2018
Interim Report
中期報告

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Ng Chit Sing

INDEPENDENT AUDITORS

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

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL PLACE OF BUSINESS IN SHANGHAI

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LEGAL ADVISERS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2393

COMPANY WEBSITE

http://www.yestarcorp.com

INTERIM RESULTS

Yestar Healthcare Holdings Company Limited ("Yestar" or the "Company", together with its subsidiaries, the "Group") is one of the largest distributors and service providers of In Vitro Diagnostic ("IVD") products in the Peoples Republic of China (the "PRC").

MARKET OVERVIEW

Continuous Growth of the Flourishing IVD Market

The IVD market in the PRC has been vigorously expanding in the past decade, where its market size had reached approximately RMB50.0 billion in 2017 according to a report by Guangzheng Hang Seng. The growth was driven by i) ageing population; ii) increase in chronic disease; and iii) the raise of health conscious brought by the rising middle class population. In addition, favourable policies from the recent reformation of the medical system in the PRC also contributed to the growth of the market.

With its well-stablished distribution network and solid relationship with Roche Diagnostics China, the market dominator, Yestar is competent to seize the opportunities from the flourishing market.

BUSINESS OVERVIEW

Stepping into the Hebei Market

In October 2017, Yestar has completed its acquisition of 70% equity interests in Beijing Kaihongda Technologies Company Ltd. ("Kaihongda"), contributed to its expansion to the tier 1 distribution license from Roche Diagnostics China. Leveraging on the current network and synergies formed with Kaihongda, the Group had built presence in Hebei and entered into Hebei Market during the Period.

RESULTS OVERVIEW

Continuing its excellence, Yestar had once again outperformed in the six months ended 30 June 2018 ("the Period"). Yestar recorded a 15.9% year-on-year ("yoy") increase in its revenue and amounted to approximately RMB2,042.1 million. The growth was driven by the i) prosperous growth of the IVD sector in the PRC; ii) the consolidated results from the previous six acquisitions; which has built Yestar an extensive distribution network that covers the most affluent provinces; and iii) the improvement in its non-medical segment. The overall gross profit achieved a yoy increase of approximately 14.1%, reaching approximately RMB564.5 million (six months ended 30 June 2017: approximately RMB494.8 million), with gross profit margin maintaining at a stable level of 27.6% (six months ended 30 June 2017: 28.1%).

Profit attributable to owners of the parents also increased to approximately RMB118.3 million, representing a rise of approximately 10.6% (six months ended 30 June 2017: RMB106.9 million), which was led by the increase in revenue during the Period. Net profit margin decreased from 6.1% to 5.8%, representing a decrease of 0.3 p.p.

Earnings per share for the Period amounted to RMB5.44 cents (six months ended 30 June 2017: RMB4.91 cents). The board of directors (the "Board") has resolved not to declare any interim dividend for the Period (six months ended 30 June 2017: Nil).

MEDICAL BUSINESS — 84.8% OF OVERALL REVENUE

The Group is principally engaged in the distribution of IVD products in Beijing, Guangzhou, Shanghai, Shenzhen Cities, Anhui, Fujian, Guangdong, Hainan, Hebei, Hunan, Jiangsu Provinces; and the manufacturing of medical films (used 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 (medical dry film and medical dry film printer) under the house brand "Yes!Star".

Since 2013, the Group has been continuously investing and developing its products under Yes!Star brand, carrying the aim to tapping into all tiers of hospitals. Under the Group's dedication, Yes!Star medical film had achieved great success. With its well-developed plant where class 1,000 cleanroom equipped with advanced technology, the accumulative sales for the film reached 2 million meter square. In June 2018, Yestar medical dry film printer was also launched. Within one month, there were more than 100 units of machines sold, representing another remarkable accomplishment.

Benefitted by the increasing demand of IVD products as well as the contribution from the recently acquired Kaihongda, the medical consumable business recorded a revenue growth of approximately 15.2% yoy to approximately RMB1,730.9 million (six months ended 30 June 2017: approximately RMB1,502.4 million). Segment gross profit margin remained flat and recorded a slight decrease by approximately 0.1p.p. to approximately 30.0% (six months ended 30 June 2017: approximately 30.1%).

