has a solid equity platform, an extensive distribution network and a systematic and professional management team with global vision. These can be the backbone for the Group to provide a value-added platform for industry global leaders, assisting them in developing the PRC market. In the process of market development, strong regional foothold and valuable market data are important and essential to these multinationals corporations in accelerating their penetration. Over the years, the Group has built extensive connections with 1,042 top-tier hospitals and clinics, which acted as an excellent database to offer cross-selling opportunities. Moreover, the Group's professional and competent sales and services team closely monitored the feedback from customers, aiming to provide the most suitable and customized solutions and cater various daily needs. The feedback gathered, together with the medical-related info on market development trends and analysis can create a consolidated big data hub, thus improving services and customer satisfactions, as well as facilitating bilateral communications between medical brands and end-users. Proven by our past track record on collaborating with Roche and Fujifilm, the Group is capable in following the market development pace and introducing more new products to the PRC market. With the integration of the far-reaching sales network, the big data hub and bilateral communication channels, the Group also believes that the Yestar healthcare platform not only can create values to business partners, but also to collectively unleash the industry potential and make significant progression in the PRC IVD market in the long run.

FURTHER CAPTURE MARKET SHARES BY OUTREACHING TO THE FAST-GROWING SOUTHERN CHINA IVD MARKET

The successful acquisitions of Yestar Biotech (Jiangsu) Company Limited (formerly known as Jiangsu UNO Technology Development Company Limited) ("Yestar Biotech (Jiangsu)") and Shanghai Anbaida Group Companies ("Shanghai Anbaida") have helped the Group in laying a strong foothold in the Eastern China IVD market. To further capture market shares in the industry, the Group strategically tapped into the high-potential IVD market in Southern China by proposing to acquire 70% of equity interests in each of three IVD distribution companies in October and November 2016 (the "Acquisitions"). The proposed acquiring companies, namely Guangzhou Hongen Medical Diagnostic Technologies Company Limited, Shenzhen De Run Li Jia Company Ltd. and Guangzhou Shengshiyuan Trading Company Limited, upon completion, will provide the Group with access to the IVD market in particular to the area of Guangdong, Hainan and Fujian, and make Yestar the largest distributor of Roche products in the PRC. Meanwhile, the Acquisitions have also extended the Group's geographic reach with an additional coverage of 108 distributors and 436 hospitals and clinics and diversified product portfolio with two new brands, namely Sekisui and Luminex. Such strategic move not only has deepened the partnership with Roche, but also expanded the Group's income stream and assisted other global industry leaders to penetrate the PRC market through our integrated medical platform.

IVD market in Southern China, in particular Shenzhen, has become one of the fastest-growing industries in the PRC. The government has increased investment in the local healthcare institutions and targeted to transform Shenzhen into a medical service hub of Southern China in the coming years. Such favourable circumstance will drive the demand for more body check-ups, thus greatly escalating the demand for IVD products and creating huge market potential for the Group to capture. Together with the partnership with top distributors in the area, the Group believes that this will act as a significant driver for our medical consumable business to flourish in the upcoming years.

INDUSTRY REVIEW

The PRC's IVD industry has experienced dramatic growth in the past few years and believed to continue its strong growth momentum. The increase of people's need is the topmost driving force to fuel consumption growth of the IVD market. With the growing ageing population, rising of the middle class, as well as the health reform for the universal healthcare services in rural area, it is expected that the PRC's IVD industry will reach RMB263.97 billion by 2019 and even surge to RMB417.38 billion by 2024, according to a market research done by Asia Market Info and Dev Co.

The rising incidence of chronic and infectious diseases also stimulated the demand for IVD products. Generally, diagnostics tests helped in 60–70% of the key medical decisions made by healthcare experts. Therefore, molecular diagnosis will have an increasing importance in the industry as it can provide more precise check-ups on numerous viruses and bacteria at an earlier stage than it is currently available. The Group considers molecular diagnostics to be the growth drivers of the IVD industry, which holds an immense business potential to be seized in the coming years.

PROSPECTS

With our continuous effort and hard work, the Group has become a significant player in the IVD industry in the PRC. Propelling forward, we will continue to pursuit excellence and gradually transform into a medical platform-based company.

In the coming year, the Group will continue to adhere to our platform-based strategy. Leveraging on the established data sourcing system, bilateral communication channels and marketing resources gathered by our professional and experienced sales and consultants, the Group is confident that the integrated platform can assist global industry leaders to accelerate their penetration in the PRC medical market. Our logistics, operational management can also enhance operational efficiency and reduce costs for our clients, thus achieving economies of scale. The Group will continue to enhance our relationship with Roche, while endeavor to build new business partnerships with other medical brands. Yestar hopes that we can become a comprehensive distribution platform and a valuable business partner for global leaders to explore opportunities in the PRC.

Moreover, diversifying product offerings will be one of the Group's top priorities. Medical devices and consumable industry is a mass market for the Group to venture and IVD product is only one among them. Having the experiences in medical imaging products, the Group wishes to explore more opportunities in relations to medical imaging, diagnostic imaging and other high-margin medical devices and consumables that can create synergies with other existing segments. Such act can also extend our product offerings and broaden income stream in the long run.

Channel expansion will also be vital in building the Yestar medical platform. Our previous acquisitions have helped us in tapping into some of the most populated and wealthy regions in the PRC. We have a significant presence in the Eastern China market, while started to establish our network in Southern China. To further increase our market share, the Group plans to infiltrate into other parts of the PRC with our merger & acquisition ("M&A") strategy. Our previous successful acquisitions have once again proven our execution ability, integration capability and systematic management. The Group believes that it is a sustainable development strategy and will continue to seek further quality M&A targets in the market. In the future, the Group will further solidify our position in the industry, accelerate our pace in becoming a comprehensive and value-added medical platform and endlessly strive for advancement and excellence.

APPRECIATION

I would like to take this opportunity to thank the Board, the management team and all of our staff for their dedication and commitment, as well as our business partners, shareholders and customers for their unfailing support and confidence in the Group during the Year.

Hartono James
Chairman

Hong Kong, 15 March 2017

COMPANY ACTIVITIES

The Yestar 2016 Annual Results Conference was successfully held on 15 March 2017. Over 200 investors joined the event and responses were great. During the event, we were honoured to have invited Mr. Ota Masahiro, Vice President of Fujifilm Corporation, and Mr. Wong Fatt-heng, General Manager of Roche Diagnostics (Shanghai) Limited, to share with us the upcoming development strategies in the medical consumable market. Another honourable guest of the event was Mr. Patrick Pun, named the Stock Master 2016. Mr. Pun was the MC of the Q&A session and the interaction between the investors and the management was dynamic and extensive. Investors also claimed that they have gained a lot of insight through the event.

Hongen: On 13 October 2016, the Group proposed to acquire 70% of the equity interest in Guangzhou Hongen Medical Diagnostic Technologies Company Limited ("Hongen") at a consideration of RMB336,000,000. Hongen principally engages in the sale and distribution of medical equipment for use in the in-vitro diagnostic industry and the distribution of the diagnostics products of Roche in authorised regions under the dealership agreement and the authorisation letters with Roche, namely Guangdong, Fujian and Hainan.

Derunlijia: On 27 October 2016, the Group proposed to acquire 70% of the equity interest in Shenzhen De Run Li Jia Company Ltd. ("Derunlijia") at a consideration of RMB428,400,000. Derunlijia principally engages in the sale and distribution of medical equipment for use in the in-vitro diagnostic industry and the distribution of the diagnostics products of Roche in Shenzhen, Guangdong under the dealership agreement and the authorisation letters with Roche.

COMPANY ACTIVITIES

Shengshiyuan: On 11 November 2016, the Group proposed to acquire 70% of the equity interest in Guangzhou Shengshiyuan Trading Company Limited ("Shengshiyuan") at a consideration of RMB166,600,000. Shengshiyuan principally engages in the sale and distribution of medical equipment for use in the in-vitro diagnostic industry and the distribution of the diagnostics products of Roche in Guangdong and Hainan under the dealership agreements and the authorisation letters with Roche.

REPORT ON P&I SHANGHAI (PHOTOGRAPHIC PAPER SEGMENT)

P&I Shanghai 2016 took place in Shanghai New International Expo Centre from 21 to 24 July. This year, P&I Shanghai moved to the new venue to "boost the development and lead the future". With an exhibition area of 20,000 square metres, over 200 well-known enterprises at home and abroad, such as Fuji, Sony, Nikon, Epson and Konica Minolta, plus an extended listing of brands joined the show.

Fujifilm participated in P&I Shanghai 2016 in collaboration with Yestar to showcase the complete line of products with a powerful team in a king-sized booth, which successfully came into the spotlight of the exhibition.

Fujifilm displayed impressive and state-of-the-art photographic paper products including Yestar's photographic paper, Fujicolor Crystal Archive Paper Type 80, Fujicolor golden crown photographic paper, Fujicolor Crystal Archive Professional Digital Paper Type DPII Silk, Fujicolor Crystal Archive Paper Supreme and the latest Fujicolor Crystal Archive Paper Supreme High Definition.

Fujifilm also exhibited a complete photo output equipment lineup covering thermal dye sublimation printing and dry inkjet printing, demonstrating the powerful and comprehensive image output solutions of Fujifilm as a global integrated imaging corporation.

Looking forward, Yestar and Fujifilm will continue to pour resources and technologies into the research and development of products in the Chinese market to better cater to the needs of the imaging industry in China.

COMPANY ACTIVITIES

Mr. James Hartono, Chairman & CEO of Yestar Healthcare, received greetings from Mr. Kenji Sukeno, President of Fujifilm Holdings, in Chicago

Mr. James Hartono received Fujifilm Global Excellent Sales Awards in RSNA Chicago on 26 November 2016

In 2016, the Company received the Best Biochemical Reagent Marketing Distributor Award from the Professional Diagnostics Department, the Best HPV Reagent Sales Award from the Molecular Diagnostics Department, the CD National Outstanding Distributor Award from the Professional Diagnostics Department and the Best ImmunoHistoChemistry Reagent Promotion Award from the Tissue Diagnostics Department of Roche Diagnostic.

On 27 May 2016, Shanghai Anbaida donated a total of RMB2.5 million to the education development foundation of the Shanghai University of Medicine & Health Sciences for improving its teaching environment, strengthening its faculty and providing rewards to outstanding teachers and students.

COMPANY ACTIVITIES

REPORT ON 2016 GP SUMMIT

Yestar Healthcare Holdings Company Limited held its annual GM summit at the majestic Jinji Lake Grand Hotel on the shore of Jinji Lake, the largest urban lake park in China and one of the Chinese AAAAA-rated tourist attractions, in Suzhou from 23 to 27 October 2016. The heads of all subsidiaries participated in the summit.

Mr. James Hartono, chairman of Yestar Healthcare Holdings Company Limited, attended this important summit in person and delivered a manifest and visionary speech. He recognised the outstanding performance of the subsidiaries of Yestar Healthcare Holdings Company Limited in 2016 and expressed sincere gratitude to the entire staff for their concerted effort last year. He also revealed the directions and goals of Yestar Healthcare Holdings Company Limited for 2017.

The participants spent 4 happy and meaningful days during this summit. Activities during the summit included "王者之星" leadership training, reports on 2016 results and 2017 marketing plans given by the heads of the subsidiaries and PPT presentations and analysis of useful suggestions about cost control and efficiency improvement selected by the subsidiaries. The participants also conducted outdoor development activities.

The concise 4-day training helped to refine and enhance the mental and physical abilities of the participants. It laid down the future development approach of the Group and strengthened the bonding and competence of the partakers. The summit delivered solidarity, success and fruitful results.

Every journey begins with a single step. There is one thing we do: forgetting what lies behind and straining forward to what lies ahead. The future of the Company will be sound and promising.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The rising middle-class and the ageing population in the People's Republic of China (the "PRC") forms a powerful momentum propelling the growth of the In-Vitro Diagnostic ("IVD") industry. With increasing disposable income and growing health awareness, the PRC's middle-class is looking for quality check-up for disease screening as well as high-accuracy diagnosis. The ageing population on the other hand, has strong demand for chronic disease testing. Backed by such growth drivers, the IVD industry has seen double digit growth in the past decade and reached a size of approximately RMB45 billion in 2016. In particular, the market size of IVD reagents reached approximately RMB26 billion in 2016, with immune, biochemical and molecular products leading in demand, according to the research conducted by Research and Markets.

BUSINESS REVIEW

About Yestar

Yestar Healthcare Holdings Company Limited ("Yestar" or the "Company") (formerly known as Yestar International Holdings Company Limited), together with its subsidiaries, (collectively, the "Group") is the largest distributor of Fujifilm products in the PRC and have been transformed itself into a high margin medical consumables manufacturer and distributor in the PRC since 2014. Targeting the booming domestic healthcare industry, the core business of the Group focuses on high margin and fast-moving healthcare consumables namely, IVD products and medical imaging products.

Change of Company Name

Since its successful transformation to healthcare consumable industry in the PRC, the Board considers that the change of Company name would provide the Company with a more appropriate identification of its principal business, and would better present the new corporate identity and image of the Company. The Board proposed to change the English name of the Company from "Yestar International Holdings Company Limited" to "Yestar Healthcare Holdings Company Limited" and changed the dual foreign name in Chinese of the Company from "巨星國際控股有限公司" to "巨星醫療控股有限公司". The above change of Company name was approved by the shareholders at the extraordinary general meeting of the Company held on 11 January 2017, and duly became effective on 24 January 2017.

Strengthening Partnership with Roche and Expanding into the Southern China Market

Since 2014, Yestar has endeavored to build a comprehensive medical marketing and distribution platform through strategic merger and acquisitions. On top of two successful acquisitions in 2014 and 2015 respectively, the Group has proposed to acquire 70% of equity interest in each of three IVD distribution companies in the PRC in 2016, with a total consideration of approximately RMB931.0 million.

The three newly-proposed to acquire companies, namely Guangzhou Hongen Medical Diagnostic Technologies Company Limited ("Hongen"), Shenzhen De Run Li Jia Company Ltd. ("Derunlijia") and Guangzhou Shengshiyuan Trading Company Limited ("Shengshiyuan"), are some of the largest distributors of Roche Diagnostic ("Roche") in the PRC. Upon completion of the aforesaid acquisitions and together with previous acquisitions of Yestar Biotech (Jiangsu) and Shanghai Anbaida in 2014 and 2015 respectively, the Group has become the largest distributor of Roche in the PRC market. The integration of Hongen and Derunlijia were completed in January 2017; while that of Shengshiyuan were completed in February 2017. A total audited net profit of not less than RMB122.8 million, RMB160.15 million and RMB210.32 million are guaranteed by the vendors of the above three companies for the years ending 31 December 2017, 2018 and 2019, respectively. These acquisitions are another significant move for the Group to strengthen its partnership with Roche and build an integrated medical platform for global leaders to penetrate the PRC market.

Upon completion of the acquisitions, the Group further expanded its medical consumable distribution network to Fujian, Guangdong and Hainan provinces, which are some of the most affluent consumer markets in the PRC. With an additional coverage of 108 distributors and 436 hospitals and clinics brought by the acquisition, the Group has established sales channels with a total of 1,042 distribution network as of 31 December 2016.

Please refer to the announcements of the Company dated 13 October 2016, 27 October 2016, 11 November 2016 and 18 November 2016 for details of the proposed acquisitions of the above three companies.

