Yestar Healthcare Holdings Company Limited
巨星醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2017

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Yestar Healthcare Holdings Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board, together with the comparative figures for the corresponding period of 2016, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June **2017** Unaudited *RMB'000*	2016 Unaudited *RMB'000*
Revenue	4	**1,762,600**	1,436,756
Cost of sales		**(1,267,840)**	(1,080,548)
Gross profit		**494,760**	356,208
Other income and gains	4	**11,851**	17,869
Selling and distribution expenses		**(82,217)**	(53,950)
Administrative expenses		**(134,915)**	(95,718)
Other expenses		**(3,048)**	(7,020)
Finance costs	5	**(62,347)**	(19,575)
PROFIT BEFORE TAX	6	**224,084**	197,814
Income tax expense	7	**(76,119)**	(56,894)
PROFIT FOR THE PERIOD		**147,965**	140,920
Attributable to:			
Owners of the parent		**106,893**	106,318
Non-controlling interests		**41,072**	34,602
		147,965	140,920
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period	9	**RMB4.91 cents**	RMB4.89 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**147,965**	140,920
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**21,890**	348
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**21,890**	348
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**21,890**	348
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**169,855**	141,268
Attributable to:		
Owners of the parent	**128,783**	106,666
Non-controlling interests	**41,072**	34,602
	169,855	141,268

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2017

	Notes	30 June 2017 Unaudited *RMB'000*	31 December 2016 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**113,583**	108,017
Prepaid land lease payments		**14,462**	14,625
Intangible assets		**1,781,032**	957,033
Goodwill		**876,713**	481,718
Deferred tax assets		**8,150**	5,148
Prepayments, deposits and other receivables		**—**	458,640
Total non-current assets		**2,793,940**	2,025,181
CURRENT ASSETS			
Inventories		**627,779**	455,127
Trade and bills receivables	10	**920,823**	650,749
Prepayments, deposits and other receivables		**100,748**	52,155
Pledged deposits		**19,241**	542
Cash and cash equivalents		**678,765**	1,272,663
Total current assets		**2,347,356**	2,431,236
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**244,330**	225,250
Trade and bills payables	11	**567,093**	366,588
Derivative financial instruments		**1,078**	—
Other payables and accruals	12	**968,383**	490,096
Tax payable		**129,104**	121,689
Total current liabilities		**1,909,988**	1,203,623
NET CURRENT ASSETS		**437,368**	1,227,613
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,231,308**	3,252,794

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**1,573,132**	1,458,539
Deferred tax liabilities	**480,340**	266,533
Other long term payables	**484,204**	575,494
Total non-current liabilities	**2,537,676**	2,300,566
NET ASSETS	**693,632**	952,228
EQUITY		
Equity attributable to owners of the parent		
Share capital	**43,116**	43,116
Reserves	**639,896**	898,665
	683,012	941,781
Non-controlling interests	**10,620**	10,447
TOTAL EQUITY	**693,632**	952,228

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

Yestar Healthcare 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 six months ended 30 June 2017 (the "Period"), 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, and distribution of medical equipment and diagnostic reagents.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the Period, have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2.2 Amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments to IAS 12 retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle 2014–2016

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10 to 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. The amendments do not have any impact to the Group.

3. 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 trading of imaging equipment; and

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

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

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

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

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

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively:

Six months ended 30 June 2017 (unaudited)	**Imaging printing products** *RMB'000*	**Medical products and equipment** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	260,173	1,502,427	1,762,600
Segment results	10,003	226,549	236,552
Reconciliation:			
Corporate and other unallocated expenses			(12,468)
Profit before tax			224,084
Other segment information:			
Depreciation of items of property, plant and equipment	4,941	4,144	9,085
Amortisation of prepaid land lease payments	163	—	163
Amortisation of intangible assets	237	60,241	60,478
(Gain)/loss on disposal of items of property, plant and equipment	(69)	1,464	1,395
Operating lease rentals	2,445	7,755	10,200
Capital expenditure*	825	12,275	13,100

Six months ended 30 June 2016 (unaudited)	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	326,556	1,110,200	1,436,756
Segment results	18,842	180,398	199,240
Reconciliation:			
Corporate and other unallocated expenses			(1,426)
Profit before tax			197,814
Other segment information:			
Depreciation of items of property, plant and equipment	5,627	4,853	10,480
Amortisation of prepaid land lease payments	163	—	163
Amortisation of intangible assets	290	35,656	35,946
Gain on disposal of items of property, plant and equipment	(10)	—	(10)
Operating lease rentals	2,892	4,912	7,804
Capital expenditure*	436	2,335	2,771