OTHER BUSINESS — 15.2% 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 an increase of approximately 19.6% yoy to approximately RMB311.2 million (six months ended 30 June 2017: approximately RMB260.2 million). Segment gross profit margin recorded a decrease of approximately 2.0p.p. yoy, reaching approximately 14.5%. (six months ended 30 June 2017: approximately 16.5%). The growth of the revenue was attributable to the increase of market share during the Period, driven by the improvement of products. In the long run, the Group will carry on its heavy emphasis on the medical segment; while continuing the operation of colour photographic paper and industrial imaging products as the market is stable and capable of providing the Group with consistent cash flow that facilitates other operational needs. As the sole distributor of Fujifilm colour photographic paper in the PRC, the Group will continue to expand its market share and maintain its tight-bonds with Fujifilm.

PROSPECTS — CONSOLIDATION ALONG SUPPLY CHAIN

According to the recently published Annual Report on Development of Health Management and Health Industry in China by Zhongguancun Xinzhiyuan Health Management Institute ("中關村新智源健康管理研究院") and Central South University in May 2018, there is a population of approximately 300 million (approximately 21% of the entire population) in China suffering from chronic diseases with 50% in age above 60 years old. On top of the severity of chronic diseases, ageing population is also a daunting issue in China. From the National Plan on Population Development issued by the State Council, it is forecasted that by 2030, 25% of the entire population will be 60 years old or above. Under these factors, the market size of IVD is expected to reach RMB111 billion by 2022 with CAGR of 19.0% according to the *"China In Vitro Diagnostics ("IVO") Market, Forecast, Companies Analysis, Registration Rules" by Renub Research.*

Being one of the leading IVD distributors in the PRC with an extensive network that covers the affluent regions within China, Yestar shall be benefitted under this favourable market environment and is highly confident of the upcoming performance of its medical segment, especially the distribution of IVD products which is supported by the burgeoning IVD market.

Along with its channeling expansion, the Group will also proactively seek opportunities to extend its business scope vertically along the supply chain, in order to provide one-stop solutions for its clients. The inclusion of this new value-added service provides Yestar an opportunity to further converge with the tier-three and tier-two public hospitals in China, increasing its penetration in the market. Under this establishment, Yestar can build its presence in the downstream of the supply chain, widening its service range.

Looking into the second half of 2018, Yestar will be devoted to optimize its current offering and reinforce its position as a one-stop solution provider within the market. To achieve the goal, the Group will continue to reinforce its well-established relationships with Roche Diagnostics China and Fujifilm, explore opportunities along the value chain; and more importantly, expand its network empire with the thirst to further enhance its market share. With all the aforementioned strategies, Yestar is positive that the Group will carry on creating and delivering fruitful results to its shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

The Group maintained a strong and sound financial position during the Period. As at 30 June 2018, the Group had a cash and cash equivalents of approximately RMB367.9 million (31 December 2017: approximately RMB634.7 million). The decrease in cash and cash equivalents were mainly attributable to the repayment of bank loans and settlement of consideration of the acquisition of Kaihongda during the Period.

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2018 was approximately RMB1,729.6 million (31 December 2017: approximately RMB1,740.3 million). Except for the Senior Notes which are denominated in USD and a short-term loan of HK$45 million, all borrowings of the Group are principally dominated in Chinese Yuan (RMB), which is the presentation currency of the Group.

The Group has secured bank loans of approximately RMB393.2 million and an unsecured bank loan of approximately RMB49.0 million.

Current Ratio

As at 30 June 2018, the Group's current ratio was approximately 1.3 (31 December 2017: approximately 1.2), based on total current assets of approximately RMB2,607.9 million and total current liabilities of approximately RMB2,014.6 million.

Gearing Ratio

As at 30 June 2018, the Group's gearing ratio was approximately 71% (31 December 2017: approximately 72%), calculated as the total debt which includes the interest-bearing bank loans and other borrowings for an aggregate amount of approximately RMB1,729.6 million divided by total equity plus total debt for an aggregate amount of approximately RMB2,428.2 million as at the end of June 2018. The slight decrease in gearing ratio was mainly attributable to the decrease in interest-bearing bank loans and other borrowings for an amount of approximately RMB10.7 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by about 31.6% from approximately RMB82.2 million for the six months ended 30 June 2017 to approximately RMB108.2 million for the Period, and accounted for approximately 4.7% and approximately 5.3%, respectively, of the Group's revenue for the respective reporting periods. Such increase was mainly attributable to the increase in distribution expenses for our IVD products during the Period.