Profit Guarantee of Shanghai Anbaida

Reference was made to the announcement of the Company dated 10 April 2015 and the circular of the Company dated 30 June 2015 in relation to the acquisition of 70% equity interest in Shanghai Anbaida Group Companies, namely Shanghai Emphasis Investment Management Consulting Co., Ltd, Shanghai Jianchu Medical Investment Co., Ltd, Shanghai Chaolian Trading Co., Ltd, Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd ("Shanghai Anbaida").

Pursuant to the share transfer agreement entered into with Shanghai Anbaida, Mr. Li Bin guaranteed to the Group to deliver audited combined net profits after taxation of Shanghai Anbaida pursuant to the International Financial Reporting Standards ("IFRS") of not be less than RMB187 million (equivalent to approximately HK$237 million) for the year ended 31 December 2016 (the "Year").

The Company wishes to announce that the 2016 combined net profit of Shanghai Anbaida was approximately RMB213.58 million, which is more than the annual guarantee profit of Shanghai Anbaida of RMB187 million for the Year pursuant to IFRS.

Pursuant to the aforesaid share transfer agreement, profit guarantee of Shanghai Anbaida will last till the year ending 31 December 2017.

Profit Guarantee of Yestar Biotech (Jiangsu)

Reference was also made to the announcement of the Company dated 12 September 2014 and the circular of the Company dated 24 October 2014 in relation to the acquisition of 70% equity interest in Yestar Biotech (Jiangsu).

Pursuant to the share transfer agreement entered into with Yestar Biotech (Jiangsu), the vendors of Yestar Biotech (Jiangsu) guaranteed to the Group that the net profit of Yestar Biotech (Jiangsu) for the Year shall not be less than RMB64 million taking into account all gain or losses of Yestar Biotech (Jiangsu) pursuant to the IFRS.

The Company also announces that the 2016 audited net profit of Yestar Biotech (Jiangsu) was approximately RMB69.96 million, which is more than the annual guarantee profit of Yestar Biotech (Jiangsu) of RMB64 million for the Year pursuant to IFRS.

Pursuant to the aforesaid share transfer agreement, the annual profit guarantee period of Yestar Biotech (Jiangsu) was completed on 31 December 2016.

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2016, the Group performed a year end annual impairment test on goodwill and other intangible assets by performing discounted free cash flow forecasts of Shanghai Anbaida and Yestar Biotech (Jiangsu). Taking into consideration their projection on future results of cash-generating performance, the Board do not aware of any computed value of the discounted cash flow which is lower than the carrying amount of goodwill as at 31 December 2016. The Group did not recognise any impairment loss for goodwill and other intangible assets in relation to Shanghai Anbaida and Yestar Biotech (Jiangsu) as of 31 December 2016.

A Stronger Position for Future Development

On 8 September 2016, the Group successfully entered into purchase agreements with Merrill Lynch International, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Singapore Branch and Haitong International Securities Company Limited in connection with the issue of US$200 million senior notes due in 2021 ("Senior Notes"). The Senior Notes bears interest at a rate of 6.9% per annum, payable semi-annually in arrears, commencing on 15 March 2017. Building agile finance channels is vital for the Group to improve its liquidity, reduce financing costs and further enhance its credibility among the capital market. Gaining such supports from international finance institutions, the Group is well-positioned for greater development in the future.

Use of proceeds from Issuance of Senior Notes

The net proceeds of the Senior Notes, after deduction of underwriting commissions and other expenses, amounted to approximately RMB1,358.5 million (equivalent to approximately US$195.6 million).

The Company intends to use the net proceeds to refinance existing indebtedness, fund capital expenditure of the Group and/or finance further acquisitions and for general corporate purposes as planned as disclosed in the announcement of the Company dated 9 September 2016.

As at 31 December 2016, the Company had applied RMB95.0 million (equivalent to approximately US$13.69 million) to refinance its existing indebtedness and RMB458.64 million (equivalent to approximately US$66.12 million) to settle part of the consideration in relation to the proposed acquisitions of equity interest in various IVD distribution companies in the PRC during the Year. The Directors are not aware of any material change to the planned use of proceeds from the Senior Notes as at the date of this annual report. Any net proceeds that were not applied immediately have been placed on the short-term interest bearing deposits with authorized financial institutions in Hong Kong and the PRC as at the date of this annual report.

The Company may adjust the foregoing plans in response to changing market conditions and reallocate the use of proceeds from the Senior Notes.

Use of Proceeds from Subscription

On 17 July 2015, the Group completed the allotment of 307,700,000 shares (the "Subscription Shares") at HK$3.00 per share. The Subscription Shares represented approximately 16.48% and 14.15% of the issued shares before and after the completion of allotment and issue of the Subscription Shares of the Company. The aggregated gross and net proceeds from the Subscription amounted to approximately HK$923.1 million and approximately HK$904.4 million respectively. Apart from the working capital of HK$27.1 million, the Company intends to utilise all the remaining net proceeds of HK$877.3 million from the subscription to acquire various medical device companies engaging in medical consumables products and future potential acquisitions. As at 31 December 2016, the Group has utilized all the remaining net proceeds of HK$877.3 million from subscription of the Subscription Shares to pay for part of the consideration of the various acquisitions during the past two years.

FINANCIAL REVIEW

Result Overview — Medical Consumable Business is the Major Growth Driver

Benefitted from the full-year financial contribution resulted from acquisition of Shanghai Anbaida in 2015 with the fulfillment of its profit guarantee for the Year together with the steady revenue and profit contribution from the medical imaging business, the Group has recorded a 23.1% year-on-year ("yoy") growth in revenue, reaching RMB3,021.8 million for the Year (2015: RMB2,454.7 million). During the Year, the medical consumable segment remained as the greatest revenue contributor to the Group with an astonishing growth of 39.7% yoy. The overall gross profit of the Group increased from RMB517.4 million in 2015 to RMB766.3 million in the Year, representing a growth of 48.1% yoy. Gross profit margin also surged from 21.1% in 2015 to 25.4% in the Year, which was mainly driven by the gross profit margin enhancement of Shanghai Anbaida and Yestar Biotech (Jiangsu). Profit attributable to the owners of the parents rose by 23.5% to RMB201.0 million as compared to RMB162.8 million in 2015. Earnings per share was RMB9.2 cents (2015: RMB8.1 cents). The Board of Directors recommends a final dividend of HK4.4 cents per share for the Year.

Medical Consumable Business — 76.7% of Overall Revenue

The Group distributes IVD products in Shanghai, 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".

During the Year, the medical consumable business continued to act as the largest revenue contributor, accounting for 76.7% of the Group's overall revenue. With the full-year revenue contribution from the previous acquisition of Shanghai Anbaida, the segment's revenue surged by 39.7% to RMB2,317.4 million (2015: RMB1,659.0 million). The remarkable result is mainly due to the expansion of sales network which drove up sales volume. Besides, the Group has achieved economies of scale which reduced the average purchase price of the IVD products via the sharing of purchasing and logistics. As a result, the overall gross profit margin of the segment improved to 27.6%, representing a 4.3 percentage point growth (2015: 23.3%).

Distribution network of the IVD business

For the year ended 31 December	2015	2016	Yoy change
Anhui Province	64	**70**	+9.4%
Fujian Province	—	**59***	N/A
Guangdong Province	—	**327***	N/A
Hainan Province	—	**21***	N/A
Jiangsu Province	206	**260**	+26.2%
Shanghai	228	**258**	+13.2%
Shenzhen	—	**47***	N/A
Overall	498	**1,042**	+109.2%

* The acquisitions were completed in 2017.

Other Businesses — 23.3% of Overall Revenue

Apart from the medical business segment, other businesses of the Group mainly consist of manufacturing, marketing, distribution and sale of Fujifilm color photographic paper (professional and minilab) as well as the 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".

During the Year, the Group has performed steadily in the segment with a revenue of RMB704.5 million (2015: RMB795.7 million). Gross profit margin reached 17.95%. As the market is mature and stable, the segment will remain as a cash cow to the Group and will continue collaborating with Fujifilm to maintain a normal income stream.

Liquidity and Financial Resources

The Group continued to have a strong and healthy financial position for the Year with cash and cash equivalents of approximately RMB1,272.7 million as at 31 December 2016 (2015: approximately RMB506.0 million). The significant increase in cash and cash equivalents was attributable to the issuance of the Senior Notes in the aggregate principal amount of US$200 million together with the net cash generated from our operating business during the Year.

As at 31 December 2016, the Group's gearing ratio was approximately 176.8% (2015: approximately 45.8%), calculated as the interest-bearing bank loans and other borrowings divided by total equity as at the end of December 2016. The significant increase in gearing ratio was mainly attributable to the issuance of the Senior Notes in the aggregate principal amount of US$200 million to finance its part of the consideration of various acquisitions during the Year and to ensure the sufficiency of working capital for the lengthy trade receivables of our IVD business segment.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2016 was approximately RMB1,683.8 million (2015: approximately RMB420.4 million). Except for the Senior Notes, all borrowings of the Group are principally denominated in Chinese Yuan (RMB), which is also the presentation currency of the Group.

The current ratio as at the end of December 2016 was approximately 2.0 (2015: approximately 1.33), based on current assets of approximately RMB2,431.2 million and current liabilities of approximately RMB1,203.6 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 40.1% from approximately RMB83.4 million in 2015 to approximately RMB116.8 million in 2016, and accounted for about 3.40% and about 3.87%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the increase in distribution expenses for our IVD products during the Year.

Administrative Expenses

The Group's administrative expenses increased by about 59.8% from approximately RMB141.9 million in 2015 to approximately RMB226.6 million in 2016, and accounted for about 5.78% and about 7.50%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the consolidation in administrative expenses of Shanghai Anbaida upon its completion of the acquisition and amortization of the intangible assets of the Group for an aggregate amount of approximately RMB54.6 million during the Year.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings. The aggregate amount of interest incurred was approximately RMB62.56 million (2015: approximately RMB25.72 million) for the Year. The significant increase in finance costs was mainly due to the issuance of the Senior Notes in the aggregate principal amount of US$200 million during the Year.

For the Year, interest rates of the interest-bearing loans ranged from 5.22% to 7.80%, while those for the year ended 31 December 2015 ranged from 4.35% to 7.8%.

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 and Senior Notes in US Dollars. The Group will monitor its foreign currency exposure closely to minimize the exchange risk.

Share Capital and Capital structure

During the Year, there has been no change to the shares in issue and 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 bank borrowings.

PROSPECT

Yestar is advancing from a product-based company to a platform-based company. By integrating an extensive sales network, bilateral communication channels and marketing resources into a value-added service platform, the Group is assisting international medical brands to penetrate the PRC market.

Value creation is important when building a successful and effective platform. The Group has a team of professionally-trained and experienced sales, who provide product consultancy services to our hospital and clinic customers and gain valuable feedbacks. Leverage on the feedbacks gathered, the Group is able to create a bilateral communication channel between medical product brands and end-users, thus facilitating product development, market analysis and service improvement. The feedbacks together with the sales data generated will be collected in a data hub, in which, analysis will be conducted. The Group believes that such systematic data mining system will provide valuable market data to medical product brands as well as unearth new business opportunities for the Group.

In addition, channel expansion will continue to be the focus of Yestar. With a well-established network in Eastern and Southern China, the Group is actively looking for expansion in other areas in the PRC, where there is a high population density and a rising middle-class. In the coming year, the Group hopes to establish more business collaborations with other IVD manufacturers and distributors through merger and acquisitions ("M&A"), in order to build a national-wide distribution network across the PRC. With the proven track record in executing and integrating of M&A projects, the Group will work closely with Roche to further consolidate and upgrade the PRC's IVD distribution market.

Apart from channel expansion, Yestar also targets to enlarge the product portfolio in 2017. The medical device and consumable market is growing rapidly in the PRC. Although the size is still much smaller than the global counterpart, the outlook of the industry is still bright under factors such as the new healthcare reform policies, increasing government investment in healthcare, as well as the ageing population, etc. In view of this, the Group plans to leverage on the experiences in manufacturing and distributing medical imaging products for Fujifilm and discover other business opportunities in relations to medical imaging, diagnostic imaging and other high-margin medical devices and consumables. Apart from distributing IVD products, the Group hopes to extend our product offerings with products that have synergies with the existing business, as well as enhancing the Group's overall profitability at the same time.

Over the past few years, Yestar has successfully transformed itself into a medical player in the PRC's lucrative healthcare market. Now it is refining its strategy to become a comprehensive distribution platform. Such transformation will further solidify our strategic partnership with Roche and Fujifilm. Looking into the future, the Group will continue to introduce new products and services from Roche and Fujifilm to the PRC market.

Human Resources and Remuneration Policies

As at 31 December 2016, the Group had 901 (2015: 815) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB139.5 million for the Year as compared to approximately RMB106.8 million for the year ended 31 December 2015. 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, 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

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 proposed acquisition of 70% equity interest in each of Hongen, Derunlijia and Shengshiyuan, the Group did not have any other material acquisitions and disposals of subsidiaries and affiliated companies during the Year.

Charges of Assets

As at 31 December 2016, none of the Group's property, plant and equipment was pledged (2015: Nil). In addition, bank loans of approximately RMB242.5 million were secured by the pledge of 70% of equity interests of Yestar Biotech (Jiangsu), 70% of equity interests of Shanghai Anbaida and 100% of equity interests of Yestar (Guangxi) Imaging Technology Co., Ltd. No inventory of the Group with carrying amount (31 December 2015: approximately RMB43.3 million) was pledged as a security for the Group's trade and bills payables. The shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited, two wholly-owned subsidiaries of the Company, were pledged to the holders of the Senior Notes.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2016 (2015: Nil).

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Hartono James, aged 41, 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 16 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 Yestar (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) and Yestar (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). Mr. Hartono was awarded the Honored citizenship from Nanning city in 2009. He graduated from Portland State University in Oregon, the USA with a bachelor's degree of science in marketing and finance in June 1997. In addition, Mr. Hartono completed the 21st session of the General Management Program in Harvard Business School in November 2016.

Ms. Wang Ying, aged 56, joined the Company in 2010 and is primarily responsible for formulating the sales strategies and product development of our business. She is also the chairman of Yestar Shanghai.

Ms. Wang has over 32 years of experience in the imaging 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's 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan To Keung, aged 58, has over 35 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 specialising 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 41, 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 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 of which are wholly-owned subsidiaries of the Company.

Ms. Wang is also a director of Yestar Biotech (Jiangsu) Company Limited and Shanghai Aubaida Group Companies, both of which are non-wholly owned subsidiaries of the Company.

Ms. Wang graduated from Shanghai University of Finance and Economics (上海財經大學) and has over 12 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.

Mr. Chan Chung Man, aged 41, joined the Group in July 2015 as head of medical division and is responsible for the business development, marketing and management of the medical consumable business of the Group. Mr. Chan has 16 years of overseas and the Chinese domestic market and distribution development and management experiences.

Before joining the Group, Mr. Chan was the chief executive officer of International Minh Viet Joint Stock Company ("IMV") from December 2011 to June 2015, where he oversaw all day-to-day aspects of the operations including financial performance, marketing and operation management of the company. IMV is a company specialised in manufacturing, trading and distributing international brands and is also a distributor of Fujifilm products in Vietnam.