Total segment assets and liabilities as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 Unaudited ***RMB'000***	31 December 2016 Audited *RMB'000*
Segment assets		
Imaging printing products	**602,041**	696,679
Medical products and equipment	**4,344,249**	3,232,092
Total	**4,946,290**	3,928,771
Reconciliation:		
Corporate and other unallocated assets	**195,006**	527,646
Total assets	**5,141,296**	4,456,417

	30 June 2017 Unaudited ***RMB'000***	31 December 2016 Audited *RMB'000*
Segment liabilities		
Imaging printing products	**240,192**	222,534
Medical products and equipment	**3,750,563**	2,627,082
Total	**3,990,755**	2,849,616
Reconciliation:		
Corporate and other unallocated liabilities	**456,909**	654,573
Total liabilities	**4,447,664**	3,504,189

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

Information about major customers

During the six months ended 30 June 2017, the Group had one customer from whom the revenue raised by selling medical imaging products and imaging printing products of RMB467,297,000 individually accounted for about 26.5% of the Group's total revenue during the Period.

During the six months ended 30 June 2016, the Group had one customer from whom the revenue raised by selling medical imaging products and imaging printing products of RMB500,531,000 individually accounted for about 35% of the Group's total revenue during the period.

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.

4. 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 period.

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

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,745,889**	1,435,445
Rendering of services	**16,711**	1,311
	1,762,600	1,436,756
Other income and gains		
Government grants *(note)*	**6,762**	14,078
Interest income	**2,839**	1,774
Foreign exchange gain	**1,956**	60
Fair value gains on derivative financial instruments	**—**	1,706
Others	**294**	251
	11,851	17,869

Note: 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.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Finance costs		
Interest on bank loans, overdraft and other borrowings	**62,071**	16,831
Cash discount for collection of trade receivables	**218**	2,696
Interest arising from discounted bills	**58**	48
	62,347	19,575

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**1,267,840**	1,080,548
Depreciation of items of property, plant and equipment	**9,085**	10,480
Amortisation of prepaid land lease payments	**163**	163
Amortisation of other intangible assets	**60,478**	35,946
Research and development costs	**166**	409
Fair value loss/(gain), net: derivative financial instruments	**995**	(1,706)
Minimum lease payments under operating leases	**10,200**	7,804
Employee benefit expense including		
— Wages and salaries	**59,678**	54,946
— Pension scheme contributions	**5,506**	4,882
	65,184	59,828
Impairment of trade receivables *(note 10)*	**3,901**	1,799
Loss/(gain) on disposal of items of property, plant and equipment	**1,395**	(10)

7. INCOME TAX EXPENSE

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 Period.

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.

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

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current charged for the period	**84,961**	61,434
Deferred	**(8,842)**	(4,540)
Total tax charge	**76,119**	56,894

8. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2016: Nil).

The proposed final dividend of HK4.4 cents per ordinary share for the year ended 31 December 2016 was declared, payable and approved by the shareholders at the annual general meeting of the Company on 15 May 2017. The final dividends were paid in full on 11 July 2017.

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

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB106,893,000 (six months ended 30 June 2016: RMB106,318,000) and the weighted average number of ordinary shares of 2,175,200,000 in issue during the Period (six months ended 30 June 2016: 2,175,200,000 ordinary shares).

The diluted earnings per share amount is equal to the basic earnings per share amount for the Period and the six months ended 30 June 2016 as no diluting events occurred.

10. TRADE AND BILLS RECEIVABLES

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables	**892,365**	633,854
Bills receivable	**38,236**	17,411
Impairment	**(9,778)**	(516)
	920,823	650,749

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

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 90 days	**606,347**	415,033
91 to 180 days	**165,381**	124,938
181 to 365 days	**96,872**	90,729
1 to 2 years	**13,987**	2,638
	882,587	633,338

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

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
At beginning of year	**516**	2,715
Acquisition of subsidiaries	**5,361**	—
Impairment losses recognised *(note 6)*	**3,901**	—
Impairment losses reversed	**—**	(2,199)
	9,778	516

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB9,778,000 (31 December 2016: RMB516,000), with a carrying amount before provision of RMB29,773,000 (31 December 2016: RMB2,887,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

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

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Neither past due nor impaired	**777,611**	557,559
Past due but not impaired:		
Less than 90 days	**48,913**	62,129
91 to 180 days	**36,068**	11,279
	862,592	630,967

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.