Administrative Expenses

The Group's administrative expenses increased by about 11.8% from approximately RMB134.9 million for the six months ended 30 June 2017 to approximately RMB150.9 million for the Period, and accounted for approximately 7.7% and approximately 7.4%, respectively, of the Group's revenue for the respective reporting periods. Such increase was mainly attributable to the consolidation in administrative expenses of Kaihongda upon completion of the acquisition and the increase in salary and bonus to directors and employees of the Group during the Period.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings. The aggregate amount of interest incurred was approximately RMB64.1 million (six months ended 30 June 2017: approximately RMB62.3 million) for the Period.

For the Period, interest rates of the interest-bearing loans and Senior Notes ranged from 3.72% to 7.43%, while those for the six months ended 30 June 2017 ranged from 4.61% to 7.43%.

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 foreign currency risk arising from the purchasing and Senior Notes in US Dollars.

During the Period, the Group did not enter into any agreement to hedge our currency exposure 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 and bank borrowings.

Capital commitments

The Group had operating lease arrangements for certain of its office properties for an aggregate amount of approximately RMB34.0 million as at 30 June 2018 (31 December 2017: approximately RMB26.2 million).

Employees and Remuneration Policies

As at 30 June 2018, the Group had a total of 1,038 employees (six months ended 30 June 2017: 984 employees), including Directors. Total staff costs (including Directors' emoluments) were approximately RMB80.2 million for the Period (six months ended 30 June 2017: approximately RMB65.2 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

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

The Group did not have any other plans for material investments and capital assets as at 30 June 2018.

Material acquisitions and disposals of subsidiaries and affiliated 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 2018, none of the Group's property, plant and equipment was pledged (31 December 2017: Nil). In addition, bank loans of approximately RMB274.3 million (31 December 2017: approximately RMB305.4 million) were 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 Guangzhou Shengshiyuan Trading Company Ltd. ("Shengshiyuan"), 70% of the equity interests in Kaihongda, 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. 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 did not have any material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

Significant Event after the Reporting Period

Up to the date of this announcement, there was no significant event relevant to the business and financial performance of the Group that has come to the attention of the Directors after the Period.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the Period (six months ended 30 June 2017: 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 2018, 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 16 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 controlling 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 2018, 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:

Long positions in ordinary shares of the Company

Name of director	Interests in ordinary shares Personal interests	Interests in ordinary shares 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	526,090,000	—	20,000,000 (Note 1)	546,090,000	—	546,090,000 (Note 2)	25.11%

Notes:

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

2. Out of 546,090,000 shares, 217,520,000 shares are beneficially owned by Mr. Hartono James and had been pledged to a financial institution as pledgee to secure a loan granted to Mr. Hartono James.

Save as disclosed above, as at 30 June 2018, 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 2018, 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 2018, 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, which is also applicable to its employees who are likely to possess unpublished inside information (the "Relevant Employees").

Specific enquiries have been made with all Directors and the Relevant Employees, all of them 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.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Director's information of the Company during the Period and up to the date of this report is as follows:

The monthly salary of Mr. Chan Chung Man, an executive Director, increased from RMB120,959 to RMB151,199 with effect from 1 July 2018.

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

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

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 15 to 46, 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 2018 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 Standards 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 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	Notes	RMB'000	RMB'000
Revenue	4	2,042,108	1,762,600
Cost of sales		(1,477,636)	(1,267,840)
Gross profit		564,472	494,760
Other income and gains	4	12,821	11,851
Selling and distribution expenses		(108,204)	(82,217)
Administrative expenses		(150,865)	(134,915)
Other expenses		(5,028)	(3,048)
Finance costs	5	(64,126)	(62,347)
Share of profit and loss of an associate		(3,599)	—
PROFIT BEFORE TAX	6	245,471	224,084
Income tax expense	7	(83,706)	(76,119)
PROFIT FOR THE PERIOD		161,765	147,965
Attributable to:			
Owners of the parent		118,270	106,893
Non-controlling interests		43,495	41,072
		161,765	147,965
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period	9	RMB5.44 cents	RMB4.91 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000
PROFIT FOR THE PERIOD	161,765	147,965
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	853	21,890
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	853	21,890
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	853	21,890
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	162,618	169,855
Attributable to:		
Owners of the parent	119,123	128,783
Non-controlling interests	43,495	41,072
	162,618	169,855