Mr. Chan served as a general committee member of the Hong Kong Business Association Vietnam for the period from 2012 to 2013 and from 2014 to 2015. He obtained a Bachelor of Business Administration degree from Lingnan University in 1999 and received a Master of Management degree from Macquarie University in 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming, aged 53, 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 23 years of experience in accounting. Dr. Hu has been a professor of accounting at the Department of Accounting 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, the PRC in 1985 and a Ph.D. degree in Management/Accounting from Xiamen University, the 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. Tirtamarta Karsono (Kwee Yoe Chiang), aged 69, 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 32 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, Indonesia and Australia. Eurokars Group was conferred the third position in 2011 in the Enterprise 50 Award, which was jointly organised 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 42, 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 12 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 42, is the general manager of Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd. 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 16 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. Li Bin, aged 43, is the chief executive officer of Shanghai Emphasis Investment Management Consulting Co., Ltd. ("Shanghai Emphasis"), which was acquired as to its 70% equity interests by the Company and became an indirect non-wholly owned subsidiary upon completion in August 2015.

Mr. Li is the founder of Shanghai Emphasis, and is responsible for the overall strategic development and strategic objectives formulation of Shanghai Emphasis, as well as monitoring and managing the sales of Shanghai Emphasis. Mr. Li has over 23 years working experience in sales and distribution of medical equipment and consumables.

Mr. Ng Chit Sing, aged 44, is the company secretary, and was appointed on 8 May 2015. Mr. Ng is the chief executive officer of IN Corporate Services Limited (陞浩企業服務有限公司) specialising in provision of corporate secretarial services to listed issuers and private companies. Mr. Ng has extensive experience in company secretarial practice.

Mr. Ng was admitted as an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England. He was awarded a Bachelor of Social Sciences degree in 1996 and a Bachelor of Laws degree in 2008.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited consolidated financial statements (the "Financial Statements") of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture, distribution and sale of medical imaging products, distribution of In Vitro Diagnostic ("IVD") products and the manufacture and sale of dental films.

Details of the principal activities of the principal subsidiaries of the Company are set out in note 1 to the Financial Statements.

During the Year, the Company proposed to acquire 70% of the equity interests in each of three medical equipment and consumable companies, which are principally engaged in sales and distribution of medical equipment in vitro diagnostic industry and distribution of Roche Diagnostics Products in Shenzhen, Guangdong, Fujian and Hainan provinces, the PRC. All of the above acquisitions were completed after the year ended 31 December 2016. Save as disclosed above, there were no significant changes in the nature of the Group's principal business during the Year.

The business review and analysis of major financial performance indicators of the Group for the Year together the discussion on future business development are set out in the section headed "Management Discussion and Analysis" on pages 12 to 19 of this annual report. This discussion form part of the report of directors.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY'S BUSINESS

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to the following principal risks and uncertainties in the market in which the Group operates:

(a) Liquidity Risk

The main revenue driver of the Group is the distribution and sale of high margin IVD products, namely Roche Diagnostics Products, to hospitals and clinics in the PRC, which generally have a longer cash conversion cycle ranging from 3 months to 12 months. The lengthened cash conversion cycle would hamper the liquidity, cash flow and operation of the Group, and put pressure on the Company's interest expenses arising from issuance of US$200 million 6.9% Senior Notes due 2021 in 2016 to reduce the liquidity risk and increase operating efficiency. Such interest expenses definitively affect the financial performance of the Group from the Year onwards.

(b) Recoverability of Trade and Bills Receivables

As at 31 December 2016, trade and bill receivables amounted to RMB650.7 million (2015: RMB552.9 million), which was material to the financial statements. In assessing the creditworthiness and amount of trade and bill receivables, the management is in the view that the provision for doubtful debts of approximately RMB0.5 million for the Year in relation to the trade and bill receivables was required. Since there is an increasing amount of trade and bill receivables year after year, the provision for doubtful debts of the Group is expected to be increased on the same way and extent, which will also affect the financial performance of the Group in the future.

Details of the information on the impairment of trade and bill receivables of the Company are set out in note 19 to the Financial Statements.

(c) Risk of Dependency

Since the first acquisition of a medical device company in Jiangsu in 2014, the Company has been conducting business with Roche through its non-wholly-owned subsidiary. Over the last 3 years, majority of the revenue of the Group derived from the distribution and sale of Roche Diagnostics Products to various hospitals and clinics in the PRC. Hence, if there was any change in strategic investment policies of Roche in the PRC or the dealership agreements of the Company with Roche, it will significantly affect the businesses and operations of the Group.

(d) **Healthcare Reforms**

China's healthcare system is undergoing a critical reform period, whereby laws, regulations and policies governing the medical device and healthcare service industries are constantly changing. Likewise, the regulatory authorities in China may adjust their enforcement practices from time to time. Consequently, actions which have been executed in the past may not be indicative of future actions. These changes may have material adverse effect on the Group, in terms of incurring significant costs, and diverting the resources and attention of the management. Furthermore, such changes may also be applicable with retrospective effect, thus increasing the uncertainties and risks faced by the Group's businesses and operations.

(e) **Market Competition**

Competition in the medical device industry in which the Group operates has been intensifying. Local players have begun to penetrate into the healthcare industry and there is a keen competition in industrial imaging products and high-end IVD market. If competition further intensifies, prices will further reduce and as a result, and the market share and financial performance of the Group will be affected.

The Group will keep on monitoring the competition situation and adopts corresponding measures. During the Year, the Group takes measure to enhance its branding and has changed its name to "Yestar Healthcare Holdings Company Limited 巨星醫療控股有限公司", which is considered to be a more appropriate identification of its principal business and the new corporate identity and image of the Company.

RELATIONSHIP WITH KEY PARTIES

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders.

Customers

The principal customers of the Group are distributors, hospitals and clinics in Shanghai, Jiangsu and Anhui provinces, the PRC. We have been devoted to providing excellent customer service with the purpose of maintaining long term co-operation relationship, increasing sales volume and improving profitability.

We have established relationships with hospital administrators. Through regular visits, our non-exclusive Roche Diagnostics Products are directly marketed to hospitals and clinics. We have also maintained strong ties with several leading hospitals through our non-wholly-owned subsidiaries in the PRC.

Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with Roche, its principal supplier of in-vitro diagnostic products, to enable adequate quantity of Roche Diagnostics Products for distribution to hospitals and clinics.

Employees

The Group focuses on the talents of our employees as our most valuable asset and provides a harmonious and safety working environment to all employees. The key objective of our human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives, namely equal promotion opportunity.

Shareholders

The Company considers that effective communication with shareholders is essential for enhancing investor relations. Apart from transparent and timely disclosure of corporate information in the websites of the Company and the Stock Exchange, the Chairman and senior management will meet investors at least once a year in Hong Kong so that investors can have a better understanding of the business performance and strategies of the Group.

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with stable dividend payouts taking into account the business development needs and financial health of the Group so that potential shareholders will invest to the Company and contribute to the success of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. During the production process, the Group has implemented environmental protection measures, including procedures related to noise control, energy use control and waste water and waste air discharge management. The Group has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with legal and regulatory requirements, as well as the risk of non-compliance. Sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations. During the Year, we have strived to conduct business in accordance with all applicable laws, rules and regulations in all material respects. To the best of Directors' knowledge, information and belief, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

RESULTS AND DIVIDEND

The results of the Group for the Year and the financial position of the Group as at 31 December 2016 are set out in the Financial Statements on pages 62 to 135.

An analysis of the Group's performance for the Year by operating segment is set out in note 4 to the Financial Statements.

The Company did not pay interim dividend to the shareholders for the Year.

The Directors recommend the payment of a final dividend of HK4.4 cents per share for the Year (2015: HK3.9 cents per share) to all shareholders whose names appear on the register of members of the Company on 9 June 2017. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on 5 July 2017.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 136. This summary does not form part of the audited Financial Statements.

SHARE CAPITAL IN THE YEAR

Details of movement in share capital of the Company during the Year are set out in note 26 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the Year are set out in note 13 to the Financial Statements.

EQUITY-LINKED AGREEMENT

Other than the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2016 or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

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.

RESERVES

As at 31 December 2016, 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 RMB737.6 million (2015: approximately RMB784.4 million). Details of the movement in reserve during the Year are set out in note 38 to the Financial Statements.

CHARITABLE DONATIONS

During the Year, charitable and other donations made by the Group amounted to approximately RMB5.5 million.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	50%
— five largest suppliers in aggregate	77%

Sales

— the largest customer	34%
— five largest customers in aggregate	45%

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.

INTEREST-BEARING LOANS AND OTHER BORROWINGS

Particulars of interest-bearing loans and other borrowings of the Group as at 31 December 2016 are set out in note 23 to the Financial Statements. As at 31 December 2016, none of the Group's property, plant and equipment was pledged (2015: Nil). In addition, bank loans of approximately RMB242.5 million were secured by the pledge of 70% of equity interests of Yestar Biotech (Jiangsu), 70% of equity interests of Shanghai Anbaida and 100% of equity interests of Yestar (Guangxi) Imaging Technology Co., Ltd. No inventory of the Group (31 December 2015: approximately RMB43.3 million) was pledged as a security for the Group's trade and bills payables. The shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited, two wholly-owned subsidiaries of the Company, were pledged to the holders of the Senior Notes.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the Year and as at the date of this report were:

Executive Directors:

Mr. Hartono James *(Chairman)*
Ms. Wang Ying
Mr. Chan To Keung
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Chan Chung Man

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 2016, 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 2016 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. Chan To Keung, Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky shall retire from office at the forthcoming annual general meeting to be held on 15 May 2017 (the "AGM").

All retiring Directors shall be eligible and 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

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 20 to 24 of this annual report.

MANAGEMENT CONTRACTS

Save for service contracts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

PERMITTED INDEMNITY PROVISIONS

Pursuant to Article 164 of the Articles of Association of the Company, the Directors, secretary and other officers and every Auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Such provision was in force during the Year. In addition, the Company has also maintained Directors and officers liability insurance during the Year and up to the date of this report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at annual general meeting. Other emoluments are determined by the Board of the Company with reference to the recommendations of the remuneration committee of the Company, Directors' duties, responsibilities and performance and the results of the Group. The remuneration of the Directors (including executive Directors and independent non-executive Directors) on a named basis are set out in note 8 to the Financial Statements for the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS CONTRACTS

No transaction, arrangement or contract (that is significant in relation to the business of the Company), to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest, subsisted as at 31 December 2016 or at any time during the Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

i. Transactions with Guangzhou Shenhong

On 13 October 2016, Guangzhou Hongen Medical Diagnostic Technologies Company Limited (廣州弘恩醫療診斷技術有限公司) ("Guangzhou Hongen") and Guangzhou Shenhong Medical Equipment Co., Ltd. (廣州申宏醫療器械有限公司) ("Guangzhou Shenhong") entered into the Dealership Agreement to govern the on-going transactions between Guangzhou Hongen and Guangzhou Shenhong for the distribution of Roche Diagnostics Products.

Pursuant to the Dealership Agreement, during the period for customers which have not yet entered into new sales and purchase agreement with Guangzhou Hongen, Guangzhou Shenhong will back to back procure products from Guangzhou Shenhong (at the same price as Guangzhou Shenhong will sell such products to its customers) and sell such products to Guangzhou Shenhong's customers until a new sales and purchase agreement having been entered between Guangzhou Hongen and customers of Guangzhou Shenhong.

In addition, pursuant to the Dealership Agreement, Guangzhou Hongen shall purchase from Guangzhou Shenhong all stocks in possession of Roche Diagnostics Products purchased directly from Roche when Guangzhou Shenhong was still a distributor of Roche Diagnostics Products at the purchase price.

Upon completion and in January 2017, Guangzhou Hongen became an indirect non-wholly-owned subsidiary of the Company and Guangzhou Shenhong is an associate of a connected person of the Company at the subsidiary level. Therefore the transaction contemplated under the Dealership Agreement with Guangzhou Shenhong constitutes continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules from January 2017.

ii. Transactions with Shenzhen Baotian

On 27 October 2016, Shenzhen De Run Li Jia Company Ltd. (深圳市德潤利嘉有限公司) ("Derunlijia") and Shenzhen Baotian Technology Company Ltd. (深圳市寶天科技有限公司) ("Shenzhen Baotian") entered into the Dealership Agreement to govern the on-going transactions between Derunlijia and Shenzhen Baotian for the distribution of Roche Diagnostics Products.

Pursuant to the Dealership Agreement, during the period for customers which have not yet entered into new sale and purchase agreement with Derunlijia, Shenzhen Baotian will back to back procure products from Derunlijia (at the same price as Shenzhen Baotian will sell such products to its customers) and sell such products to Shenzhen Baotian's customers until a new sale and purchase agreement having been entered into between Derunlijia and customers of Shenzhen Baotian.

In addition, pursuant to the Dealership Agreement, Derunlijia shall purchase from Shenzhen Baotian all stocks in possession of Roche Diagnostics Products purchased when Shenzhen Baotian was still a distributor of Roche Diagnostics Products at the same purchase price.

Upon completion and in January 2017, Derunlijia became an indirect non-wholly-owned subsidiary of the Company and Shenzhen Baotian is an associate of a connected person of the Company at the subsidiary level. Therefore the transaction contemplated under the Dealership Agreement with Shenzhen Baotian constitutes continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules from January 2017.

Save as disclosed above, the Company and the Group did not enter into any connected transaction and/or continuing connected transactions which come into effective during the Year, the and that are required to be disclosed in compliance with the requirements of Chapter 14A of the Listing Rules as at 31 December 2016.

For the year ending 31 December 2017, the independent non-executive Directors will review the aforesaid continuing connected transactions pursuant to Rule 14A.55 of the Listing Rules, and the Company will engage an auditors to issue a confirmation letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

RELATED-PARTY TRANSACTIONS

Details of the significant related-party transactions undertaken in the normal course of business are set out in note 33 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

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.

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 during the Year.

SHARE OPTION SCHEME

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

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

Participants under the Share Option Scheme include the following:

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

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

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

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

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

The principal terms of the Share Option Scheme are summarised 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 favour 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.

As at 31 December 2016, 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 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 2016, 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:

Long positions in ordinary shares of the Company

Name of Director	Interests in ordinary shares Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	Approximate percentage of the Company's issued share capital
Hartono James	287,410,000	—	20,000,000 (Note)	307,410,000	—	307,410,000	14.13%

Note:

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 2016, 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 2016, 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 value 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 ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Hartono Jeane	Beneficial owner	676,890,000	31.12%
Hartono Rico	Beneficial owner	265,410,000	12.20%
Hartono Chen Chen Irene	Beneficial owner	119,475,000	5.49%
Li Bin	Beneficial owner	164,600,600	7.57%

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 2016, 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.

ISSUANCE OF SENIOR NOTES

On 8 September 2016, the Company, Yestar Asia Company Limited and Yestar International (HK) Company Limited entered into the purchase agreement with various financial institutions in connection with the issue of US$200 million 6.9% senior notes due 2021.

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.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of 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 RMB162,624 to RMB195,149 since 1 January 2017.

The monthly salary of Ms. Wang Ying, an executive Director, increased from RMB87,287 to RMB100,380 since 1 January 2017.

The monthly salary of Mr. Chan To Keung, an executive Director, increased from RMB97,664 to RMB105,477 since 1 January 2017.

The monthly salary of Ms. Wang Hong, an executive Director, increased from RMB42,000 to RMB46,200 since 1 January 2017.