11. TRADE AND BILLS PAYABLES

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade payables	**523,639**	291,012
Bills payable	**43,454**	75,576
	567,093	366,588

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

	30 June 2017 Unaudited *RMB'000*	31 December 2016 Audited *RMB'000*
Within 90 days	**517,475**	289,365
91 to 180 days	**3,029**	953
181 to 365 days	**9**	232
1 to 2 years	**355**	320
Over 2 years	**2,771**	142
	523,639	291,012

The outstanding bills payable were issued to FUJIFILM (China) Investment Co., Ltd., a major supplier of the Group, for the purchase of raw materials.

12. OTHER PAYABLES AND ACCRUALS

	30 June 2017 Unaudited *RMB'000*	31 December 2016 Audited *RMB'000*
Current portion:		
Advances from customers	**18,330**	111,039
Other payables and accrued expenses	**200,165**	100,607
Value-added tax payable	**8,166**	20,368
Payroll and welfare payable	**12,191**	20,182
Interests payable	**27,692**	28,007
Dividend payables	**83,068**	—
Put-options in relation to non-controlling interests *(Note)*	**618,771**	209,893
	968,383	490,096

	30 June 2017 Unaudited *RMB'000*	31 December 2016 Audited *RMB'000*
Non-current portion:		
Deferred government grant	**8,172**	8,267
Put-options in relation to non-controlling interests *(Note)*	**476,032**	567,227
	484,204	575,494

Note:

Put-options in relation to non-controlling interests represent the rights granted to the non-controlling shareholders to dispose of the 30% interests in each of Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd. ("Anbaida Group Companies"), Guangzhou Hongen Medical Diagnostic Technologies Company Limited ("Hongen"), Shenzhen De Run Li Jia Company Ltd. ("Derunlijia") and Guanzhou Shengshiyuan Trading Company Limited ("Shengshiyuan") to the Group during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Hongen, Derunlijia and Shengshiyuan as below.

a) Pursuant to the share purchase agreement entered between Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a subsidiary of the Company, 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 in Anbaida Group Companies and Mr. Li held the remaining 30% equity interest. Mr. Li Bin shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Anbaida Group Companies if the respective net profits of Anbaida Group Companies in 2015, 2016 and 2017 reach the annual guarantee profits. The maximum consideration will not exceed RMB675 million. In the event that the net profit in any of these years 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

b) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Wang Kaijun, Mr. Zhang Shuqiang, Ms. Song Yalin, and Mr. Ma Boming on 13 October 2016, Yestar Medical acquired the 70% equity interest in Hongen. Yestar Medical is obligated to acquire the remaining 30% equity interest in Hongen if the respective net profits of Hongen in 2017, 2018 and 2019 reach the annual guarantee profits. The maximum consideration will not exceed RMB270 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical calculated by the following formula:

   (Annual guarantee profit — 2017 net profit/2018 net profit/2019 net profit) *2

c) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Chen Baocun and Ms Chen Shaoyu on 27 October 2016, Yestar Medical acquired the 70% equity interest of Derunlijia. Yestar Medical is obligated to acquire the remaining 30% equity interest in Deruilijia if the respective net profits of Deruilijia in 2017, 2018 and 2019 reach the annual guarantee profits. The maximum consideration will not exceed RMB332 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical calculated by the following formula:

   (Annual guarantee profit — 2017 net profit/2018 net profit/2019 net profit) *2

d) Pursuant to the share purchase agreement entered between Yestar Medical, Ms. Liu Yanling, Ms. Li Xu, Mr. Ai Jiaying, Mr. Zhang Lixiong and Mr. Li Shenlian on 11 November 2016, Yestar Medical acquired the 70% equity interest in Shengshiyuan. Yestar Medical is obligated to acquire the remaining 30% equity interest in Shengshiyuan if the respective net profits of Shengshiyuan in 2017, 2018 and 2019 reach the annual guarantee profits. The maximum consideration will not exceed RMB120 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical calculated by the following formula:

   (Annual guarantee profit — 2017 net profit/2018 net profit/2019 net profit) *2

The Group assumes the obligations to acquire in cash the remaining 30% equity interests in each of Anbaida Group Companies, Hongen, Shengshiyuan, and Derunlijia 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 price in the subsequent period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 People's Republic of China (the "PRC") and has been transformed into a high margin medical consumables manufacturer and distributor. Targeting the booming domestic healthcare industry, the core business of the Group focuses on high margin and fast-moving healthcare consumables namely, In Vitro Diagnostic ("IVD") products and medical imaging products.