	Notes	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	106,348	113,653
Prepaid land lease payments		14,135	14,298
Intangible assets		1,659,627	1,725,117
Goodwill		963,820	963,820
Investments in an associate		14,487	18,086
Deferred tax assets		6,960	6,719
Total non-current assets		2,765,377	2,841,693
CURRENT ASSETS			
Inventories	11	904,373	775,404
Trade and bills receivables	12	1,179,114	1,114,834
Prepayments, deposits and other receivables		130,806	100,654
Pledged deposits		25,740	20,029
Cash and cash equivalents		367,912	634,657
Total current assets		2,607,945	2,645,578
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	286,142	319,402
Trade and bills payables	14	627,161	642,297
Contract liabilities		13,109	—
Other payables and accruals	15	949,486	1,065,627
Tax payable		138,672	170,605
Total current liabilities		2,014,570	2,197,931
NET CURRENT ASSETS		593,375	447,647
TOTAL ASSETS LESS CURRENT LIABILITIES		3,358,752	3,289,340

	Notes	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	1,443,429	1,420,877
Deferred tax liabilities		456,920	475,826
Other long term payables	15	759,731	708,986
Total non-current liabilities		2,660,080	2,605,689
NET ASSETS		698,672	683,651
EQUITY			
Equity attributable to owners of the parent			
Share capital		43,116	43,116
Reserves		644,591	629,664
		687,707	672,780
Non-controlling interests		10,965	10,871
TOTAL EQUITY		698,672	683,651

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 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 2018 (audited)	43,116	587,104	84,991	(751,505)	87,487	(158,637)	720,867	59,357	672,780	10,871	683,651
Profit for the period	—	—	—	—	—	—	118,270	—	118,270	43,495	161,765
Other comprehensive income for the period:											
Exchange differences related to foreign operations	—	—	—	—	—	—	—	853	853	—	853
Total comprehensive income for the period	—	—	—	—	—	—	118,270	853	119,123	43,495	162,618
Final 2017 dividend declared	—	(96,758)	—	—	—	—	—	—	(96,758)	—	(96,758)
Transfer from retained earnings	—	—	—	—	8,908	—	(8,908)	—	—	—	—
Put-options in relation to non-controlling interests	—	—	—	(7,438)	—	—	—	—	(7,438)	(43,401)	(50,839)
At 30 June 2018 (unaudited)	43,116	490,346*	84,991*	(758,943)*	96,395*	(158,637)*	830,229*	60,210*	687,707	10,965	698,672

* These reserve accounts comprise the consolidated reserves of RMB644,591,000 (31 December 2017: RMB629,664,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 Unaudited RMB'000	 2017 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		245,471	224,084
Adjustments for:			
Finance costs	5	64,126	62,347
Impairment of inventories	6	314	—
Impairment of trade receivables	6	2,258	3,901
Exchange loss		4,693	—
Net gain on financial assets at fair value through profit or loss	4	(1,117)	—
Share of profit and loss of an associate		3,599	—
Recognition of deferred income		(94)	(94)
Depreciation of items of property, plant and equipment	6	8,670	9,085
Amortisation of prepaid land lease payments	6	163	163
Amortisation of other intangible assets	6	65,490	60,478
Fair value loss, net: derivative financial instruments	6	—	995
Loss on disposal of items of property, plant and equipment	6	23	1,395
		393,596	362,354
Increase in trade and bills receivables		(66,538)	(206,501)
Increase in prepayments, deposits and other receivables		(27,817)	(3,294)
Increase in inventories		(129,283)	(132,262)
(Decrease)/increase in trade and bills payables		(15,136)	160,511
Decrease in other payables and accruals		(132,566)	(129,696)
Decrease/(increase) in pledged deposits for issuance of bank acceptance notes		39	(299)
Increase in contract liabilities		13,109	—
Increase in deferred income		—	2,900
		35,404	53,713
Income tax paid		(134,785)	(88,211)
NET CASH USED IN OPERATING ACTIVITIES		(99,381)	(34,498)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,415)	(13,100)
Purchases of intangible assets	—	(31)
Proceeds from disposal of items of property, plant and equipment	27	202
Net proceeds from disposal of financial assets measured at fair value through profit or loss	1,117	82
Acquisition of subsidiaries	(73,500)	(451,916)
Loans to third parties	(2,335)	—
NET CASH USED IN INVESTING ACTIVITIES	(76,106)	(464,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	144,500	347,135
Repayment of bank loans	(157,393)	(187,470)
Increase in pledged deposits for bank borrowings	(5,750)	(18,400)
Acquisition of a non-controlling interest	(11,718)	(166,218)
Interest paid	(61,813)	(61,229)
NET CASH FLOWS USD IN FINANCING ACTIVITIES	(92,174)	(86,182)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(267,661)	(585,443)
Cash and cash equivalents at beginning of period	634,657	1,272,663
Effect of foreign exchange rate changes, net	916	(8,455)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	367,912	678,765
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and non-pledged bank balances	366,982	618,765
Non-pledged time deposits	930	60,000
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	367,912	678,765