The monthly salary of Mr. Chan Chung Man, an executive Director, increased from RMB95,620 to RMB105,182 since 1 January 2017.

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, the Company has maintained the prescribed public float under the Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public 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 (the "Model Code") contained in Appendix 10 of the Listing Rules 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.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 36 to 47 in this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9 May 2017 to 15 May 2017 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM, 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 8 May 2017.

In addition, the Board has resolved to recommend the payment of a final dividend of HK4.4 cents per share to members whose names appear on the Register of Members of the Company on 9 June 2017. The Register of Members of the Company will also be closed between 8 June 2017 and 9 June 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend to be paid on 5 July 2017, subject to approval at the AGM to be held on 15 May 2017, 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 7 June 2017.

AUDITORS

The Financial Statements have been audited by Messrs. Ernst & Young who retire and, being eligible, offer themselves for re-appointment. A resolution to re-appoint the retiring auditors to be proposed at the AGM.

By order of the Board
YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED

Hartono James
Chairman, CEO and Executive Director

Hong Kong, 15 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND 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 provides a solid foundation for the Group to manage business risks and is also one of the key factors leading to the success of the Company so as to balance the interests of shareholders, customers and employees. The Board is devoted to ongoing enhancements and review of the efficiency and effectiveness of such principles and practices to ensure that all of them are in line with corporate governance best practices.

Throughout the year ended 31 December 2016 (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 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.

THE BOARD OF DIRECTORS

Composition and Responsibilities

As at 31 December 2016, the Board comprises eight Directors, of which five are executive Directors, and three are independent non-executive Directors. The composition of the Board throughout the Year and up to the date of this report 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)*
Mr. Chan Chung Man

Independent Non-executive Directors:

Dr. Hu Yiming
Mr. Tirtamarta Karsono (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 as at the date of this report are set out in the section "Biographical Details of the Directors and Senior Management" on pages 20 to 24.

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.

The roles of the chairman and chief executive officer of the Company are both currently carried on by Mr. Hartono James. Other matters reserved for the Board include consideration of dividend policy, approval of major investments, maintenance of an adequate system of risk management and internal controls and review of the corporate governance practices of the Group. Daily operations and administration are delegated to chief financial officer and management teams.

PROCEDURE FOR SEEKING INDEPENDENT PROFESSIONAL ADVICE BY DIRECTORS

The Company has agreed to provide separate independent professional advice and sufficient resources to Directors and all Board Committees to assist them to discharge their duties in compliance with the Listing Rules and CG Code. The Company will consider to develop written procedures to enable Directors and members of all Board Committees, 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 and senior management 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, a total of six 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:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2016 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors:					
Hartono James	7/9	N/A	N/A	N/A	1/1
Wang Ying	8/9	N/A	N/A	N/A	1/1
Chan To Keung	8/9	N/A	N/A	N/A	1/1
Wang Hong	9/9	N/A	N/A	N/A	1/1
Chan Chung Man	8/9	N/A	N/A	N/A	1/1
Independent non-executive Directors:					
Hu Yiming	6/9	2/2	1/2	1/2	1/1
Tirtamarta Karsono (Kwee Yoe Chiang)	5/9	1/2	2/2	2/2	1/1
Sutikno Liky	5/9	1/2	1/2	1/2	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.

All directors are also entitled to have access to board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors shall receive a prompt and full response by the management.

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. 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 contained in Appendix 10 of the Listing Rules 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.

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, all Directors (including independent non-executive Directors) and senior management of the Company received continuous professional development and training on the latest Listing Rules, risk management and internal control system of the Company to enhance their knowledge and skills.

The Company will keep on inviting professionals to conduct trainings to senior personnel (including all directors) of the Company so as 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 its written terms of reference, which 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, risk management and internal control principles and 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, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

The composition of the audit committee is as follows:

Independent non-executive Directors:

Dr. Hu Yiming *(Chairman)*
Mr. Tirtamarta Karsono (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, reviewed and made recommendations for the Board's approval on the annual and interim reports of the Company;

— reviewed and approved audit fee;

— recommended the re-appointment of Ernst & Young as auditors, subject to the Shareholders' approval at the annual general meeting;

— reviewed the disclosable transaction and prospective continuing connected transactions of the Company;

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

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

— reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and

— reviewed arrangements for the employees of the Group to raise concerns about possible improprieties in financial reporting, risk management and 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. Tirtamarta Karsono (Kwee Yoe Chiang) *(Chairman)*
Dr. Hu Yiming
Mr. Sutikno Liky

During the Year, the remuneration committee held two meetings. 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 and recommended to the Board on the Group's remuneration policy and strategy;

— reviewed the remuneration packages of the executive Directors and senior management of the Company and recommended to the Board to approve the proposal of their fixed salaries with effect from 1 January 2017; and

— reviewed and recommended to the Board the Directors' fees of the non-executive Directors and independent non-executive Directors remain unchanged with effect from 1 January 2017.

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. Tirtamarta Karsono (Kwee Yoe Chiang)

During the Year, the nomination committee held two meetings. 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 and assessed the independence of the independent non-executive Directors; and

— made recommendations on the re-election of the retiring Directors at the 2016 AGM of the Company.

Board diversity policy

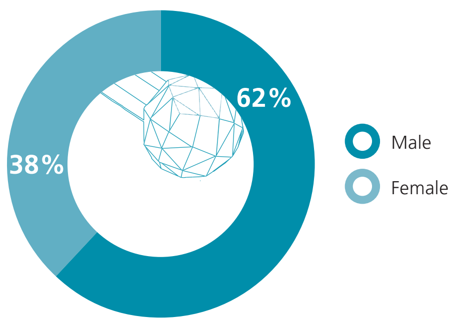
The Company recognises the benefits of having diversity in the composition of the Board and adopted its own board diversity policy on 18 September 2013.

The Company noted that 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

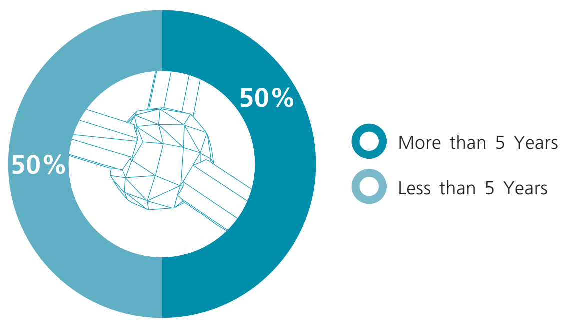
Group. In determining the Board's composition and selection of candidates to the Board, factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service will be considered. All Board appointments 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

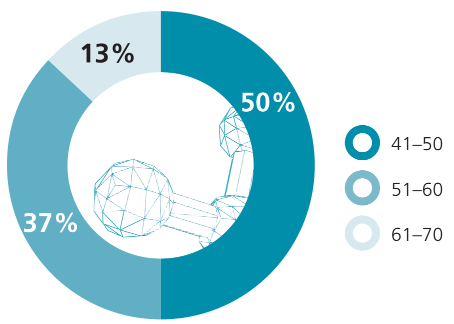
GENDER



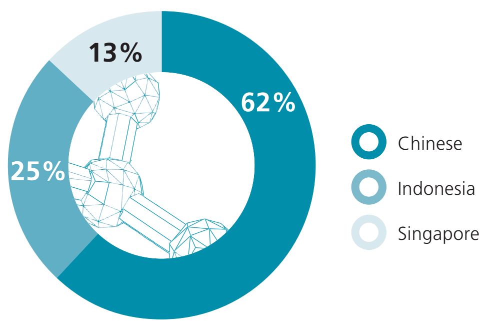
LENGTH OF SERVICE WITH THE GROUP



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.

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 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 57 to 61 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 amounted to approximately HK$2.98 million and approximately HK$1.98 million 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.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems, overseeing such systems on an ongoing basis, and ensuring that a review of the effectiveness of such systems has been conducted at least annually. The Board also understands that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board has overseen the management in the design, implementation and monitoring of the risk management and internal control systems, and has reviewed the effectiveness of the Group's and its subsidiaries' risk management and internal control systems. Such review covered all material controls, including financial, operational and compliance controls, of the Group. The Group's risk management and internal control systems are distributed amongst the operations to ensure that the Group is able to effectively manage major factors affecting the Group in achieving its strategic objectives, such as events, contingencies or actions that may have material effect on the reputation, assets, capitals, profitability or liquidity of the Group.

The Board and the audit committee of the Company also authorized the management to engage Ernst & Young (China) Advisory Limited ("Ernst & Young Advisory"), an external professional consultant, to conduct review on the risk management and internal controls systems of its subsidiaries in Guangxi. With the assistance of Ernst & Young Advisory, we identified and evaluated the risks of our key subsidiaries. With its experience, Ernst & Young Advisory helped us analysed the core risks pinpointed by interviewing the relevant senior management members of these companies for a better understanding on the Group's strategy and its current business operations. The current control status and possible improvement of the risk management systems were noted in the discussions with the core risk management departments and review of the systems, standards and relevant documents in order to mitigate related risks arising from the existing operation after evaluating its risk management and internal controls systems.

The key risk management and internal control procedures of the Company are as follows:

1) determine the scope, identify the risks and compile a list of such risks;

2) evaluate and prioritise the risks based on the probability of, the attention from the management drawn by, and the possible financial loss and impact on operating efficiency, sustainability and reputation resulting from, each potential risk;

3) identify the risk control measures against major risks, conduct internal control assessments of the design and implementation of such measures, and formulate measures to improve any defect;

4) review and evaluate the risk management and internal control systems regularly and ensure the effectiveness and constant improvement of the risk management system through internal control assessments of major risks and improvements implemented by the management;

5) report the findings of the regular internal review and evaluation of the risk management and internal control systems conducted during the period, major risk factors and respective response to the audit committee by the management and Ernst & Young Advisory, if necessary.

Effectiveness

The Board acknowledges that it has overall responsibility for evaluating, determining, establishing and maintaining an effective risk management and internal control systems of the Group and for reviewing its effectiveness to safeguard the Company's assets and the shareholders' interests. During the Year, the Board and the audit committee of the Company through the engagement of Ernst & Young Advisory, have conducted a review on the effectiveness of Group's risk management and internal control systems on all material aspects on its key subsidiaries, including financial, operational, risk management and compliance controls.

Ernst & Young Advisory has reported the facts and findings on the twelve identified risks ranked from high risk to low risk to the audit committee and make recommendations for the improvement and strengthening of the risk management and internal control systems to the Board. Based on the review, Ernst & Young Advisory agreed that the Group's risk management and internal controls systems were acceptable and there was no material non-compliance or failures issues located but various areas for improvement have been identified during the Year; recommendations have been made to the Group for the improvement on the high risk issues such as preparation of a comprehensive compliance manuals, periodic review on the trade receivables, collection process and monitoring the hedging policy against foreign currency with reference to the devaluation of RMB so as to strengthen the risk management and internal control systems of the Group.

Based on the report from Ernst & Young Advisory, audit committee reported such findings and recommendations for the improvement of the risk management and internal control systems to the Board and the Board considered that all recommendations from Ernst & Young Advisory should be properly followed to ensure the sound and effectiveness of the risk management and internal control systems of the Group can be maintained on an ongoing basis.

The Group reviewed the effectiveness of its risk management and internal control systems on its key subsidiaries at least annually and confirmation from the management on its effectiveness was received during the Year. The Board and the audit committee also considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions, are reasonably conducted and implemented; and the Group considered that such systems were effective and adequate. During the Year, the Group has fully complied with the provisions of CG Code regarding the risk management and internal control systems.

Internal Audit

Furthermore, the Group has established an internal audit function, which also conducts internal compliance audit. Through the review and random checking, problems of the operation and management were identified and remedies can be recommended in a timely manner. The Group has also reviewed its basic financial reporting and taxation functions to identify and remedy the financial management problems in a timely manner. An external taxation adviser was engaged to train the Company's financial personnel and offer them taxation advices so as to effectively mitigate taxation and financial risks. Meanwhile, the Company continued to strengthen its control over liquidity risk by formulating treasury management and exchange rate management systems in order to enhance its treasury and risk management standard.

The Group has engaged Ernst & Young Advisory to conduct independent review on the risk management and internal controls systems and make recommendations for the improvement and strengthening of such systems since its listing in 2013.

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Listing Rules and Securities and Futures Ordinance ("SFO").

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information falls within the safe harbors under the SFO. Briefing and training on the implementation of the disclosure policy have been provided to Directors and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

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 of the Company gave a non-competition undertaking in favour of the Company. Each of them has confirmed compliance with such non-competition undertaking. The Board comprising all the independent non-executive Directors is of the view that the Controlling Shareholders have been in compliance with the non-competition undertaking in favour of the Company during the Year.

COMPANY SECRETARY

The Company appointed Mr. Ng Chit Sing ("Mr. Ng"), an external service provider, as its company secretary on 8 May 2015. Ms. Wang Hong, an executive Director and chief financial officer, is the primary contact person to Mr. Ng at the Company in respect of any compliance and company secretarial matters of the Company.

The biographical details of Mr. Ng are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the Year, Mr. Ng, undertook over 15 hours' professional training to update his skill and knowledge in compliance with the CG Code.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, there has been no changes in the constitutional documents of the Company.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/company secretary by addressing them to the Company at our principal place of business in Hong Kong or by email through the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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 about the Group on its website at http://www.yestarcorp.com. It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular, financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming annual general meeting of the Company is scheduled to be held on Monday, 15 May 2017. At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

The notice of annual general meeting and the necessary information on issues to be considered in the annual general meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

Hong Kong, 15 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance ("ESG") Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") under Appendix 27 to the Listing Rules. Throughout the Year, the Directors consider that the Company has complied with the ESG Guide as set out in Appendix 27 to the Listing Rules.

This report covers the material issues of the operations of the Group and its subsidiaries Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd. for the Year, unless otherwise specified.

The topics covered in the report have been articulated through materiality assessment and stakeholder engagement, incorporating issues which are deemed most relevant and important to the Group and its stakeholders. These topics could be classified as the following six major areas:

I) Quality

II) Employment and Development

III) Environmental

IV) Integrity

V) Health and Safety

VI) Community Investment

The report offers a comprehensive view at the Group's sustainability priorities and practices as well as describes the strategic approaches to address potential social and environmental challenges.

A performance summary table is shown as below:

EMPLOYMENT AND DEVELOPMENT

Total number of employees	538
By gender	
Female	200
Male	338
By age group	
Below 30	138
30 to 50	386
Over 50	14
Average Training Hours	
By gender	
Female	3.29
Male	2.77
By employee category	
Senior Management	4.06
Middle Management	3.49
General Employees	2.05

ENVIRONMENT

Air Emissions[1]

Particulate Matter (PM) (kg)	30.97
Nitrogen Oxides (NOx) (kg)	430.79
Sulphur Oxides (SOx) (kg)	80.16
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions) (tonnes)	37.51
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions) (tonnes)	3,746.81
Total energy consumption (MegaWatt-hours)	4,188
Total non-hazardous waste (tonnes)[2]	104
Total hazardous waste (tonnes)[3]	542.17
Total water consumption (cubic meters)	19,023
Total packaging materials (tonnes)	3,647

HEALTH AND SAFETY

Number of work-related fatalities	0
Number of lost days due to work injury	46

Notes:

1. The emissions include major contributions from the goods transportation from Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd.