MARKET REVIEW

In the past decade, IVD market in the PRC has experienced robust development in both size and technology. With an aging population, an increase in lifestyle chronic disease such as diabetes, cancers and cardiovascular disease, a rapidly growing middle class who are seeking higher quality of healthcare services, as well as healthcare policies to encourage preventive care, the IVD market in the PRC has ascended to one of the largest and one of the fastest growing in the world. According to "The Worldwide Market for In Vitro Diagnostic Tests" published by Kalorama Information, the PRC has emerged as one of the largest IVD market in the world just behind the United States, European Union and Japan. In 2016, the IVD market in the PRC reached to a size of approximately RMB45 billion. As an integrated and value-added medical distribution and servicing platform in the PRC, Yestar is well positioned to capture the opportunities from the booming IVD industry.

BUSINESS REVIEW

Once again, the Group has delivered another set of remarkable results for the six months ended 30 June 2017 (the "Period") with revenue increased substantially by approximately 22.7% year-on-year ("yoy") to approximately RMB1,762.6 million (six months ended 30 June 2016: approximately RMB1,436.8 million). The Group completed the acquisitions of 70% equity interest of Guangzhou Hongen Medical Diagnostic Technologies Company Limited ("Hongen") and Shenzhen De Run Li Jia Company Ltd. ("Derunlijia") in January 2017, and subsequently completed the acquisition of 70% equity interest of Guangzhou Shengshiyuan Trading Company Limited ("Shengshiyuan") in February 2017. The above three acquisitions contributed to the revenue growth of the Group on top of the organic growth from the medical consumable business segment. The overall gross profit on the other hand, increased drastically by approximately 38.9% yoy from approximately RMB356.2 million to approximately RMB494.8 million. Gross profit margin increased by approximately 3.3 percentage points ("p.p.") to approximately 28.1% in the Period (six months ended 30 June 2016: 24.8%). This was mainly attributable to the consolidation of the financial results upon completion of the above three acquisitions during the Period.

However, the strong growth in gross profit for the Period was offset by the finance costs of approximately RMB62.3 million (six months ended 30 June 2016: approximately RMB19.6 million) mainly the interest expense arising from the issuance of Senior Notes and the amortisation of other intangible assets for an amount of approximately RMB60.5 million (six months ended 30 June 2016: approximately RMB35.9 million) upon the completion of the three acquisitions in the Period. Profit attributable to the owners of the parents rose from approximately RMB106.3 million for the six months ended 30 June 2016 to approximately RMB106.9 million for the Period, representing a slightly growth of approximately 0.5% yoy. Net profit margin decreased by approximately 1.4 p.p. yoy to approximately 8.4% (six months ended 30 June 2016: approximately 9.8%). Excluding the amortisation of other intangible assets for an amount of approximately RMB60.5 million, the profit attributable to the owners of the parent would be higher.

Earnings per share for the Period amounted to approximately RMB4.91 cents (six months ended 30 June 2016: RMB4.89 cents). The Board of Directors does not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2016: Nil).

Acquiring 100% of Yestar Biotech (Jiangsu) (formerly known as Jiangsu Uno)

In November 2014, the Group acquired 70% equity interest in Yestar Biotech (Jiangsu) Company Limited ("Yestar Biotech (Jiangsu)", formerly known as "Jiangsu Uno Technology Development Company Limited") with an annual profit guarantee of not less than RMB45 million, RMB54 million and RMB64 million for the years ended 31 December of 2014, 2015 and 2016 respectively. Pursuant to the share transfer agreement, the non-controlling equity interest holders shall have the right to require the Group to acquire the remaining capitals (representing 30% of the entire equity interest) in Yestar Biotech (Jiangsu), should the net profit of Yestar Biotech (Jiangsu) for the three years ended 31 December 2016 be able to reach the above annual guaranteed profit.