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 2018 (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 2018 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 consolidated financial statements for the year ended 31 December 2017.

2.2 New standards, interpretation and 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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that recognise the cumulative effect of the initial application as an adjustment to the opening balance of equity at 1 January 2018. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretation are applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

2.2 New standards, interpretation and amendments adopted by the Group (Continued)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. As allowed by IFRS 15, the Group applied the new requirement only to contracts that are not completed before 1 January 2018.

The Group is in the business of the manufacture and sale of image printing, sale of medical products and equipment and the provision of maintenance services. The equipment and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

(a) Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognised was affected, as noted below.

Warranty obligations

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its practice prior to the adoption of IFRS 15. However, in certain non-standard contracts, the Group provides one or two-year extended warranties, which were accounted for under IAS 37 prior to the adoption of IFRS 15. Under IFRS 15, such warranties are accounted for as service-type warranties and, therefore, are accounted for as separate performance obligations to which the Group allocates a portion of the transaction price based on the relative stand-alone selling price. Revenue are subsequently recognised over time based on the time elapsed. Upon adoption of IFRS 15, the Group recognised Contract liabilities for the unfulfilled extended warranties, derecognised the short-term Provisions previously recognised and the difference adjusted to Retained earnings. As the impact of warranty obligations is immaterial, the Group has not restated the retained earnings as at 1 January 2018.

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

2.2 New standards, interpretation and amendments adopted by the Group (Continued)

IFRS 15 *Revenue from Contracts with Customers* (Continued)

(b) Rendering of services

The Group's medical products and equipment segment provides maintenance services. These services are sold separately. The Group has concluded that revenue from rendering of services should be recognised at the point in time when the services are rendered. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amount of revenue recognition.

(c) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 3 and Note 4 for the disclosure on disaggregated revenue.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and chose not to adjust the comparative information for the period beginning 1 January 2017.

(a) Classification and measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The Group has assessed that its financial assets currently measured at amortised cost and FVPL continue with their respective classification and measurements as of 1 January 2018.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

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

2.2 New standards, interpretation and amendments adopted by the Group (Continued)

IFRS 9 *Financial Instruments* (Continued)

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 did not result in a significant impact on the in impairment allowances of the Group's debt financial assets.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

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 2018 and 2017, respectively:

Six months ended 30 June 2018 (unaudited)	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	311,238	1,730,870	2,042,108
Segment results	17,158	242,197	259,355
Reconciliation:			
Corporate and other unallocated expenses			(13,884)
Profit before tax			245,471
Other segment information:			
Depreciation of items of property, plant and equipment	4,125	4,545	8,670
Amortisation of prepaid land lease payments	163	—	163
Amortisation of intangible assets	189	65,301	65,490
Share of profit and loss of an associate	—	3,599	3,599
Loss on disposal of items of property, plant and equipment	4	19	23
Operating lease rentals	603	8,369	8,972
Capital expenditure*	208	1,207	1,415

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

Total segment assets and liabilities as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Segment assets		
Imaging printing products	412,349	518,056
Medical products and equipment	4,856,764	4,901,326
Total	5,269,113	5,419,382
Reconciliation:		
Corporate and other unallocated assets	104,209	67,889
Total assets	5,373,322	5,487,271