2. The boundary of total non-hazardous waste is confined to Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd.

3. The boundary of total hazardous waste is confined to Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd.

MATERIALITY ASSESSMENT

Materiality is defined as the aspects reflecting the Group's significant economic, environmental and social impact, or the aspects substantively influence the assessments and decisions of stakeholders.

The Group performed a materiality assessment through engaging both internal and external stakeholders by listing, prioritising, mapping and analysing a comprehensive list of ESG issues to assess the potential impacts from these issues to the Group's business and operation so as to identify the material issues, formulate the future strategic direction as well as develop implementation plan to mitigate the impacts. Materiality assessment was conducted based on the ESG Guide.

Firstly, a list of potentially material issues was complied, pursuant to the ESG Guide. Key stakeholders were identified for engagement subsequently. These issues were put into a survey and respondents were asked to rank each item on a six-point scale, based on the degree to which the respondents felt the issues are relevant and significant to the Group. Moreover, a list of the issues commonly reported in the medical consumable industry, both locally and internationally, was evaluated. Finally, the material and prioritised aspects were identified, associated with the areas in quality management, supplier chain management, employee development and compensation policy, as well as environmental protection.

With the elevating demand from the stakeholders, the Group is exploring opportunities to embrace sustainability across the business to secure continuous success over the long term.

STAKEHOLDER ENGAGEMENT

To create a sustainable value for the Group, the Group conducted engagement with the prioritised stakeholders to varying degrees for furtherance of identifying material and relevant sustainability issues. To incorporate the views from stakeholders, the Group will formulate channels for ongoing dialogue with a broad array of stakeholders.

QUALITY

In order to satisfy clients' needs, pursing top quality is essential. The Group is achieving the aim by implementation of quality management system, supply chain management and client relationship management.

Quality Assurance

The Group manages chemical and medical based products, encountering the evolving regulatory updates. Challenges of product compliance and product performance could become overwhelming. Failure to address can lead damage to reputation or even substantial financial loss. With the cooperation of all departments, the Group endeavours at delivering quality products and strengthening customer confidence in every possible way.

Quality Management System acts as one of the core components of the Group's strategy for sake of continual improvement, ascertaining product compliance with quality standards and creating value for clients. The Quality Management System of the Group is audited and verified by independent certification bodies to prove conformity to the internal standards on a regular basis. Manufacturing sites and office under the Group operate based on the ISO 9001 system, including Yestar (Guangxi) Technology Co., Ltd, Yestar (Guangxi) Imaging Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Shanghai Yestar Co., Ltd.

Specified requirements exist in the medical consumable industry. Yestar (Guangxi) Medical System Co., Ltd, production site of the medical imaging film, dental x-ray film and medical sensitive film, has attained the certification according to ISO 13485:2003, a quality management system exhibiting the Group's competency to provide medical devices and related services that consistently meet client requirements and regulatory requirements applicable to medical devices. Adopting this quality system provides a foundation for the Group to address the evolving Medical Device Directives as well as demonstrating a commitment to the safety and quality of medical devices. Furthermore, Yestar (Guangxi) Medical System Co., Ltd. has been certified as meeting the requirements under the Annex V for the Dental X-ray Film, Directive 93/42/EEC of the European Union, and awarded a valid EC type examination certificate according to Annex III. Directive 93/42/EEC of the European Union details the essential requirements that manufacturers shall meet to apply the CE mark and legally market or sell their devices in the EU. Under the Annex V EC Declaration of Conformity concerning production quality assurance, it laid down the requirements pertinent to quality system, surveillance as well as administrative provisions, while under the Annex III EC type-examination, it stipulates the procedure that a notified body certifies the production satisfying the requirements of the Directive 93/42/EEC, covering documentation conformity, performances of the product, methods of manufacture envisaged as well as technical test results.

The quality management system aims to ensure consistently high standard of quality, and comprehensive material and product testing play a crucial role.

In the purpose of delivering quality products to clients, packaging and sealing are equally important as the production process. All the packaging shall be carried out in accordance with the PAS ISO 17712, setting out the testing and performance criteria for different categories of mechanical security seals. The carton boxes are sealed with the high security seals, providing the highest security with the intent to delay intrusion.

In order to evaluate the quality performance in a quantitative manner, the Group sets a clear target on the product passing rates, namely, 100% for Yestar (Guangxi) Technology Co., Ltd. and over 99% for Yestar (Guangxi) Medical System Co., Ltd. Thanks to the continuous commitment on the quality assurance, there were no recall cases in 2016. The measures above exhibit the quality objective achievement.

Supply Chain Management

The Group is enhancing its cooperative relationships with suppliers through implementation of the supplier evaluation system setting out criteria like the suppliers' technical competency, timely delivery of high-quality products at reasonable prices as well as other specific criteria. One of the requirements is that annual evaluation shall be conducted for each supplier.

The Group's suppliers are majorly located within China, including Shanghai, Xian and Nanning.

Client Service

The Group makes every effort to provide exceptional service to clients and takes every complaint received seriously. Resolving client complaints effectively and promptly is fundamental to good client service. When a complaint is received, the Group will work with the clients to tackle them promptly and in a satisfactory way.

There is a standard procedure to handle the complaints from the customers. When receiving the complaint, details will be investigated to find out the root causes including misuses of the films, damage during transportation, improper storage and so on. The Group does treasure the relationship with each client. Sometimes, the Group could make compensation even though some of the product defeats are caused by external reasons.

EMPLOYMENT AND DEVELOPMENT

Employees are valuable assets to the Group. In addition, the Group has setup employment policy meeting the requirements laid down by the PRC Labour Law and the PRC Labour Contract Law, covering concerns over compensation, termination, welfare and so on.

The Group is dedicated to create a working environment where employees feel valued and respected. In addition, the employees are motivated to be well equipped with the skills and knowledge with the online learning platform and assessment to foster the Group's development.

Employment

The Group offers a comprehensive benefits package to meet the needs of the employees and retain the talents. The benefits offered generally include the medical and dental insurance. The Group is committed to equal employment opportunity, and discrimination is not acceptable on the basis of race, religion, age, sexual orientation, creed or marital status.

	Female	Male
Total Number of Employees	200	338

The Group's employees come from different generations. Innovation and experience from each generation could bring valuable contribution benefitting the stakeholders and the Group's business. The distribution is examined to devise the employment and development strategy.

	Total Number of Employees
Below 30	138
30–50	386
50 or above	14

The Group designs the compensation policy in order to attract and retain employees who can contribute long-term value to the Group and drive the financial growth objectives. The Group structure performance-based compensation reward those employees who have contributed to the Group in short-term or long-term strategic values through regular performance review. Each employee shall complete at least one annual performance review cycle for pay and benefits.

Regarding the leave policy, parental leave, paternity leave and caring leave for men are available. If, unfortunately, employees have suffered injury, the Group will organise a team to visit those employees in need. Furthermore, the Group organises various types of cultural activities like family day and recreational activities to promote the culture of unity.

Development and Training

The Group aims at fostering the culture for continuously building new skills and sharing knowledge. An e-learning platform, a more flexible form of training, is established to positively influence the learning impact and maximise the cost efficiency of the training portfolio. Under the e-learning platform, there is a vast array of topics available for courses, including management, production, quality control, safety, marketing and so on. Specified training parameters are defined for each type of employees pertinent to their job responsibilities. Assessments before and after attending the courses are required to enable effective learning.

Additionally, tuition reimbursement policy for employees seeking to achieve external education or training is offered for sake of personal development.

	Average Training Hours
Female	3.29
Male	2.77

	Average Training Hours
Senior Management	4.06
Middle Management	3.49
General Employees	2.05

Labour Standards

Pursuant to the Group's Employment Policy, it strictly prohibits the hiring of any minor under age 18 or child, meaning that child labor at any stage of our business is intolerable. There is no child labour found across the Group's operation.

ENVIRONMENTAL

Being a medical consumable provider, the Group understands that the impacts from these environmental challenges, thereby intending on nurturing the culture of environmental stewardship within the Group to monitor the emission, reduce emission, optimise the use of resources and minimise the direct or indirect environmental impacts.

Air Emissions

Hazardous smog posing risks to the health problem especially the respiratory illnesses and causing an increase in the premature death demand immediate attention in China.

To evaluate the air emissions, the Group assessed the fuel consumption based on the distribution network among a few major cities including Beijing, Shanghai, Nanning and Dongguan. These air emissions include particulate matter (PM), nitrogen oxides (NOx) as well as sulphur oxides (SOx).

	Emissions (kg)
PM Emissions	30.97
NOx Emissions	430.79
SOx Emissions	80.16

The Group does not own the fleet used to ship the goods. Owing to the current delivery model, the Group is studying the feasibility for closer collaboration with the logistics service providers so as to optimise the efficiency of the logistic network to remain economically competitive and environmentally sustainable, for instance, reducing the number of miles driven and hours spent. Optimising the efficiency of the distribution network and continuous communicating with the Group logistics partners articulate the key to stay economically competitive and environmentally sustainable. The Group remains committed to improve the fuel efficiency, optimise transportation network and track emission reduction.

Carbon Emission and Energy Consumption

Medical film manufacturing processes are performed in specific conditions of cleanliness, temperature and humidity, and thus a stable production environment is required, which is energy-intensive. This not only increases the energy consumption, but also increases the greenhouse gas (GHG) emissions.

The Group reports the GHG emissions stipulated to The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard, published by World Resources Institute and World Business Council for Sustainable Development.

The Greenhouse Gas (GHG) emissions are shown as below.

Total Greenhouse Gas Emissions (Scope 1 Direct Emissions)[4] (tonnes):	37.51
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions)[5] (tonnes):	3,746.81

The total energy consumption is 4,188 megawatt-hours.

Notes:

4. In accordance with ISO 14064-1:2006 Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, Scope 1 Direct Emissions are those emissions from electricity, heat and steam generated and exported by distributed by the organisation.

5. In accordance with ISO 14064-1:2006 Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, Scope 2 Indirect Emissions are those emissions from the generation of imported electricity, heat or steam consumed by the organisation.

The Group aims to improve energy efficiency across the operation and the production unit, without impacting equipment performance. The Group has introduced Variable Frequency Drive (VFD) in Heating, Ventilation and Air Conditioning (HVAC) and hydraulics applications to the Yestar (Guangxi) Imaging Technology Co., Ltd. Since the VFD could control the voltage and frequency that is being supplied to the system and adjust the speed of the motor, the system efficiency is improved by meeting the required process demands. Furthermore, a VFD-based system could maintain more precise control over a wider range of flow rates and extend the system life cycle. This efficiency initiative has cut down the energy consumption with around 60%, so does the carbon emission.

To further optimise the energy efficiency and reduce the operational cost, the Group will explore the possibility to modify the lighting retrofits and replace the existing lighting to energy efficiency light fixtures in phases.

Waste Management

Raw materials are getting more and more scare. The Group endeavours to operate pursuant to applicable regulations and manage the hazardous waste in a safe and responsible manner.

The waste produced could be classified into two major groups, namely, non-hazardous waste and hazardous waste. The non-hazardous waste is mainly comprised of carton box paper, plastic, foam and film, while the hazardous waste is produced from the uses of chemical solvent. The total non-hazardous waste is 104 tonnes.

Uses of chemical solvents, mainly the photographic developer solution, are undesirable because they may be associated with hazardous and toxic properties. The Group has established strict procedures to manage the chemical solvents deployed and handle hazardous waste generated from production.

Pursuant to Management of Solid Waste Disposal Ordinance, promulgated by the Central People's Government of the People's Republic of China, the hazardous waste are disposed with a licensed hazardous waste treatment service provider for collection and treatment. In order to manage the hazardous waste effectively, procedures are clearly setup. Employees handling the solvents and developer solution shall complete the chemical management training, hazardous wastes are stored in containers which are solvent resistant, and the storage units are constructed to prevent exposure or spillage. With the raising concerns of the China Government on the hazardous waste pollution prevention and control, the utilization and disposal rates of waste need to be improved. The Group targets to foster operation with maximum resources efficiency by minimising the materials consumed throughout the manufacturing process, increasing the recycling rate and reducing unnecessary waste. By examining the waste categories, one of the major uses includes the use of disposable cardboard boxes. The Group is studying the feasibility to eliminate the use of these cardboard boxes. In another aspect, the Group has implemented a paperless policy, setting out approval procedure, accountability and the document categories that printing is not allowed. The total hazardous waste is 542.17 tonnes.

The Group takes circular economy into consideration when refining the waste management policy.

Water Consumption

With shrinking natural resources, water is valuable for the natural environment and business, and is increasingly under pressure.

The water consumption is 19,023 cubic meters (m^3). The Group has introduced measures to educate the employees to minimise the water uses. Furthermore, the Group continually seeks to enhance operational efficiency and minimise resource consumption.

Packaging Materials

Packaging is important for protecting products during shipment and providing important safety and use information to consumers. The total packaging materials consumed is 3,647 tonnes. Reducing the packaging material bring both the environmental and economic benefit. The Group is dedicated to optimise the design of the packaging such that it can deliver against key performance criteria while using the least amount of packaging material.

The Environment and Natural Resources

Apart from the emission and uses of resources, the Group considers the environmental impacts including effluent discharge, noise and biodiversity in a comprehensive manner and conducts assessment to minimise the negative impacts to the environment.

Noise pollution could cause nuisance to the Group's stakeholders, and thus noise assessment is regularly conducted for Yestar (Guangxi) Technology Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd in accordance with GB 12348: 2008 Standard for Industrial Enterprises Noise at Boundary, to avoid disturbance to the noise sensitive receivers nearby. According to the noise assessment report issued by the third party environmental laboratory, the noise level is below the prescribed level. Where necessary, mitigation measures could be implemented.

HEALTH AND SAFETY

Safe operation is a prerequisite for sound business performance. By deploying a holistic approach, the Group has established an effective occupational health and safety system for sake of supporting and protecting the employees. Potential health and safety risks are regularly monitored. The fatality rate was zero in 2016.

Associated health and safety risks encompass uses of machinery and equipment including air compressor as well as working in the dark room. Working in a dark room exposes to safety risks. Prolonged and repeated exposures to photographic chemicals might lead to health problems. The degree of risk varies depending on several factors including length of exposure, frequency and amount of exposure as well as toxicity of the materials. In this context, it is the Group's responsibility to provide the employees with safe and healthy working conditions and it is achieved by identifying and mitigating potential risks. A safety manual for dark room is implemented for sake for occupational health and safety. Under the manual, rules and procedures are explicitly stated, such as limit access to the darkroom, good housekeeping, restricted objects, time of exposure as well as emergency procedures. While policies and procedures provide a good and necessary framework, they are not enough to ensure safe operations. The Group strictly requests each employee working in the dark room shall have a specific year of relevant experience and undergo assessment regularly.

The Group makes multiple efforts to improve safety related to the uses of machinery through increased employee awareness and ongoing training.

DESCRIPTION	NUMBER
Number of Work-Related Fatalities	0
Lost Days due to Work Injury	46

INTEGRITY

The Group has embedded the ant-corruption, intellectual property right and privacy into the Group's policy, demonstrating the Group's commitment to integrity. All the employees of the Group are responsible for maintaining high ethical standards and conducting business with integrity.

Anti-Corruption

The Group is committed to high standards of integrity in dealing with its business partners and to compliance with all applicable anti-corruption laws including Anti-Unfair Competition Law of the PRC, the Criminal Law of the PRC and the Hong Kong Prevention of Bribery Ordinance (Chapter 201).

