Yes!Star

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

(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

Interim Report 2017 中期報告

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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

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PRINCIPAL BANKERS

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

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STOCK CODE

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COMPANY WEBSITE

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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 (the "Period") prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), together with the comparative figures for the corresponding period of 2016.

BUSINESS REVIEW

Once again, the Group has delivered another set of remarkable results for 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 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 Company 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 Shenzhen. 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 Shanghai Zhongkerunda Medical Laboratory Testing Co., Ltd. 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 for 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. 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 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 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).

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.

Purpose of the Scheme 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

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.

Principal terms of the Share Option Scheme

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 HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than ten years commencing on the date of grant and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

An offer shall be deemed to have been accepted by the Grantee and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the offer duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 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 30 June 2017, no option has been granted by the Company to subscribe for shares of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the aforesaid Share Option Scheme, at no time during the Period 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.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, 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 Period or subsisted at the end of the Period.

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.

RELATED-PARTY TRANSACTIONS

Details of the significant related-party transactions undertaken in the normal course of business are set out in note 17 to the financial statements.

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.

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

As at 30 June 2017, 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 the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

	Interests in ordinary shares						
Name of director	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	Approximate percentage of shareholding in the Company
Hartono James	509,682,500	—	20,000,000 (Note)	529,682,500	—	529,682,500	24.35%

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 30 June 2017, 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 30 June 2017, 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 any class of issued voting shares carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Hartono Jeane	Beneficial owner	459,370,000	21.12%
Hartono Rico	Beneficial owner	265,810,000	12.22%
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 position in shares and underlying shares of the Company" which is discloseable under Divisions 2 and 3 of Part XV of the SFO above, as at 30 June 2017, 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.

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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

INTRODUCTION

We have reviewed the interim financial information set out on page 17 to 50, which comprises the condensed consolidated statement of financial position of Yestar Healthcare Holdings Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2017 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standard Board.

The directors of the Group are responsible for the preparation and presentation of this financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong

15 August 2017

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 Unaudited RMB'000	2016 Unaudited 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

	Notes	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	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	11	627,779	455,127
Trade and bills receivables	12	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	13	244,330	225,250
Trade and bills payables	14	567,093	366,588
Derivative financial instruments		1,078	—
Other payables and accruals	15	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

	Notes	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	1,573,132	1,458,539
Deferred tax liabilities		480,340	266,533
Other long term payables	15	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

James Hartono
Director

Wang Hong
Director

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Put-options written on non-controlling interests reserve RMB'000	Statutory reserve fund RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (audited)	43,116	670,172	84,991	(391,505)	68,150	—	490,236	(23,379)	941,781	10,447	952,228
Profit for the period	—	—	—	—	—	—	106,893	—	106,893	41,072	147,965
Other comprehensive income for the period:											
Exchange differences related to foreign operations	—	—	—	—	—	—	—	21,890	21,890	—	21,890
Total comprehensive income for the period	—	—	—	—	—	—	106,893	21,890	128,783	41,072	169,855
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	229,716	229,716
Acquisition of a non-controlling interest	—	—	—	—	—	(158,637)	—	—	(158,637)	(98,779)	(257,416)
Final 2016 dividend declared	—	(83,068)	—	—	—	—	—	—	(83,068)	—	(83,068)
Transfer from retained earnings	—	—	—	—	11,746	—	(11,746)	—	—	—	—
Put-options in relation to non-controlling interests	—	—	—	(145,847)	—	—	—	—	(145,847)	(171,836)	(317,683)
At 30 June 2017 (unaudited)	43,116	587,104*	84,991*	(537,352)*	79,896*	(158,637)*	585,383*	(1,489)*	683,012	10,620	693,632

* These reserve accounts comprise the consolidated reserves of RMB639,896,000 (31 December 2016: RMB898,665,000) in the interim condensed consolidated statement of financial position.

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Put-option written on non-controlling interests reserve RMB'000	Statutory reserve fund RMB'000	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 (audited)	43,116	743,143	84,991	(321,384)	48,534	308,821	193	907,414	9,983	917,397
Profit for the period	—	—	—	—	—	106,318	—	106,318	34,602	140,920
Other comprehensive income for the period:										
Exchange differences related to foreign operations	—	—	—	—	—	—	348	348	—	348
Total comprehensive income for the period	—	—	—	—	—	106,318	348	106,666	34,602	141,268
Final 2015 dividend declared	—	(72,507)	—	—	—	—	—	(72,507)	—	(72,507)
Dividend paid to non-controlling interest	—	—	—	—	—	—	—	—	(9,000)	(9,000)
Transfer from retained earnings	—	—	—	—	10,387	(10,387)	—	—	—	—
Put options in relation to non-controlling interests	—	—	—	(28,633)	—	—	—	(28,633)	(25,451)	(54,084)
At 30 June 2016 (unaudited)	43,116	670,636*	84,991*	(350,017)*	58,921*	404,752*	541*	912,940	10,134	923,074

* These reserve accounts comprise the consolidated reserves of RMB869,824,000 (31 December 2015: RMB864,298,000) in the interim condensed consolidated statement of financial position.