Given the fulfillment of the above mentioned annual guarantee profit for the three years ended 31 December 2016, on 16 March 2017, the Group announced to acquire the remaining 30% equity interest in Yestar Biotech (Jiangsu) with a consideration of RMB209,880,000, representing a price earnings ratio of 10 times to the total net profit of Yestar Biotech (Jiangsu) for the year ended 31 December 2016. Upon completion, Yestar Biotech (Jiangsu) has become an indirect wholly-owned subsidiary of the Group and its financial results have been fully consolidated into the Group's consolidated profit or loss. Such acquisition is a testimony of the Group's capability in consolidating Merger and Acquisition ("M&A") project as well as its strong internal control and management system.

Medical Consumable Business — 85.2% of Overall Revenue

The Group is principally engaged in the distribution of IVD products in Shanghai, Shenzhen, Anhui, Fujian, Guangdong, Hainan and Jiangsu Provinces and manufacturing of 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 and medical dry film products under the house brand "Yes!Star".

With the contribution from the above acquisitions, the medical consumable business segment recorded a strong revenue growth of approximately 35.3% yoy to approximately RMB1,502.4 million (six months ended 30 June 2016: approximately RMB1,110.2 million). Segment gross profit margin has also seen substantial growth in the Period as the Group has achieved economies of scale which reduced the average purchase price of the IVD products through sharing of purchasing and logistics. In addition, the extensive distribution network of the three newly-acquired companies also contributed to a higher gross profit margin, which recorded the increase to approximately 30.1%, representing an approximate 3.2 p.p. growth (six months ended 30 June 2016: approximately 26.9%).

Expanding the Distribution Network of the IVD Business

Upon the completion of the above three acquisitions in January and February 2017, the Group has expanded its IVD distribution network from Eastern China to the economic power houses in the Southern Region in the PRC, namely, Guangdong, Fujian, Hainan and Shengzhen. As of 30 June 2017, Yestar has a medical consumable distribution network covering 5 provinces and 2 direct-controlled municipalities in the PRC, serving some of the most affluent populations in the PRC.

Numbers of Hospitals and Clinics Covered

For the six months ended 30 June	2016	2017	Yoy change
Anhui Province	70	70	—
Fujian Province	—	59	NA
Guangdong Province	—	327	NA
Hainan Province	—	21	NA
Jiangsu Province	260	260	—
Shanghai	258	258	—
Shenzhen	—	47	NA
Overall	588	1,042	77.2%

Other Businesses — 14.8% 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 Period, revenue of other businesses of the Group recorded a decrease of approximately 20.3% to approximately RMB260.2 million (six months ended 30 June 2016: approximately RMB326.6 million). The segment's gross profit margin slightly decreased by approximately 1.1 percentage points to 16.5% for the Period (six months ended 30 June 2016: approximately 17.6%).

In the long run, medical segment is still the key focus of the Group. However, the market of color photographic paper and industrial imaging products are stable and lucrative, which brings in positive and stable cash inflow to the Group. As the sole distributor of Fujifilm color photographic paper in the PRC, Yestar will maintain the existing business operation and continue to strengthen the relationship with Fujifilm.

PROSPECTS

Solidifying the IVD Business

The PRC's population accounts for over 20% of the world, while the market share of IVD is less than 10%. According to "China In-vitro Diagnostic Reagent Industry Report 2017 — 2021" conducted by Research and Markets, the annual consumption per capita of the PRC's IVD products was less than USD3 in 2016, whereas that of the developed countries reached USD25 to USD30. Although the PRC has already become one of the largest IVD markets in the world, there is still substantial potential to grow. On the other hand, the healthcare reform in the PRC will also fuel the development of the IVD industry. As new policies and guidelines are enacted to encourage private investment in hospital and to increase capacity in both public and private hospitals, the demand for IVD product is expected to grow. According to the estimation from the same report, from 2017 to 2021, the PRC's IVD market will develop at a CAGR of over 10%, outpacing the global market reaching RMB49 billion. As one of the leading IVD consumable distributors in the PRC market, the Group is well-positioned to capture the growth ahead.

In the second half of 2017, the Group will continue to strengthen its existing network and introduce new diagnostic solutions to enhance user's experiences as well as the quality and efficiency of disease screening. To increase its market share and competitiveness, the Group will continue to be proactive in seeking merger and acquisition opportunities so as to extend its geographical coverage and product portfolio. Medical device sector will be one of the Group's target for horizontal integration to enrich its businesses.