3. OPERATING SEGMENT INFORMATION (Continued)

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Segment liabilities		
Imaging printing products	121,535	169,982
Medical products and equipment	4,124,592	4,227,416
Total	4,246,127	4,397,398
Reconciliation:		
Corporate and other unallocated liabilities	428,523	406,222
Total liabilities	4,674,650	4,803,620

* 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 2018, the Group had one individual customer from whom the revenue derived by selling medical imaging products and imaging printing products of RMB454,437,000 (six months ended 30 June 2017: RMB467,297,000) accounted for about 22.3% (six months ended 30 June 2017: 26.5%) 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 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 the value of services rendered during the Period.

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

	For the six months ended 30 June	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000
Revenue		
Sale of goods	2,013,317	1,745,889
Rendering of services	28,791	16,711
	2,042,108	1,762,600
Goods transferred at a point in time	2,013,317	1,745,889
Services transferred over time	28,791	16,711
	2,042,108	1,762,600
Other income and gains		
Government grants (note)	10,402	6,762
Interest income	1,198	2,839
Foreign exchange gain	—	1,956
Net gain on financial assets at fair value through profit or loss	1,117	—
Others	104	294
	12,821	11,851

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	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000
Finance costs		
Interest on bank loans, overdraft and other borrowings	60,826	62,071
Cash discount for collection of trade receivables	3,000	218
Interest arising from discounted bills	300	58
	64,126	62,347

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000
Cost of inventories sold and services provided	1,477,322	1,267,840
Depreciation of items of property, plant and equipment	8,670	9,085
Amortisation of prepaid land lease payments	163	163
Amortisation of other intangible assets	65,490	60,478
Research and development costs	133	166
Fair value loss, net: derivative financial instruments	—	995
Minimum lease payments under operating leases	8,972	10,200
Employee benefit expense including		
— Wages and salaries	73,297	59,678
— Pension scheme contributions	6,944	5,506
	80,241	65,184
Foreign exchange differences, net	4,693	(1,956)
Impairment of inventories (note11)	314	—
Impairment of trade receivables (note 12)	2,258	3,901
Loss on disposal of items of property, plant and equipment	23	1,395

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	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000
Current charged for the Period	91,853	84,961
Deferred	(8,147)	(8,842)
Total tax charge	83,706	76,119

8. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2017: Nil).

The proposed final dividend of HK5.5 cents per ordinary share for the year ended 31 December 2017 was declared, payable and approved by the shareholders at the annual general meeting of the Company on 15 May 2018. The final dividend was paid in full on 10 July 2018.

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 RMB118,270,000 (six months ended 30 June 2017: RMB106,893,000) and the weighted average number of ordinary shares of 2,175,200,000 in issue during the Period (six months ended 30 June 2017: 2,175,200,000 ordinary shares).

The diluted earnings per share amounts were equal to the basic earnings per share amounts for the Period and the six months ended 30 June 2017 as no diluting events occurred.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment at a cost of RMB1,415,000 (six months ended 30 June 2017: RMB13,100,000).

During the six months ended 30 June 2018, depreciation for property, plant and equipment was RMB8,670,000 (six months ended 30 June 2017: RMB9,085,000).

During the six months ended 30 June 2018, property, plant and equipment with a net book value of RMB50,000 (six months ended 30 June 2017: RMB1,597,000) were disposed of by the Group resulting in a net loss on disposal of RMB23,000 (six months ended 30 June 2017: a net loss of RMB1,395,000).

As at 30 June 2018, none of the Group's property, plant and equipment was pledged (31 December 2017: none).