		For the six months ended 30 June	
	Notes	2017 Unaudited RMB'000	2016 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		224,084	197,814
Adjustments for:			
Finance costs	5	62,347	19,575
Interest income		—	(31)
Impairment of trade receivables	6	3,901	1,799
Depreciation of items of property, plant and equipment	6	9,085	10,480
Amortisation of prepaid land lease payments	6	163	163
Amortisation of other intangible assets	6	60,478	35,946
Fair value gain/(loss), net:			
derivative financial instruments	6	995	(1,706)
Recognition of deferred income		(94)	(95)
Loss/(gain) on disposal of items of property, plant and equipment	6	1,395	(10)
		362,354	263,935
Increase in trade and bills receivables		(206,501)	(129,404)
Increase in prepayments, deposits and other receivables		(3,294)	(1,626)
(Increase)/decrease in inventories		(132,262)	33,983
Increase/(decrease) in trade and bills payables		160,511	(61,433)
Decrease in other payables and accruals		(129,696)	(16,447)
Increase in deferred income		2,900	—
Increase in pledged deposits		(299)	(16,500)
		57,713	72,508
Income tax paid		(88,211)	(76,060)
NET CASH USED IN OPERATING ACTIVITIES		(34,498)	(3,552)

	Notes	For the six months ended 30 June 2017 Unaudited RMB'000	2016 Unaudited RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(13,100)	(2,771)
Purchases of intangible assets		(31)	(85)
Proceeds from disposal of items of property, plant and equipment		202	102
Interest received from term deposits		—	31
Income received from financial products		82	—
Acquisition of subsidiaries		(451,916)	(182,000)
NET CASH USED IN INVESTING ACTIVITIES		(464,763)	(184,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		347,135	330,184
Repayment of bank loans		(187,470)	(234,373)
Increase in pledged deposits		(18,400)	—
Acquisition of non-controlling interest		(166,218)	—
Dividend paid		—	(9,000)
Interest paid		(61,229)	(19,575)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(86,182)	67,236
NET DECREASE IN CASH AND CASH EQUIVALENTS		(585,443)	(121,039)
Cash and cash equivalents at beginning of period		1,272,663	505,987
Effect of foreign exchange rate changes, net		(8,455)	348
CASH AND CASH EQUIVALENTS AT END OF PERIOD		678,765	385,296
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and non-pledged bank balances		618,765	369,296
Non-pledged time deposits		60,000	16,000
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION		678,765	385,296

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 new standards and interpretations 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.

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

2.2 Amendments adopted by the Group (Continued)

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:

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers (Continued)

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 Unaudited RMB'000	2016 Unaudited 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 Unaudited RMB'000	2016 Unaudited 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 Unaudited RMB'000	2016 Unaudited 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) on 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 12)	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.

7. INCOME TAX EXPENSE (CONTINUED)

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 Unaudited RMB'000	2016 Unaudited 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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with a cost of RMB13,100,000 (the six months ended 30 June 2016: RMB2,771,000).

During the six months ended 30 June 2017, depreciation for property, plant and equipment was RMB9,085,000 (the six months ended 30 June 2016: RMB10,480,000).

During the six months ended 30 June 2017, property, plant and equipment with a net book value of RMB1,597,000 (the six months ended 30 June 2016: RMB92,000) were disposed of by the Group resulting in a net loss on disposal of RMB1,395,000 (the six months ended 30 June 2016: net gain of RMB10,000).

As at 30 June 2017, none of the Group's property, plant and equipment was pledged (31 December 2016: none).

11. INVENTORIES

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Raw materials	110,844	73,903
Finished goods	517,867	381,985
	628,711	455,888
Less: Provision for inventories	932	761
	627,779	455,127

The movements in inventory provision are as follows:

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
At beginning of year	761	—
Acquisition of subsidiaries	171	—
Impairment provision recognised	—	761
	932	761

12. TRADE AND BILLS RECEIVABLES

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

An ageing 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 Unaudited RMB'000	31 December 2016 Audited 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 Unaudited RMB'000	31 December 2016 Audited 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).