Pursuant to the Group's policy, every employee member of the company is prohibited from offering advantages or promises to any director or employees of another company or organization, for the purpose of influencing such person or company while having business dealings. Commissions, discounts and payment method shall be in line with company policy during trading. Any deviation from the policy shall seek approval from the Chief Executive Officer, directors, managers or supervisors of the Company by formal request, in order to follow the Code of Conduct of the company. However, entertainment is acceptable for offering to any government officer, community group and key customers, coherence with the provisions stipulated to the Hong Kong Prevention of Bribery Ordinance.

In addition, all the employees shall strictly comply with the local laws and regulations when having business with customers. Guidelines are laid down when offering gifts and entertainment to customers, including prior approval for receipt of gifts, reimbursement with valid supporting documents, and so on.

With the commitment to the anti-corruption, there were no concluded legal cases regarding the corruption.

Intellectual Property Rights

The Group respects and complies with the regulations that govern both the rights to, and protection of intellectual property. In order to protect the Group's trademarks and prevent others use the trademarks without permission, the Group has established the trademark application procedure. Once the application has been approved by the Marketing Manager, General Manager and the Legal Department, the application will be submitted to the Chinese Trademark Office. in order to protect your exclusive rights to that trademark in China.

Consumer Data Protection

The Group's employees, and all those who do business with the Group, trust and expect that the Group will protect personal information in accordance with legal requirements and the Group's policy. According to the Group's policy, documents are classified into mainly three categories, including strictly confidential document, confidential document and private document. The access right for each type of document is well defined. All employees maintain confidentiality on sensitive information pertaining to clients and suppliers.

COMMUNITY INVESTMENT

The Group sees a social responsibility towards the communities the Group source from and serve. Being a medical consumable provider, the Group harness the influence of the business knowledge, practical skills and employee resources to share skills as well as create good places to live.

With the vision of 'creating a better life', the Group promotes community activities in the area of medical caring, education, recreational and cultural activities. These activities include medical equipment donation, donation to the school and visits to elderly home. Furthermore, the Group hosts events of tree planting to redress the climate change issues and raise the awareness of the environmental protection of the employees.

The Group is currently reviewing and updating the community strategy so as to shape the strategy to identify common themes to allocate future investment aligning with the Group's development strategy, resonating the stakeholders, and addressing the material social challenges. This enable the Group to positively redress the relevant issues, whilst staying flexibility on the types of projects and partners to be supported.

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of Yestar Healthcare Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 135, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and other intangible assets	
Under IFRSs, the Group is required to annually test the amount of goodwill for impairment. In addition, each year, the Group assesses whether a change to the useful life is applicable and whether there are any indications of impairment of other intangible assets which consists of distribution rights and customer relationship. The annual impairment test and assessment were significant to our audit because the balance of goodwill and other intangible assets balance of RMB481.7 million and RMB955.1 million as at 31 December 2016 were material to the financial statements. The test and assessment are largely based on management expectations and estimates of future results of the cash-generating units of which Yestar Biotech and Anbaida Group Companies acquired in the past are part of. These assumptions are affected by expectations of future market or economic conditions. For more information on the carrying value of goodwill and other intangible assets, please refer to note 3, note 15 and note 16 to the consolidated financial statements.	Our audit procedures included, among others, involving our internal valuation specialist to assist us in the assessment of cash flow forecasts against business development and operation data. We assessed the assumptions used in cash flow forecast such as discount rates, revenue and expense growth. We also assessed the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.
Recoverability of trade and bills receivables	
The balance of trade and bills receivable at 31 December 2016 was RMB650.7 million, which was material to the financial statements. The identification of bad and doubtful receivables and the determination of the recoverable amounts involve various management assumptions and estimations, including assessing the creditworthiness of the counterparties, estimating the amount of provision necessary, and estimating the ultimate realisation of those receivables. For more information on the impairment of trade receivables, please refer to note 3 and note 19 to the consolidated financial statements.	Our audit procedures included, among others, discussing with management on the estimation involved in determining the appropriateness of provisions for bad debts and assessing the management's processes and controls relating to the monitoring of trade and bills receivables and recoverability risks. We analysed material overdue trade receivable balances where no provision was recognised to check that there were no impairment. We checked subsequent collection of trade and bills receivables and considered historical payment patterns. We also considered the adequacy of the Group's disclosures in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS 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 IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Lap, Philip.

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

15 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	3,021,831	2,454,684
Cost of sales		(2,255,498)	(1,937,276)
Gross profit		766,333	517,408
Other income and gains	5	31,414	20,730
Selling and distribution expenses		(116,807)	(83,360)
Administrative expenses		(226,649)	(141,875)
Other expenses		(7,922)	(7,261)
Finance costs	6	(62,564)	(25,716)
PROFIT BEFORE TAX	7	383,805	279,926
Income tax expense	10	(113,877)	(81,413)
PROFIT FOR THE YEAR		269,928	198,513
Attributable to:			
Owners of the parent		201,031	162,756
Non-controlling interests		68,897	35,757
		269,928	198,513
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year	12	RMB9.2 cents	RMB8.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	269,928	198,513
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(23,572)	1,104
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(23,572)	1,104
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(23,572)	1,104
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	246,356	199,617
Attributable to:		
Owners of the parent	177,459	163,860
Non-controlling interests	68,897	35,757
	246,356	199,617

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	108,017	116,939
Prepaid land lease payments	14	14,625	14,952
Intangible assets	15	957,033	1,028,688
Goodwill	16	481,718	481,718
Deferred tax assets	17	5,148	5,552
Prepayments, deposits and other receivables	20	458,640	—
Total non-current assets		2,025,181	1,647,849
CURRENT ASSETS			
Inventories	18	455,127	414,767
Trade and bills receivables	19	650,749	552,852
Prepayments, deposits and other receivables	20	52,155	41,554
Pledged deposits	21	542	500
Cash and cash equivalents	21	1,272,663	505,987
Total current assets		2,431,236	1,515,660
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	225,250	247,912
Trade and bills payables	24	366,588	449,975
Other payables and accruals	25	490,096	143,454
Tax payable		121,689	118,744
Amounts due to non-controlling shareholders	22	—	182,000
Total current liabilities		1,203,623	1,142,085
NET CURRENT ASSETS		1,227,613	373,575
TOTAL ASSETS LESS CURRENT LIABILITIES		3,252,794	2,021,424
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	1,458,539	172,500
Deferred tax liabilities	17	266,533	275,505
Other long term payables	25	575,494	656,022
Total non-current liabilities		2,300,566	1,104,027
NET ASSETS		952,228	917,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	43,116	43,116
Reserves	27	898,665	864,298
		941,781	907,414
Non-controlling interests		10,447	9,983
TOTAL EQUITY		952,228	917,397

Hartono James
Director

Wang Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent									
	Share capital RMB'000 (note 26)	Share premium account RMB'000 (note 26)	Contributed surplus RMB'000 (note 27)	Put options written on non-controlling interests reserve RMB'000	Statutory reserve fund RMB'000 (note 27)	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	37,044	85,529	84,991	(85,593)	23,863	170,736	(911)	315,659	9,398	325,057
Profit for the year	—	—	—	—	—	162,756	—	162,756	35,757	198,513
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,104	1,104	—	1,104
Total comprehensive income for the year	—	—	—	—	—	162,756	1,104	163,860	35,757	199,617
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	220,970	220,970
Issue of shares	6,072	722,554	—	—	—	—	—	728,626	—	728,626
Share issue expenses	—	(14,755)	—	—	—	—	—	(14,755)	—	(14,755)
Final 2014 dividends declared	—	(50,185)	—	—	—	—	—	(50,185)	—	(50,185)
Transfer from retained earnings	—	—	—	—	24,671	(24,671)	—	—	—	—
Put options in relation to non-controlling interests	—	—	—	(235,791)	—	—	—	(235,791)	(256,142)	(491,933)
At 31 December 2015	43,116	743,143*	84,991*	(321,384)*	48,534*	308,821*	193*	907,414	9,983	917,397

	Attributable to owners of the parent									
	Share capital RMB'000 (note 26)	Share premium account RMB'000 (note 26)	Contributed surplus RMB'000 (note 27)	Put option written on non-controlling interests reserve RMB'000	Statutory reserve fund RMB'000 (note 27)	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	43,116	743,143	84,991	(321,384)	48,534	308,821	193	907,414	9,983	917,397
Profit for the year	—	—	—	—	—	201,031	—	201,031	68,897	269,928
Other comprehensive income for the year:										
Exchange differences on transaction of foreign operations	—	—	—	—	—	—	(23,572)	(23,572)	—	(23,572)
Total comprehensive income for the year	—	—	—	—	—	201,031	(23,572)	177,459	68,897	246,356
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(9,000)	(9,000)
Final 2015 dividends declared	—	(72,971)	—	—	—	—	—	(72,971)	—	(72,971)
Transfer from retained earnings	—	—	—	—	19,616	(19,616)	—	—	—	—
Put options in relation to non-controlling interests	—	—	—	(70,121)	—	—	—	(70,121)	(59,433)	(129,554)
At 31 December 2016	43,116	670,172*	84,991*	(391,505)*	68,150*	490,236*	(23,379)*	941,781	10,447	952,228

* These reserve accounts comprise the consolidated reserves of RMB898,665,000 (2015: RMB864,298,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		383,805	279,926
Adjustments for:			
Finance costs	6	62,564	25,716
Interest income		—	(1,672)
Impairment/(reversal) of inventories	7	761	(848)
(Reversal)/Impairment of trade receivables	7	(2,199)	2,715
Depreciation of items of property, plant and equipment	7	20,646	18,024
Amortisation of prepaid land lease payments	7	327	327
Amortisation of other intangible assets	7	71,869	39,992
Fair value gains, net: derivative financial instruments	5	(1,238)	—
Gain on disposal of items of property, plant and equipment	7	(377)	(23)
		536,158	364,157
Increase in trade and bills receivables		(95,698)	(238,092)
(Increase)/decrease in prepayments, deposits and other receivables		(10,601)	2,427
Increase in inventories		(41,121)	(12,819)
(Decrease)/increase in trade and bills payables		(83,387)	69,893
Increase in other payables and accruals		100,954	35,938
(Increase)/decrease in pledged deposits		(42)	3,600
Increase in deferred income		7,599	—
		413,862	225,104
Income tax paid		(117,394)	(59,947)
NET CASH FLOWS FROM OPERATING ACTIVITIES		296,468	165,157
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(12,211)	(18,545)
Purchases of intangible assets		(214)	(362)
Proceeds from disposal of items of property, plant and equipment		864	793
Interest received from long-term deposits		1,238	1,485
Decrease in an amount due to non-controlling shareholders		(182,000)	—
Prepayment for the proposed acquisitions of equity interests	20	(458,640)	—
Acquisition of subsidiaries		—	(790,537)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(650,963)	(807,166)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from capital contribution	26	—	728,626
Share issue expense	26	—	(14,755)
Net proceeds from senior notes		1,358,539	—
New interest-bearing loans		316,325	495,283
Repayment of bank loans		(411,486)	(181,085)
Dividends paid	26	(72,971)	(50,185)
Dividends paid to non-controlling shareholders		(9,000)	—
Taxes paid on financing activities in Mainland China		(2,106)	—
Interest paid		(34,558)	(25,716)
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,144,743	952,168
NET INCREASE IN CASH AND CASH EQUIVALENTS		790,248	310,159
Cash and cash equivalents at beginning of year		505,987	194,724
Effect of foreign exchange rate changes, net		(23,572)	1,104
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,272,663	505,987
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and non-pledged bank balances		1,266,663	499,987
Non-pledged time deposits		6,000	6,000
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	21	1,272,663	505,987

1. CORPORATE AND GROUP INFORMATION

Yestar Healthcare Holdings Company Limited (formerly known as 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 address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the Company's ultimate controlling shareholders are Jeane Hartono, Rico Hartono, James Hartono and Chen Chen Irene Hartono.

The Company's shares 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 films and PWB films, 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.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Yestar Asia Company Limited[1] ("Yestar BVI")	BVI 1 February 2012	—*	100	—	*Investment holding*
Yestar International (HK) Company Limited ("Yestar HK")	Hong Kong 29 February 2012	HKD10,000	—	100	*Investment holding*
Yestar (Shanghai) Co., Ltd.[2][3] ("Yestar Shanghai")	PRC/Mainland China 20 July 2000	USD231,000,000	—	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.[2] ("Guangxi Technology")	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*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Name of company	Place and date of incorporation/registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Yestar (Guangxi) Medical System Co., Ltd.[(2)(3)] ("Yestar Medical")	PRC/Mainland China 24 December 2009	USD251,050,000	—	100	*Manufacture of dental films and manufacture and sale of medical dry films and medical wet films*
Yestar (Guangxi) Imaging Technology Co., Ltd. [(2)(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*
Joy Health Biotech (Guangxi) Co., Ltd.[(2)(3)] ("Joy Health")	PRC/Mainland China 3 November 2016	RMB5,000,000	—	100	*Development of biotechnology and sale medical equipment*
Yestar Biotech (Jiangsu) Company Limited[(5)] ("Yestar Biotech")	PRC/Mainland China 5 December 2011	RMB26,000,000	—	70	*Sale of medical equipment and reagents*
Shanghai Emphasis Investment Management Consulting Co., Ltd. ("Shanghai Emphasis Investment")[(4)]	PRC/Mainland China 4 April 2005	RMB29,880,000	—	70	*Sale of medical equipment and reagents*
Shanghai Jianchu Medical Instrument Co., Ltd. ("Shanghai Jianchu Medical")[(4)]	PRC/Mainland China 26 August 2011	RMB8,880,000	—	70	*Sale of medical equipment and reagents*
Shanghai Chaolian Trading Co., Ltd. ("Shanghai Chaolian Trading")[(4)]	PRC/Mainland China 26 February 2002	RMB500,000	—	70	*Sale of medical equipment and reagents*
Shanghai Haole Industrial Co., Ltd. ("Shanghai Haole Industrial")[(4)]	PRC/Mainland China 1 June 2010	RMB11,952,000	—	70	*Sale of medical equipment and reagents*
Shanghai Dingpei Industrial Co., Ltd. ("Shanghai Dingpei Industrial")[(4)]	PRC/Mainland China 4 April 2014	RMB500,000	—	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 and these shares are without par value, and the total subscription price of these issued shares is USD1,100.

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Notes: (continued)

(4) Anbaida Group Companies consists of these companies.

(5) Formerly known as Jiangsu Uno Technology Development Company Limited.

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.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. 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 the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power on 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 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 above. 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 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) 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 a 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) Annual Improvements to IFRSs 2012–2014 Cycle issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
Amendments to IFRS 1 included in *Annual Improvements 2014–2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IFRS 12 included in *Annual Improvements 2014–2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to IAS 28 included in *Annual Improvements 2014–2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but available for adoption

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 is currently assessing the impact of the standard.

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

IFRS 15 establishes a new five-step model to account for 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. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. The amendments:

- Clarify when a promised good or service is distinct within the context of the contract
- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
- Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
- Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition

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

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

IFRS 16 replaces IAS 17 Leases, IFRIC4 Determining whether an Arrangement contains a Lease, SIC15 Operating Leases — Incentives and SIC27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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

IFRIC 22 clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Amendments to IFRS 12 included in *Annual Improvements 2014–2016 Cycle* clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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.