11. INVENTORIES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Raw materials	66,662	74,262
Finished goods	840,679	703,796
	907,341	778,058
Less: Provision for inventories	2,968	2,654
	904,373	775,404

11. INVENTORIES (Continued)

The movements in inventory provision are as follows:

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
At beginning of period	2,654	761
Acquisition of subsidiaries	—	171
Impairment provision recognised (note 6)	314	1,722
	2,968	2,654

12. TRADE AND BILLS RECEIVABLES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade receivables	1,158,932	1,088,837
Bills receivable	30,600	34,157
Impairment	(10,418)	(8,160)
	1,179,114	1,114,834

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 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Within 90 days	742,855	704,557
91 to 180 days	202,983	231,008
181 to 365 days	154,731	121,340
1 to 2 years	39,338	21,571
2 to 3 years	8,607	2,201
	1,148,514	1,080,677

12. TRADE AND BILLS RECEIVABLES (Continued)

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

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
At beginning of period	8,160	516
Acquisition of subsidiaries	—	5,361
Impairment losses recognised (note 6)	2,258	2,512
Impairment losses reversed	—	(229)
	10,418	8,160

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB10,418,000 (31 December 2017: RMB8,160,000), with a carrying amount before provision of RMB41,771,000 (31 December 2017: RMB40,644,000).

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 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Neither past due nor impaired	996,787	927,244
Past due but not impaired:		
Less than 90 days	112,360	114,614
91 to 365 days	4,077	5,224
Over 365 days	3,937	1,111
	1,117,161	1,048,193

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

	30 June 2018			31 December 2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	—	—	—	5.22-6.07	2018	84,334
Bank loans — secured	3.72-5.55	2018-2019	118,942	4.61-5.22	2018	65,868
Current portion of long term bank loans — unsecured	4.75	2018-2019	19,000	—	—	—
Current portion of long term bank loans — secured	5.63-6.18	2018-2019	148,200	6.18	2018	169,200
			286,142			319,402
Non-current						
Other unsecured bank loans	4.75	2019-2020	30,000	—	—	—
Other secured bank loans	5.63-6.18	2020-2021	126,100	5.63-5.70	2019-2020	136,200
Senior notes (note (2))	7.43	2021	1,287,329	7.43	2021	1,284,677
			1,443,429			1,420,877
			1,729,571			1,740,279
Analysed into:						
Bank loans repayable:						
Within one year or on demand			286,142			319,402
In the second year			137,600			86,400
In the third year to fifth years, inclusive			1,305,829			1,334,477
			1,729,571			1,740,279

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"), 70% of the equity interests in Guangzhou Shengshiyuan Trading Company Ltd. ("Shengshiyuan"), 70% of the equity interests in Kaihongda and 100% of equity interests in Yestar (Guangxi) Imaging Technology Co., Ltd.

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: *(Continued)*

(2) On 8 September 2016, the Company issued five-year senior notes (the "Notes") with a par value of USD200 million at 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.

(3) Except for the Notes which are denominated in United States Dollars and a short term loan of HKD45,000,000 which is denominated in Hong Kong Dollars, all borrowings are in RMB.

(4) Certain of the Group's bank loans are secured by the pledge of certain of the Group's deposits amounting to RMB24,150,000 (31 December 2017: RMB18,400,000).

14. TRADE AND BILLS PAYABLES

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade payables	589,905	606,625
Bills payable	37,256	35,672
	627,161	642,297

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 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Within 90 days	585,644	598,090
91 to 180 days	3,756	5,705
181 to 365 days	90	117
1 to 2 years	415	399
Over 2 years	—	2,314
	589,905	606,625

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

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Current portion:		
Advances from customers	—	23,106
Other payables	105,314	200,756
Dividend payables	100,865	—
Interest payable	27,091	26,313
Value-added tax payable	24,283	46,174
Payroll and welfare payable	16,933	20,778
Put-options in relation to non-controlling interests (Note)	675,000	675,000
Amounts due to non-controlling shareholders	—	73,500
	949,486	1,065,627

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Non-current portion:		
Deferred government grant	7,983	8,077
Put-options in relation to non-controlling interests (Note)	751,748	700,909
	759,731	708,986

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, Guanzhou Hongen Medical Diagnostic Technologies Company Limited Trading ("Hongen"), Derunlijia, Shengshiyuan and Kaihongda to the Group during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Hongen, Derunlijia, Shengshiyuan and Kaihongda 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. The non-controlling equity interest holders 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. Since Anbaida Group Companies has met the annual guarantee profit targets for 2015 to 2017. Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as of the report date.

15. OTHER PAYABLES AND ACCRUALS (Continued)

Note: (Continued)

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

In addition, the Group is obligated to distribute the retaining earnings of the subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding the remaining 30% equity interest by Yestar Medical.