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited 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.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	4.61–5.22	2017	30,000	5.22–5.6	2017	64,750
Bank loans — secured	5.22–6.07	2017	61,130	5.22	2017	18,000
Current portion of long term bank loans — secured	5.63–7.8	2017–2018	153,200	6.18–7.8	2017	142,500
			244,330			225,250
Non-current						
Other secured bank loans	5.63–7.8	2018–2020	242,800	6.18	2018	100,000
Senior notes (note (3))	7.43	2021	1,330,332	7.43	2021	1,358,539
			1,573,132			1,458,539
			1,817,462			1,683,789
Analysed into:						
Bank loans repayable:						
Within one year or on demand			244,330			225,250
In the second year			143,200			100,000
In the third year to fifth years, inclusive			1,429,932			1,358,539
			1,817,462			1,683,789

Notes:

(1) Certain of the Group's bank loans are secured by the pledge of 70% of equity interests in 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., 70% of the equity interests in Shenzhen De Run Li Jia Company Ltd.("Derunlijia") and 100% of equity interests in Yestar (Guangxi) Imaging Technology Co., Ltd.

Certain of the Group's bank loans are guaranteed by the Company.

(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.

14. TRADE AND BILLS PAYABLES

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

An ageing 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.

15. 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 Anbaida Group Companies, Guangzhou Hongen Medical Diagnostic Technologies Company Limited ("Hongen"), Derunlijia and Guangzhou 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.

15. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note: (Continued)

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 Bin 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 Derunlijia if the respective net profits of Derunlijia 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.

16. BUSINESS COMBINATION

The acquisitions of subsidiaries accounted for business combination are as follows:

(i) Acquisition of 70% equity interest in Hongen

On 13 October 2016, Yestar Medical entered into a share transfer agreement to acquire a 70% equity interest in Hongen at an aggregate consideration of RMB336 Million. Hongen is engaged in the distribution of medical equipment and reagent mainly in Guangdong, Fujian and Hainan province. The acquisition was undertaken under the Company's strategy to develop the medical consumable business and enhance the Group's profitability. After completion of this acquisition, Yestar Medical held a 70% equity interest in Hongen. On 18 January 2017, the acquisition was completed.

The non-controlling equity interest holders shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Hongen if the net profit of Hongen in the three years ending 31 December 2019 reach the annual guarantee profit.

(ii) Acquisition of 70% equity interest in Derunlijia

On 27 October 2016, Yestar Medical entered into a share transfer agreement to acquire a 70% equity interest in Derunlijia at an aggregate consideration of RMB428.4 Million. Derunlijia is engaged in the distribution of medical equipment and reagent mainly in Shenzhen region. The acquisition was undertaken under the Company's strategy to develop the medical consumable business and enhance the Group's profitability. After completion of this acquisition, Yestar Medical held a 70% equity interest in Derunlijia. On 26 January 2017, the acquisition was completed.

The non-controlling equity interest holders shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Derunlijia if the net profit of Derunlijia in the three years ending 31 December 2019 reach the annual guarantee profit.

(iii) Acquisition of 70% equity interest in Shengshiyuan

On 11 November 2016, Yestar Medical entered into a share transfer agreement to acquire a 70% equity interest in Shengshiyuan at an aggregate consideration of RMB166.6 Million. Shengshiyuan is engaged in the distribution of medical equipment and reagent mainly in Guangdong and Hainan region. The acquisition was undertaken under the Company's strategy to develop the medical consumable business and enhance the Group's profitability. After completion of this acquisition, Yestar Medical held a 70% equity interest in Shengshiyuan. On 3 February 2017, the acquisition was completed.

The non-controlling equity interest holders shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Shengshiyuan if the net profit of Shengshiyuan in the three years ending 31 December 2019 reach the annual guarantee profit.

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

16. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of the above acquired companies as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	3,147
Intangible assets	884,446
Deferred tax assets	1,465
Cash and cash equivalents	20,444
Trade and bills receivables	67,474
Prepayments, deposits and other receivables	45,300
Inventories	40,391
Interest-bearing bank loans	(2,216)
Trade payables	(39,995)
Other payables and accruals	(22,958)
Tax payable	(10,665)
Deferred tax liabilities	(221,112)
Total identifiable net assets at fair value	765,721
Non-controlling interests	(229,716)
Goodwill on acquisition	394,995
Satisfied by cash	931,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB67,474,000 and RMB45,300,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB72,835,000 and RMB45,300,000, respectively, of which trade receivables of RMB5,361,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB3,233,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the interim condensed consolidated statement of profit or loss.

16. BUSINESS COMBINATION (CONTINUED)

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

Since the acquisition, the acquired subsidiaries contributed RMB268,249,000 to the Group's revenue and RMB59,249,000 to the consolidated profit for the period ended 30 June 2017.