Put options in relation to non-controlling interests

During the process of acquiring the majority stake of a subsidiary, the Group provides the non-controlling shareholders with 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 including 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 including 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 are amortised over the estimated useful lives of 15 years based on management's estimates on how long the Group will maintain 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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 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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to non-controlling shareholders and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

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.

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 a recognition of a new liability, and the difference between respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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, 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 on a systematic basis over the periods that 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 services are rendered; and

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

Pension scheme

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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 translation 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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 RMB 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 2016 was RMB481,718,000 (2015: RMB481,718,000). Further details are given in note 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(vi) Net realisable value of inventories

Net realisable value of inventories are 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 films and PWB films, and trading of imaging equipment; and

(b) Medical products and equipment: manufacture and sale of medical dry films, medical wet films and dental films, sale of medical equipment and diagnostic 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 2016

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	704,455	2,317,376	3,021,831
Segment results	47,650	348,868	396,518
Reconciliation:			
Corporate and other unallocated expenses			(12,713)
Profit before tax			383,805
Segment assets	696,679	3,232,092	3,928,771
Reconciliation:			
Corporate and other unallocated assets			527,646
Total assets			4,456,417
Segment liabilities	222,534	2,627,082	2,849,616
Reconciliation:			
Corporate and other unallocated liabilities			654,573
Total liabilities			3,504,189
Other segment information:			
Depreciation of items of property, plant and equipment	11,020	9,626	20,646
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	556	71,313	71,869
Gain on disposal of items of property, plant and equipment	(377)	—	(377)
Operating lease rentals	5,992	15,885	21,877
Capital expenditure*	1,874	10,337	12,211

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2015

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	795,651	1,659,033	2,454,684
Segment results	46,085	238,845	284,930
Reconciliation:			
Corporate and other unallocated expenses			(5,004)
Profit before tax			279,926
Segment assets	676,385	2,465,718	3,142,103
Reconciliation:			
Corporate and other unallocated assets			21,406
Total assets			3,163,509
Segment liabilities	199,389	2,028,495	2,227,884
Reconciliation:			
Corporate and other unallocated liabilities			18,228
Total liabilities			2,246,112
Other segment information:			
Depreciation of items of property, plant and equipment	10,252	7,772	18,024
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	568	39,424	39,992
Gain on disposal of items of property, plant and equipment	2	20	22
Operating lease rentals	6,488	6,077	12,565
Capital expenditure*	15,556	2,989	18,545

* 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 2016, the Group had one customer from whom the revenue raised by selling medical imaging products and printing imaging products of RMB1,013,817,000 (2015: RMB939,427,000) accounted for more than 34% (2015: more than 38%) 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 36 to the financial statements.

Geographical information

Since the Group solely operates business in the Mainland China and all of the non-current assets of the Group are located in the Mainland China, geographical segment information required by IFRS 8 *(Operating Segments)* is not presented.

Seasonality of operations

The Group's operations are not subject to seasonality.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable; and rendering of services income received during the year.

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

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods	3,006,149	2,451,967
Rendering of services	15,682	2,717
	3,021,831	2,454,684
Other income and gains		
Government grants (note (a))	22,612	9,217
Interest income	3,179	3,196
Fair value gains on derivative financial instruments	1,238	—
Foreign exchange gains	3,417	8,021
Others	968	296
	31,414	20,730

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:

	2016 RMB'000	2015 RMB'000
Finance costs		
Interest on bank loans, overdrafts and other borrowings	55,348	19,029
Cash discount	6,716	6,637
Interest arising from discounted bills	500	50
	62,564	25,716

7. PROFIT BEFORE TAX

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

	2016 RMB'000	2015 RMB'000
Cost of inventories sold	2,219,195	1,937,276
Cost of service provided	36,303	—
Depreciation of items of property, plant and equipment (note 13)	20,646	18,024
Amortisation of prepaid land lease payments (note 14)	327	327
Amortisation of other intangible assets (note 15)	71,869	39,992
Research and development costs	1,058	3,434
Minimum lease payments under operating leases	21,877	12,565
Auditors' remuneration	2,668	2,267
Employee benefit expense (including directors' remuneration as set out in note 8)		
— Wages and salaries	130,050	97,964
— Pension scheme contributions	9,402	8,841
	139,452	106,805
Impairment/(reversal) of inventories (note 18)	761	(848)
(Reversal)/Impairment of trade receivables (note 19)	(2,199)	2,715
Gain on disposal of items of property, plant and equipment	(377)	(23)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Fees	612	612
Other emoluments:		
Salaries, allowances and benefits in kind	7,209	5,829
Discretionary bonuses	2,966	2,380
Pension scheme contributions	136	164
	10,311	8,373
	10,923	8,985

(a) Independent non-executive directors

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

	2016 RMB'000	2015 RMB'000
Mr. Karsono Tirtamarta	204	204
Dr. Hu Yiming	204	204
Mr. Sutikno Liky	204	204
	612	612

There were no other emoluments payable to the independent non-executive directors during the year (2015: 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
2016				
Mr. James Hartono*	2,624	813	—	3,437
Mrs. Wang Ying	1,095	655	43	1,793
Mr. Chan To Cheung	1,173	537	—	1,710
Mr. Chan Chung Man*	1,159	383	—	1,542
Mrs. Zhang Qi*	575	198	43	816
Mrs. Wang Hong	504	222	43	769
Mrs. Heng Yinmei*	79	158	7	244
	7,209	2,966	136	10,311
2015				
Mr. James Hartono*	2,298	739	—	3,037
Mrs. Wang Ying	1,009	655	41	1,705
Mr. Chan To Cheung	1,075	480	—	1,555
Mrs. Zhang Qi	528	160	41	729
Mrs. Heng Yinmei*	475	144	41	660
Mrs. Wang Hong	444	202	41	687
	5,829	2,380	164	8,373

* Mr. James Hartono is also the chief executive of the Company.

* Mr. Chan Chung Man was appointed as the executive director of the Company on 29 January 2016.

* Mrs. Zhang Qi resigned as a director on 29 January 2016.

* Mrs. Heng Yinmei resigned as a director on 29 January 2016.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2015: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2015: one), highest paid employee who is neither a director nor chief executive of the Company for the year are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	744	462
Discretionary bonuses	350	211
Pension scheme contributions	69	28
	1,163	701

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

	Number of employees	
	2016	2015
Nil to HKD1,000,000	—	1
HKD1,000,000 to HKD1,500,000	1	—
	1	1

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 current income tax in Mainland China 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.

10. INCOME TAX (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Current tax		
— Income tax in the PRC for the year	122,445	82,366
Deferred tax (note 17)	(8,568)	(953)
Total tax charge for the year	113,877	81,413

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the countries 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:

	2016 RMB'000	2015 RMB'000
Profit before tax	383,805	279,926
Tax at an applicable tax rate	95,951	69,982
Lower tax rate for certain loss making entities in different jurisdictions	7,082	1,251
Adjustments to current tax of previous periods	(2,847)	50
Expenses not deductible for tax	2,078	1,068
Withholding tax paid for the dividends to a immediate holding company in Hong Kong	2,106	—
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China (note 17)	9,507	9,062
Tax charge at the Group's effective rate	113,877	81,413

11. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Proposed final — HK4.4 cents (2015: HK3.9 cents) per ordinary share	85,612	71,071

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. 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 2,175,200,000 in issue during the year ended 31 December 2016 (2015: 2,011,710,000).

The calculation of basic and diluted earnings per share is based on:

	2016 RMB'000	2015 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	201,031	162,756
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	2,175,200	2,011,710
Basic and diluted earnings per share (RMB cents)	9.2	8.1

The diluted earnings per share amount is equal to the basic earnings per share amount for the years ended 31 December 2016 and 2015, as there were no diluting events during the years ended 31 December 2016 and 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	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 2015	33,561	21,650	87,203	9,731	18,271	14,132	184,548
Additions	3,441	653	49	1,854	1,379	11,169	18,545
Transfers	2,884	—	483	33	—	(3,400)	—
Acquisition of a subsidiary	—	—	—	4,204	23,628	—	27,832
Disposals	—	—	—	(667)	(693)	—	(1,360)
At 31 December 2015 and 1 January 2016	39,886	22,303	87,735	15,155	42,585	21,901	229,565
Additions	1,089	2,789	1,794	4,570	1,653	316	12,211
Transfers	21,333	—	616	3	106	(22,058)	—
Acquisition of subsidiaries	—	—	—	—	—	—	—
Disposals	—	—	(65)	(2,358)	(7,584)	—	(10,007)
At 31 December 2016	62,308	25,092	90,080	17,370	36,760	159	231,769
Accumulated depreciation:							
At 1 January 2015	2,578	15,259	49,768	5,374	7,560	—	80,539
Charge for the year (note 7)	2,164	1,766	6,097	2,008	5,989	—	18,024
Acquisition of a subsidiary	—	—	—	2,611	12,042	—	14,653
Disposals	—	—	—	(161)	(429)	—	(590)
At 31 December 2015 and 1 January 2016	4,742	17,025	55,865	9,832	25,162	—	112,626
Charge for the year (note 7)	3,503	1,894	5,442	2,432	7,375	—	20,646
Acquisition of subsidiaries	—	—	—	—	—	—	—
Disposals	—	—	(31)	(2,051)	(7,438)	—	(9,520)
At 31 December 2016	8,245	18,919	61,276	10,213	25,099	—	123,752
Net book value:							
At 31 December 2016	54,063	6,173	28,804	7,157	11,661	159	108,017
At 31 December 2015	35,144	5,278	31,870	5,323	17,423	21,901	116,939

As at 31 December 2016, none of the Group's property, plant and equipment was pledged (2015: Nil).

14. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	14,952	15,279
Recognised during the year (note 7)	(327)	(327)
Carrying amount at 31 December	14,625	14,952

15. INTANGIBLE ASSETS

	Customer Relationship* RMB'000	Distribution rights* RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2015	93,100	156,800	8,985	258,885
Additions	—	—	362	362
Acquisition of a subsidiary	276,000	542,600	—	818,600
At 31 December 2015 and 1 January 2016	369,100	699,400	9,347	1,077,847
Additions	—	—	214	214
At 31 December 2016	369,100	699,400	9,561	1,078,061
Accumulated amortisation and impairment:				
At 1 January 2015	1,034	1,742	6,391	9,167
Charge for the year (note 7)	13,873	25,526	593	39,992
At 31 December 2015 and 1 January 2016	14,907	27,268	6,984	49,159
Charge for the year (note 7)	24,607	46,626	636	71,869
At 31 December 2016	39,514	73,894	7,620	121,028
Net carrying amount:				
At 31 December 2015	354,193	672,132	2,363	1,028,688
At 31 December 2016	329,586	625,506	1,941	957,033

* Other intangible assets consists of customer relationship and distribution rights.

16. GOODWILL

	RMB'000
Cost:	
At 1 January 2015	87,315
Acquisition of a subsidiary	394,403
At 31 December 2015 and 2016	481,718
Accumulated impairment:	
At 31 December 2015 and 2016	—
Net carrying amount:	
At 31 December 2015	481,718
At 31 December 2016	481,718

Impairment testing of goodwill

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

— sale of medical equipment and reagent of Yestar Biotech.

— sale of medical equipment and reagent of Anbaida Group Companies.

The recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections were 17.5% (2015: 13%) for Yestar Biotech and 19% (2015: 19%) for Anbaida Group Companies. Cash flows beyond the five-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 2016. 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.

Operating expense rates — The basis used to determine the value assigned to operating expenses is based on past performance and reference to average in market during the budget year.

17. DEFERRED TAX

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

Deferred tax assets

	Elimination of unrealised profits RMB'000	Accruals and provisions RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2015	3,367	4,110	7,477
Deferred tax charged to the statement of profit or loss during the year (note 10)	(993)	(932)	(1,925)
Gross deferred tax assets at 31 December 2015 and 1 January 2016	2,374	3,178	5,552
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	147	(551)	(404)
At 31 December 2016	2,521	2,627	5,148

Deferred tax liabilities

	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 2015	63,205	9,165	72,370
Acquisition of subsidiaries (note 28)	206,013	—	206,013
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(11,940)	9,062	(2,878)
Gross deferred tax liabilities at 31 December 2015 and 1 January 2016	257,278	18,227	275,505
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(18,479)	9,507	(8,972)
At 31 December 2016	238,799	27,734	266,533

17. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (Continued)

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 is 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.

18. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	73,903	112,616
Finished goods	381,985	302,151
	455,888	414,767
Less: provision for inventories	761	—
	455,127	414,767

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

	2016 RMB'000	2015 RMB'000
Trade and bills payables (note 24)	—	43,269

19. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	633,854	533,145
Bills receivable	17,411	22,422
Impairment	(516)	(2,715)
	650,749	552,852

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 minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are unsecured and non-interest-bearing.

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:

	2016 RMB'000	2015 RMB'000
Within 90 days	415,033	391,120
91 to 180 days	124,938	94,324
181 to 365 days	90,729	39,797
1 to 2 years	2,638	5,189
	633,338	530,430

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

	2016 RMB'000	2015 RMB'000
At beginning of year	2,715	—
Impairment losses recognised (note 7)	—	2,715
Impairment losses reversed (note 7)	(2,199)	—
	516	2,715

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB516,000 (2015: RMB2,715,000) with a carrying amount before provision of RMB2,887,000 (2015: RMB7,444,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and all of the receivables are expected to be unrecovered.

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	557,559	465,751
Past due but not impaired:		
Less than 90 days	62,129	45,650
91 to 365 days	11,279	14,300
	630,967	525,701

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Current portion:		
Prepayments	26,330	4,805
Value added tax input	7	8,033
Deposits and other receivables	25,818	28,716
	52,155	41,554
Non-current portion:		
Prepayments for the proposed acquisitions of equity interests (note (a))	458,640	—

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Note (a):

Prepayments for the proposed acquisitions of equity interests represent the prepayments for the acquisition of 70% of equity interests of Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd. ("Hongen"), and Shenzhen De Run Li Jia Co., Ltd. ("Derunlijia") amounting to RMB201,600,000 and RMB257,040,000, respectively.

The acquisitions are completed subsequent to year end as set out at note 37(a) and 37(b).

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.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	1,267,205	500,487
Time deposits	6,000	6,000
	1,273,205	506,487
Less: Pledged deposits		
Pledged for issuance of bank acceptance notes	(542)	(500)
Cash and cash equivalents	1,272,663	505,987

At the end of the reporting period, the cash and bank balances of the Group denominated in USD and HKD amounted to RMB691,566,000 (2015: RMB74,017,000).

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.

22. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

	2016 RMB'000	2015 RMB'000
Amounts due to non-controlling shareholders	—	182,000

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	5.22–5.6	2017	64,750	4.35–7.1	2016	115,000
Bank loans — secured	5.22	2017	18,000	5.22–6.12	2016	52,912
Current portion of long term bank loans — secured	6.18–7.8	2017	142,500	7.59–7.8	2016	80,000
			225,250			247,912
Non–current						
Other secured bank loans	6.18	2018	100,000	7.59–7.8	2017	172,500
Senior notes (Note (3))	7.43	2021	1,358,539	—	—	—
			1,683,789			420,412
Analysed into:						
Bank loans repayable:						
Within one year or on demand			225,250			247,912
In the second year			100,000			172,500
In the third year to fifth years, inclusive			1,358,539			—
			1,683,789			420,412

Notes:

(1) Certain of the Group's bank loans are secured by the pledge of 70% of equity interests of Yestar Biotech, 70% of equity interests of Anbaida Group Companies and 100% of equity interests of Yestar Imaging.