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 in 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

In addition, the Group is obligated to distribute the retaining earnings of the subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding the remaining 30% equity interest by Yestar Medical.

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

In addition, the Group is obligated to distribute the retaining earnings of the subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding the remaining 30% equity interest by Yestar Medical.

15. OTHER PAYABLES AND ACCRUALS (Continued)

Note: (Continued)

e) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Pan Haibin, Mr. Xie Dingjie, Ms. An Hong, Mr. Yu Huimin and Mr. Zhu Yongping on 20 September 2017, Yestar Medical acquired the 70% equity interest in Kaihongda. Yestar Medical is obligated to acquire the remaining 30% equity interest in Kaihongda if the respective net profits of Kaihongda in 2017, 2018 and 2019 reach the annual guarantee profits. The maximum consideration will not exceed RMB71.28 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

In addition, the Group is obligated to distribute the retaining earnings of the subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding to the remaining 30% equity interest by Yestar Medical.

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2018 Unaudited RMB'000	2017 Unaudited RMB'000
Short-term employee benefits	4,666	3,957
Pension scheme contributions	65	58
	4,731	4,015

17. 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 to five years.

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

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Within a year	18,457	15,063
In the second to fifth years, inclusive	15,528	11,113
	33,985	26,176

18. 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:

Financial assets at amortised cost

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade and bills receivables	1,179,114	1,114,834
Financial assets included in prepayments deposits and other receivables	45,539	40,137
Pledged deposits	25,740	20,029
Cash and cash equivalents	367,912	634,657
	1,618,305	1,809,657

18. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities at amortised cost

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Trade and bills payables	627,161	642,297
Financial liabilities included in other payables and accruals (note 15)	908,270	975,569
Interest-bearing bank and other borrowings (note 13)	1,729,571	1,740,279
	3,265,002	3,358,145

Financial liabilities at fair value through profit or loss

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Other long-term payables (note 15)	751,748	700,909

19. 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 2018 RMB'000	31 December 2017 RMB'000	30 June 2018 RMB'000	31 December 2017 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (non-current portion)	1,443,429	1,420,877	1,368,532	1,483,072
Put options in relation to non-controlling interests	751,748	700,909	751,748	700,909
	2,195,177	2,121,786	2,120,280	2,183,981

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

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

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

The fair values of the non-current portion of financial liabilities included 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 2018 was assessed to be insignificant.

19. 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 2018:

As part of the purchase agreement, a put option included in other long-term liabilities is payable, which is dependent on the amounts of profit after tax of Hongen, Derunlijia, Shengshiyuan and Kaihongda for the year ended 31 December 2017, and the years ending 2018 and 2019. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

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

Profit after tax of Hongen, Derunlijia, Shengshiyuan and Kaihongda in 2017	RMB142,476,000
Forecasted profit after tax of Hongen, Derunlijia, Shengshiyuan and Kaihongda in 2018 and 2019	RMB413,875,000
Equity interest	30%
Maximum consideration for Hongen	RMB270 million
Maximum consideration for Derunlijia	RMB332 million
Maximum consideration for Shengshiyuan	RMB120 million
Maximum consideration for Kaihongda	RMB105 million
Projection for Hongen, Shengshiyuan and Kaihongda	10 times
Projection for Derunlijia	12 times
Discount rate for Hongen, Shengshiyuan Derunlijia and Kaihongda	16%

A significant decrease in the profit after tax of Hongen, Derunlijia, Shengshiyuan and Kaihongda would result in a significant decrease in the fair value of the financial liability arising from the put options in relation to non-controlling interests.

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 2018

	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	—	—	751,748	751,748

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

As at 31 December 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
Put options in relation to non-controlling interests	—	—	700,909	700,909

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

	30 June 2018 Unaudited RMB'000	31 December 2017 Audited RMB'000
Amounts included in non-current portion of put options in relation to non-controlling interests		
At 1 January	700,909	567,227
Decrease	—	(675,000)
Increase	—	700,909
Remeasurement recognised in equity	50,839	107,773
At 31 December	751,748	700,909

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 30 June 2018

	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	1,212,386	156,146	—	1,368,532

As at 31 December 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	1,347,169	135,903	—	1,483,072

20. 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 2018.

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