While consolidating the existing foundation in the IVD industry, the Group is also exploring new opportunities. Running a laboratory is capital intensive and requires a team of skilled technician, therefore, not all hospitals in the PRC may afford to establish a laboratory in house for diagnostic purposes. As a result, independent laboratory has gradually become a trend in the PRC with its cost-effective and efficient services. According to a research conducted by ResearchInChina, the market of independent clinical laboratory in the PRC amounted to approximately RMB6.5 billion in 2015 and its growth rate is expected to accelerate to 30%–40% with the overall market value reaching RMB29.2 billion in 2020. Backed by the technical support from Roche Diagnostic as well as the Group's solid business network in the IVD industry, the flourishing independent laboratory market is a good opportunity for us to capture.

Over the past few years, the Group has been delivering impressive results with substantial growth. Looking into the second half of the year, Yestar will continue to deepen the relationship with its key partners, Roche and Fujifilm, to bring in new products and to provide quality healthcare services in the PRC. By refining its platform-based strategy, the Group will endure for value creation of its business and at the same time bringing greater return to shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

Despite the full settlement of the consideration of the above acquisitions in early 2017, the Group still maintained a strong and sound financial position during the Period. As at 30 June 2017, the Group had a cash and cash equivalents of approximately RMB678.8 million (31 December 2016: approximately RMB1,272.7 million).

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2017 was approximately RMB1,817.5 million (31 December 2016: approximately RMB1,683.8 million). Except for the Senior Notes, all borrowings of the Group are principally dominated in Chinese Yuan (RMB), which is the presentation currency of the Group. As at 30 June 2017, the current ratio was approximately 1.2 (31 December 2016: approximately 2.0), based on total current assets of approximately RMB2,347.4 million and total current liabilities of approximately RMB1,910.0 million.

The Group has a secured bank loan of approximately RMB457.1 million and an unsecured bank loan of approximately RMB30.0 million. Save as disclosed above, all other borrowings and bank balances of the Group are principally denominated in Chinese Yuan which is also the presentation currency of the Group. The Board considers that there is no significant exposure to foreign exchange rate fluctuations.

Gearing Ratio

The gearing ratio of the Group as at 30 June 2017 was approximately 262.0% (31 December 2016: approximately 176.8%, calculated as the interest-bearing bank loans and other borrowings of approximately RMB1,817.5 million divided by total equity of approximately RMB693.6 million as at 30 June 2017. The increase in gearing ratio was mainly attributable to the increase in new interest bearing loan during the Period to enhance our liquidity and cash flow as well as the decrease in cash resulted from the full settlement of consideration for the above acquisitions in early 2017.

Selling and Distribution costs

The Group's selling and distribution expenses increased by about 52.2% from approximately RMB54.0 million for the six months ended 30 June 2016 to approximately RMB82.2 million for the Period, and accounted for approximately 3.8% and approximately 4.7%, respectively, of the Group's revenue for the respective reporting periods. Such increase was mainly attributable to the expenses generated from the three new acquired companies after the completion of the acquisitions since their financial results have been consolidated to the Group.

Administrative Expenses

The Group's administrative expenses increased by about 41.0% from approximately RMB95.7 million for the six months ended 30 June 2016 to approximately RMB134.9 million for the Period, and accounted for approximately 6.7% and approximately 7.7%, respectively, of the Group's revenue for the respective reporting periods. This was mainly attributable to the amortisation of intangible assets arising from the above three acquisitions in early 2017 and the expenses generated from the three new acquired companies after the completion of the acquisitions since their financial results have been consolidated to the Group.

Finance Costs

Finance costs of the Group consisted of interest expenses on Senior Notes, bank loan and other borrowings. Finance costs increased by about 218.6%, from approximately RMB19.6 million for the six months ended 30 June 2016 to approximately RMB62.3 million for the Period. This was mainly attributable to the interest expense arising from the Senior Notes for the Period.

For the Period, interest rates of the interest-bearing loans ranged from 4.61% to 7.80%, compared with 5.22% to 7.80% for the year ended 31 December 2016.

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 Period, the Group was exposed to the foreign currency risk arising from the issuance of the Senior Notes in the aggregate principal amount of US$200 million in September 2016 as well as the purchasing in US Dollars. The management used foreign exchange options to hedge significant currency exposure during the Period and will continue to closely monitor its foreign exchange exposure to minimize the exchange risk.