(2) All borrowings are in RMB except for senior notes.

(3) On 8 September 2016, the Company issued five-year senior notes (the "Notes") with a par value of USD200 million and an effective interest rate of 7.43% per annum. The interest will be paid semi-annually in arrears.

The shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited were pledged to the holders of the Notes.

24. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	291,012	406,706
Bills payable	75,576	43,269
	366,588	449,975

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

	2016 RMB'000	2015 RMB'000
Within 90 days	289,365	405,524
91 to 180 days	953	983
181 to 365 days	232	13
1 to 2 years	320	186
2 to 3 years	142	—
	291,012	406,706

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.

25. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Current portion:		
Advances from customers	111,039	19,626
Other payables	100,607	89,847
Value added tax payable	20,368	18,642
Payroll and welfare payable	20,182	15,339
Interests payable	28,007	—
Put options in relation to non-controlling interests (note 2(a))	209,893	—
	490,096	143,454
Non-current portion:		
Deferred government grant (note 1)	8,267	8,456
Put options in relation to non-controlling interests (note 2(b))	567,227	647,566
	575,494	656,022

Note 1: In January 2012, Yestar Imaging received a government grant for the land lease located in 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 met the condition and started to recognize the deferred government grant in 2014. As at 31 December 2016, 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 non-controlling shareholders to dispose the 30% interests in Yestar Biotech and Anbaida Group Companies to the Group during the acquisition of 70% interests by the Company in Yestar Biotech and Anbaida Group Companies as below.

a) Pursuant to the share purchase agreement entered between Yestar Shanghai and Ms. Hang Wenxia and Ms. Xu Di on 11 September 2014, Yestar Shanghai acquired the 70% equity interest of Yestar Biotech, and Ms. Hang hold the remaining 30% equity interest. Ms. Hang has the right to require Yestar Shanghai to acquire the remaining 30% equity interest in Yestar Biotech if the 2014, 2015 and 2016 net profit of Yestar Biotech would be able to reach the annual guarantee profit respectively at the price of 30% of 10 times of the audited net profit of year ended 31 December 2016 (not exceed the maximum amount of RMB250 million). The obligation to acquire the remaining 30% equity interests would be executable within one year, so the directors disclosed this liabilities as current portion.

25. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note 2: (Continued)

b) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Li Bin, Mr. Li Changgui, Mr. Li Changkuan, Ms. Yu Liping and Ms. Liu Hong on 9 April 2015, Yestar Medical acquired the 70% equity interest of Anbaida Group Companies and Mr. Li held the remaining 30% equity interest. Mr. Li shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Anbaida Group Companies if the 2015, 2016 and 2017 net profit of Anbaida Group Companies would be able to reach the annual guarantee profit irrespectively. In the event that any of the 2015, 2016 and 2017 net profit is less than the annual guarantee profit, Mr. Li Bin shall pay compensation to Yestar Medical calculated by the following formula:

(Annual guarantee profit – 2015 net profit/2016 net profit/2017 net profit) *2

The Group assumes the obligations to acquire in cash the remaining 30% equity interests in Yestar Biotech and Anbaida Group Companies held by non-controlling shareholders. The present value of the amount payable at the time of acquiring the corresponding equity interests of such put options is deducted from non-controlling interests and is recognised as the financial liabilities of the Group. The financial liabilities are measured at the present value of future exercise in the subsequent period.

26. SHARE CAPITAL

Shares

	2016 RMB'000	2015 RMB'000
Authorised: ordinary shares of HKD0.025 each (2015: HKD0.025 each)	100,000	100,000
Issued and fully paid: 2,175,200,000 (2015: 2,175,200,000) ordinary shares of HKD0.025 each	43,116	43,116

26. SHARE CAPITAL (CONTINUED)

Shares (Continued)

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

	Number of shares in issue ('000)	Share capital RMB'000
At 1 January 2015	1,867,500	37,044
New issue of shares	307,700	6,072
At 31 December 2015 and 1 January 2016	2,175,200	43,116
As at 31 December 2016	2,175,200	43,116

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 66 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 Group's 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.

27. RESERVES (CONTINUED)

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 non-controlling shareholders hold at each financial year end but have the right to dispose of the equity interests to the Group and the present value of the amount payable by the Group to the non-controlling shareholders at the time of acquiring the corresponding equity interests.

Statutory reserve fund

In accordance with the relevant regulations in Mainland China applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a 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 regulations in Mainland China, 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 Mainland China 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.

Distributable reserves

For dividend purposes, the amounts which the companies in Mainland China 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 companies in Mainland China can be distributed as dividends after the appropriation to the SRF as set out above.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interests:		
Yestar Biotech	30%	30%
Anbaida Group Companies	30%	30%

	2016 RMB'000	2015 RMB'000
Profit for the year allocated to non-controlling interests:		
Yestar Biotech	17,241	11,498
Anbaida Group Companies	51,192	23,673
Dividends paid to non-controlling interests of Anbaida Group Companies	9,000	—
Accumulated balances of non-controlling interests at the reporting dates (note):		
Yestar Biotech	98,779	81,539
Anbaida Group Companies	286,835	244,644

Note:

The accumulated balances were reclassified to other payables-put option in relation to non-controlling interests as set out in note 25.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2016	Anbaida Group Companies RMB'000	Yestar Biotech RMB'000
Revenue	897,106	581,155
Current assets	697,727	397,853
Non-current assets	12,664	2,833
Current liabilities	310,242	233,934
Net cash flows from operating activities	69,124	16,903
Net cash flows used in investing activities	(5,782)	(502)
Net cash flows used in financing activities	(30,000)	(13,788)
Net increase in cash and cash equivalents	33,342	2,613

2015	Anbaida Group Companies RMB'000	Yestar Biotech RMB'000
Revenue	382,404	504,255
Current assets	516,710	314,101
Non-current assets	7,199	3,234
Current liabilities	307,341	220,547
Net cash flows from/(used in) operating activities	91,158	(60,908)
Net cash flows from/(used in) investing activities	240	(1,230)
Net cash flows from financing activities	—	61,190
Net increase/(decrease) in cash and cash equivalents	91,398	(948)

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Total taxes paid

The total taxes paid during the year were:

	2016 RMB'000	2015 RMB'000
Operating activities:		
Taxes paid in Mainland China	117,394	59,947
Financing activities:		
Taxes paid in Mainland China	2,106	—
	119,500	59,947

30. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, and senior notes, which are secured by the assets of the Group, are included in notes 21, and 23, respectively, to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

As 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 five years.

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

	2016 RMB'000	2015 RMB'000
Within a year	9,256	5,475
In the second to fifth years, inclusive	434	362
	9,690	5,837

32. COMMITMENTS

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

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Plant and machinery	—	2,382
Consideration to the proposed acquisitions of equity interests (note 37)		
Hongen	134,400	—
Derunlijia	171,360	—
Guangzhou Shengshiyuan Trading Company Limited ("Shengshiyuan")	166,600	—
	472,360	2,382

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with a related party during the year:

	Notes	2016 RMB'000	2015 RMB'000
Nature of transactions			
Loans received from a fellow subsidiary			
Shanghai MG	(i)	33,821	12,699

(i) The loans received from a related party were unsecured, interest-free and repayable on demand. The loans were settled prior to the year end.

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

	2016 RMB'000	2015 RMB'000
Basic salaries and other benefits	7,713	6,291
Discretionary bonuses	3,198	2,591
Pension scheme contributions	163	192
	11,074	9,074

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	650,749
Financial assets included in prepayments, deposits and other receivables	25,818
Pledged deposits	542
Cash and cash equivalents	1,272,663
	1,949,772

Financial liabilities

	Financial liabilities at fair value RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	366,588	366,588
Financial liabilities included in other payables and accruals (note 25)	209,893	128,614	338,507
Other long-term payables (note 25)	567,227	—	567,227
Interest-bearing bank and other borrowings	—	1,683,789	1,683,789
	777,120	2,178,991	2,956,111

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2015

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	552,852
Financial assets included in prepayments, deposits and other receivables	28,716
Pledged deposits	500
Cash and cash equivalents	505,987
	1,088,055

Financial liabilities

	Financial liabilities at fair value RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	449,975	449,975
Financial liabilities included in other payables and accruals	—	89,739	89,739
Other long-term payables (note 25)	647,566	—	647,566
Amounts due to non-controlling interests	—	182,000	182,000
Interest-bearing bank and other borrowings	—	420,412	420,412
	647,566	1,142,126	1,789,692

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	1,683,789	420,412	1,761,457	410,425
Put options in relation to non-controlling interests	777,120	647,566	777,120	647,566
	2,460,909	1,067,978	2,538,577	1,057,991

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 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 fair value of senior notes is based on the quoted market price. The Group's own non-performance risk for the non-current portion of financial liabilities included other long-term payables, and the non-current portion of interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

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

In connection with the put options in relation to non-controlling interests as set out in note 25, below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2016:

As part of the purchase agreement, a put option included in other payables and accruals (both current and non-current) (2015: other long-term liabilities) is payable, which is dependent on the amount of audited profit after tax of Yestar Biotech and for the year ended 31 December 2016 and Anbaida Group Companies for the year ending 31 December 2017 subsequent to the acquisition. The amount recognised as at 31 December 2016 was RMB209,893,000 (current) and RMB567,227,000 (non-current) 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:

Profit after tax of Yestar Biotech	RMB69,964,000 in 2016
Guaranteed profit after tax of Anbaida Group Companies	RMB225,000,000 in 2017
Equity interest	30%
Projection	10 times
Contractual maximum consideration of Anbaida Group	RMB675,000,000
Discount rate for Yestar Biotech	N/A
Discount rate for Anbaida Group Companies	19%
Discount for own non-performance risk	—

A significant decrease in the profit after tax of Yestar Biotech and Anbaida Group Companies would result in a significant decrease in the fair value of the financial liability arising from the put option in relation to non-controlling interests.

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

	2016 RMB'000	2015 RMB'000
Amounts included in Put options in relation to non-controlling interests		
At 1 January	647,566	155,633
Remeasurement recognised in equity	129,554	491,933
At 31 December	777,120	647,566

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

Liabilities for which fair values are disclosed:

As at 31 December 2016

	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	1,437,957	323,500	—	1,761,457
Put options in relation to non-controlling interests	—	—	777,120	777,120
	1,437,957	323,500	777,120	2,538,577

As at 31 December 2015

	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	—	420,412	—	420,412
Put options in relation to non-controlling interests	—	—	647,566	647,566
	—	420,412	647,566	1,067,978

36. 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.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage currency risks arising from the Group's operations and its sources of finance.

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 and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. Since 100% of the Company's interest-bearing loans and other borrowings 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 2016		
If USD weakens against RMB	5	25,549
If USD strengthens against RMB	(5)	(25,549)
Year ended 31 December 2015		
If USD weakens against RMB	5	(7,478)
If USD strengthens against RMB	(5)	7,478

36. 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 0.6% (31 December 2015: 4%) of the Group's trade receivables were due from the Group's largest customer within the medical imaging products and printing imaging products segments.

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 2016	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	—	74,419	158,981	102,917	—	336,317
Trade and bills payables	1,647	364,941	—	—	—	366,588
Other payables and accruals	100,607	28,007	—	—	—	128,614
Senior notes	—	47,865	47,865	1,770,322	—	1,866,052
Put options in relation to non-controlling interests	—	—	209,893	567,227	—	777,120
	102,254	515,232	416,739	2,440,466	—	3,474,691

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2015	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	—	101,596	163,656	191,459	—	456,711
Trade and bills payables	1,182	448,793	—	—	—	449,975
Other payables and accruals	89,739	—	—	—	—	89,739
Due to non-controlling shareholders	182,000	—	—	—	—	182,000
Put options in relation to non-controlling interests	—	—	—	647,566	—	647,566
	272,921	550,389	163,656	839,025	—	1,825,991

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 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is total debt divided by capital. The Group's total debt consists of interest-bearing bank and other borrowings. The gearing ratios as at the end of the reporting periods were as follows:

	2016 RMB'000	2015 RMB'000
Interest-bearing bank and other borrowings	1,683,789	420,412
Total equity	952,228	917,397
Gearing ratio	177%	46%

37. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 January 2017, the Group completed its acquisition of a 70% interest in Hongen, which is engaged in the sale of medical equipment and reagents, and the total consideration was RMB336,000,000 in the form of cash. The Group has acquired Hongen to further expand its market share of medical consumable products in China. RMB201,600,000 of the consideration was prepaid in December 2016 as set out at note 20.

Because the acquisition of Hongen was effected relatively shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

(b) On 26 January 2017, the Group completed its acquisition of a 70% interest in Derunlijia, which is engaged in the sale of medical equipment and reagent, and the total consideration was RMB428,400,000 in the form of cash. The Group has acquired Derunlijia to further expand its market share of medical consumable products in China. RMB257,040,000 of the consideration was prepaid in December 2016 as set out at note 20.

Because the acquisition of Derunlijia was effected relatively shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

(c) On 3 February 2017, the Group completed its acquisition of a 70% interest in Shengshiyuan, which is engaged in the sale of medical equipment and reagent. The Group has acquired Shengshiyuan to further expand its market share of medical consumable products in China. The total consideration for the acquisition was RMB166,600,000 in the form of cash.

Because the acquisition of Shengshiyuan was effected relatively shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	30,274	28,276
Total non-current assets	30,274	28,276
CURRENT ASSETS		
Amounts due from subsidiaries	2,117,123	788,401
Cash and cash equivalents	20,724	10,843
Total current assets	2,137,847	799,244
CURRENT LIABILITIES		
Other payables and accruals	28,902	—
Total current Liabilities	28,902	—
NET CURRENT ASSETS	2,108,945	799,244
TOTAL ASSETS LESS CURRENT LIABILITIES	2,139,219	827,520
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,358,539	—
Total non-current liabilities	1,358,539	—
NET ASSETS	780,680	827,520
EQUITY		
Issued capital	43,116	43,116
Reserves (note)	737,564	784,404
TOTAL EQUITY	780,680	827,520

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
Balance at 1 January 2015	85,529	(1,190)	(706)	83,633
Total comprehensive income/(loss) for the year	—	(5,008)	48,165	43,157
New issue of shares	722,554	—	—	722,554
Share issue expenses	(14,755)	—	—	(14,755)
Final 2014 dividends declared	(50,185)	—	—	(50,185)
At 31 December 2015	743,143	(6,198)	47,459	784,404
Total comprehensive income/(loss) for the year	—	(28,325)	54,456	26,131
Final 2015 dividends declared	(72,971)	—	—	(72,971)
At 31 December 2016	670,172	(34,523)	101,915	737,564

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2017.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
RESULTS					
Revenue	3,021,831	2,454,684	1,531,353	1,173,334	955,818
Profit for the year	269,928	198,513	103,546	65,335	58,033
Profit for the year attributable to:					
Owners of parent	201,031	162,756	100,900	65,072	56,517
Non-controlling interests	68,897	35,757	2,646	263	1,516
ASSETS AND LIABILITIES					
Total assets	4,456,417	3,163,509	1,117,919	735,986	587,201
Total Liabilities	3,504,189	2,246,112	792,862	393,801	438,098
Net assets	952,228	917,397	325,057	342,185	149,103

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