Had the combination taken place at the beginning of the Period, the revenue and the profit of the Group for the Period would have been RMB1,779,599,000 and RMB151,543,000, respectively.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
In respect of the above companies acquired during the period	
Consideration settled by cash	(931,000)
Cash and cash equivalents acquired	20,444
Cash consideration already paid in the prior year	458,640
Net outflow of cash and cash equivalents included in cash flows from investing activities	(451,916)

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Short-term employee benefits	3,957	3,661
Pension scheme contributions	58	66
	4,015	3,727

18. OPERATING LEASE ARRANGEMENTS

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

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Within a year	9,401	9,256
In the second to fifth years, inclusive	10,387	434
	19,788	9,690

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Contracted, but not provided for:		
Consideration to the proposed acquisitions of equity interests		
Shanghai Zhongkerunda Medical Laboratory Testing Co., Ltd.	19,500	—
Hongen	—	134,400
Derunlijia	—	171,360
Shengshiyuan	—	166,600
	19,500	472,360

19. 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:

30 June 2017

Financial assets

	Loans and receivables RMB$'000
Trade and bills receivables	920,823
Financial assets included in prepayments, deposits and other receivables	51,188
Pledged deposits	19,241
Cash and cash equivalents	678,765
	1,670,017

Financial liabilities

	Financial liabilities at fair value through profit or loss designated at such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	567,093	567,093
Financial liabilities included in other payables and accruals	618,771	310,925	929,696
Derivative financial instruments	1,078	—	1,078
Other long-term payables	476,032	—	476,032
Interest-bearing bank and other borrowings	—	1,817,462	1,817,462
	1,095,881	2,695,480	3,791,361

19. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 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 through profit or loss designated at such upon initial recognition 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	209,893	128,614	338,507
Other long-term payables	567,227	—	567,227
Interest-bearing bank and other borrowings	—	1,683,789	1,683,789
	777,120	2,178,991	2,956,111

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2017 RMB'000	31 December 2016 RMB'000	30 June 2017 RMB'000	31 December 2016 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	1,573,132	1,458,539	1,648,043	1,536,207
Derivative financial instruments	1,078	—	1,078	—
Put options in relation to non-controlling interests	1,094,803	777,120	1,094,803	777,120
	2,669,013	2,235,659	2,743,924	2,313,327

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, which included 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 30 June 2017 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including foreign currency forward contracts, are measured using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of foreign currency forward contracts are the same as their fair values.

20. 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 15, below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2017:

As part of the purchase agreements, put option included in other payables and accruals (both current and non-current) is payable, which is dependent on the amount of audited profit after tax of Anbaida Group Companies for the year ending 31 December 2017 and the amount of audited profit after tax of Hongen, Derunlijia, and Shengshiyuan for the year ending 31 December 2019. The current and non-current amounts recognised as at 30 June 2017 were RMB618,771,000 and RMB476,032,000 which were determined using the discounted cash flow model and were under Level 3 fair value measurement.

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

Forecasted profit after tax of Anbaida Group Companies	RMB225,817,000 in 2017
Forecasted profit after tax of Hongen	RMB81,544,000 in 2019
Forecasted profit after tax of Derunlijia	RMB92,523,000 in 2019
Forecasted profit after tax of Shengshiyuan	RMB37,753,000 in 2019
Equity interest	30%
Maximum consideration for Anbaida Group Companies	RMB675 million
Maximum consideration for Hongen	RMB270 million
Maximum consideration for Derunlijia	RMB332 million
Maximum consideration for Shengshiyuan	RMB120 million
Projection for Anbaida Group Companies, Hongen and Shengshiyuan	10 times
Projection for Derunlijia	12 times
Discount rate for Anbaida Group Companies	19%
Discount rate for Hongen, Shengshiyuan and Derunlijia	16%
Discount for own non-performance risk	—

A significant decrease in the profit after tax of Anbaida Group Companies, Hongen, Derunlijia and Shengshiyuan would result in a significant decrease in the fair value of the financial liability arising from the put option in relation to non-controlling interest.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 30 June 2017

	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
Derivative financial instruments	—	1,078	—	1,078
Put options in relation to non-controlling interests	—	—	1,094,803	1,094,803
	—	1,078	1,094,803	1,095,881

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
Put options in relation to non-controlling interests	—	—	772,120	772,120

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

Fair value hierarchy

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

	30 June 2017 Unaudited RMB'000	31 December 2016 Audited RMB'000
Amounts included in put options in relation to non-controlling interests		
At 1 January	777,120	647,566
Changes in equity	317,683	129,554
	1,094,803	777,120

Liabilities for which fair values are disclosed:

As at 30 June 2017

	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	1,410,207	237,836	—	1,648,043

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	98,250	—	1,536,207

21. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 15 August 2017.

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