Capital structure

During the Period, there has been no change in capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserves. The Group finances its working capital requirements through a combination of funds generated from operations, issuance of the Senior Notes and bank borrowings.

Capital commitments

The Group had operating lease arrangements for certain of its office properties for an aggregate amount of approximately RMB19.8 million as at 30 June 2017. In addition, the Group had capital commitments for an amount of RMB19.5 million contracted but not provided for in relation to the proposed acquisition of 39% equity interest in the Laboratory as at 30 June 2017 (31 December 2016: approximately RMB472.4 million). The reduction of capital commitments was mainly due to the completion of the acquisitions of the above three companies during the Period.

Information on Employees

As at 30 June 2017, the Group had a total of 984 employees (six months ended 30 June 2016: 937 employees), including Directors. Total staff costs (including Directors' emoluments) were approximately RMB65.2 million for the Period (six months ended 30 June 2016: approximately RMB59.8 million). 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. Other staff benefits include provision of welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance, and central pension scheme.

Significant investments held

Save as disclosed above and except for investment in subsidiaries, the Group did not hold any significant investment in equity interest in any other company during the Period.

Future plans for material investments and capital assets

Save as disclosed in the announcement of the Company dated 14 August 2017 in relation to the possible acquisitions of equity interest in companies in Northern region in the PRC principally engaged in distribution of medical devices including in-vitro diagnostic products, the Group did not have any other plans for material investments and capital assets as at 30 June 2017.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of Assets

As at 30 June 2017, none of the Group's property, plant and equipment was pledged (2016: Nil). In addition, bank loans of approximately RMB396 million (31 December 2016 : approximately RMB242.5 million) were secured by the pledge of 70% of equity interests of Derunlijia, 70% of equity interests of Anbaida Group Companies and 100% of equity interests of Yestar (Guangxi) Imaging Technology Co., Ltd. No inventory of the Group with carrying amount (31 December 2016: Nil) 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 30 June 2017 (31 December 2016: Nil).

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 30 June 2017, the Company had applied RMB225.50 million (equivalent to approximately US$32.47 million) to refinance its existing indebtedness, RMB861.0 million (equivalent to approximately US$124.06 million) to settle part of the consideration in relation to the acquisitions of equity interest in various IVD distribution companies in the PRC and maintained RMB30.0 million (equivalent to approximately US$4.32 million) for general corporate purpose. The remaining balance of RMB242.0 million (equivalent to approximately US$34.75 million) will be utilized as planned when necessary. The Directors are not aware of any material change to the planned use of proceeds from the Senior Notes. 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 announcement.

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 disclosed in the 2016 annual report of the Company and as at 30 June 2017, 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2016: Nil).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements or contracts that is significant in relation to the Group's business 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 at the end of the Period or at any time during the Period.

COMPETITION AND CONFLICT OF INTERESTS

Save as disclosed above and except for the interests in the Group, 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 during the Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiries have been made with all Directors, all Directors confirmed in writing that they have complied with the required standard set out in the Model Code regarding their securities transactions for the Period.

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is one of the areas leading to the success of the Company and balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancement of the efficiency and effectiveness of such principles and practices.

During the Period, the Board consider that the Company has complied with all the corporate governance codes (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save for the following:

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

AUDIT COMMITTEE

The audit committee of the Company was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the relevant CG Code, its revised 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 system, risk management and internal control systems, 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 systems and ensure that the management has discharged its duty to have an effective risk management and internal control systems.

The audit committee comprises three independent non-executive Directors, namely Dr. Hu Yiming (Chairman of the audit committee), Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky.

The interim results of the Group for the Period are unaudited but have been reviewed by the audit committee of the Company, which is of the opinion that the preparation of the interim financial information of the Group complied with the applicable accounting principles and standard, practices adopted by the Group, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.yestarcorp.com.

The interim report of the Company for the six months ended 30 June 2017 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

By Order of the Board
Yestar Healthcare Holdings Company Limited
Hartono James
Chairman, CEO and Executive Director

Hong Kong, 15 August 2017

As at the date of this announcement, the executive Directors are Mr. Hartono James, Ms. Wang Ying, Mr. Chan To Keung, Ms. Wang Hong and Chan Chung Man; the independent non-executive Directors are Dr. Hu Yiming, Mr. Tirtamarta Karsono (Kwee Yoe Chiang) and Mr. Sutikno Liky.