Annual 2018 Report
年度報告

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hartono James *(Chairman)*
Ms. Wang Ying
Mr. Chan To Keung
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Chan Chung Man *(Chief Operating Officer)*
(appointed on 15 March 2018)

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
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Conyers Dill & Pearman (Cayman) Limited
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Cayman Islands

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

STOCK CODE

2393

COMPANY WEBSITE

http://www.yestarcorp.com

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Hartono James
Chairman

Dear valued shareholders,

On behalf of the board of directors (the "Board") of Yestar Healthcare Holdings Company Limited (the "Company" or "Yestar", and, together with its subsidiaries, the "Group"), I am pleased to present the results for the year ended 31 December 2018 (the "Year") to our shareholders.

A YEAR OF CONSOLIDATION AND PREPARATION FOR THE FUTURE

2018 was an important year for Yestar. After 4 years of aggressive channel expansion, we took a moderate approach in 2018 to consolidate the services and channels of all our 6 acquisitions in the past 4 years, and to streamline our internal procedures and enhance our management system. We believe such moves are extremely important for us to solidify our position in the market and we would utilize such vast platform to pursue bigger growth. With a solid distribution and service infrastructure, we have actively explored opportunities along the medical and healthcare value chain. In 2017, by collaborating with Chinese Academy of Sciences and Shanghai Runda Medical Technology Co., Ltd, we co-established an Independent Clinical Laboratory in Shanghai, which has strategically extended our presence to the servicing end of the In Vitro Diagnostic ("IVD") industry. In 2018, we have actively explored new technologies and devoted resources for new product and service development. During the Year, we established a research and development ("R&D") department in Shanghai. Under the direct leadership of our directors, the R&D department will collaborate with renowned universities, academies and research institutions to manufacture and push forward the launching of the latest technologies.

SUSTAINABLE RESULTS TO EXTEND CONSISTENT GROWTH

During the Year, we have delivered consistent growth in terms of revenue and profit. The Group's overall revenue reached approximately RMB4,447.0 million and approximately increased by 13.2% as compared to last year (2017: approximately RMB3,926.9 million). Profit attributable to owners of the parent rose by approximately 0.7% to approximately RMB251.7 million (2017: approximately RMB250.0 million) in 2018.

CONTINUOUS NETWORK DIVERSIFICATION TO LAY A SOLID FOUNDATION

Having completed 6 acquisitions in the past 4 years to build our distribution and service infrastructure, in 2018, we shifted our focus to deepen our penetration in the current covering regions, in order to realize and optimize gains from each acquisition. Equipped with a full scope of value-adding services, which include new product education and marketing, 24 hours customer services, real-time inventory analysis, logistics and delivering, and after-sales support, Yestar has been able to establish direct sales relationship with an expanding list of top-tier hospitals. As at 31 December 2018, we have established direct sales and service relationships with 413 hospitals, representing an increase of 11% year-on-year ("YOY") from 372 hospitals in the previous year. While consolidating our market shares in the top-tier hospitals, we have also devoted great efforts to expand our network coverage in secondary and lower-tier hospitals. As at 31 December 2018, our network of lower tier hospitals increased to 1,078. Our strategy is to build a network that covers the most affluent and populous regions of the PRC across different tiers of hospitals. Such network diversity will lay a solid foundation for us to introduce new products and new services efficiently and effectively whilst minimizing potential policy risk.

STRONG ALLIANCE BOLSTERING PARTNERSHIP: FUJIFILM

Having established a solid foundation in the past few years, we are eager to deepen the spectrum of collaborations through the strategic partnerships. By joining hands with our trusted partners and combining the resources from both parties, we believe the concerted efforts will propel our business forward in the increasingly competitive market. With a solid partnership for over a decade, FUJIFILM Corporation ("Fujifilm") and the Group had taken one step forward. On 30 November 2018, Fujifilm announced to subscribe 230,000,000 subscription shares of Yestar for a total consideration of HK$411.7 million. The transaction has been completed on 19 December 2018. Upon the completion of the transaction, Fujifilm is now holding approximately 9.56% of the enlarged total issued shares of Yestar. We believe the share subscription represents a strong recognition of our business strategy, our future development as well as our management team and execution capability from one of the world's leading enterprises. Fujifilm is a pioneer, a renowned innovator and market leader in medical diagnostic field. Leveraging on its proprietary technologies and strong R&D capabilities, Fujifilm now conducts business in a diverse range of healthcare field covering medical imaging and diagnostics equipment, pharmaceuticals, bio CDMO, and regenerative medicine. The Group, on the other hand, has also been a dedicated player in the healthcare and medical sector. As a successful medical consumable distribution platform and service provider, we have an extensive network that covers all the first-tier cities and most of the affluent regions in the PRC. Not only has the strategic collaboration further tightened the bonds between Fujifilm and Yestar, but it also laid a foundation for us to co-explore and co-develop new products and services in the PRC's diagnostic and healthcare industries.

REPURCHASE OF SHARES

Subsequent to the Year, the Company repurchased 565,000 of its shares from the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), representing approximately 0.026% of the total issued share capital of the Company prior to the repurchases. Such move has fully reflected and demonstrated the confidence of the Board and the management team in the operations, long-term strategy and growth of the Group.

PROMISING PROSPECTS

According to the latest statistics, the population in the PRC expanded to approximately 1.4 billion in 2018. In particular, female population accounted for approximately 48.1%, equivalent to approximately 680 million, which is a huge market to be explored. Historically, medical research was gender-neutral or skewed to male physiology, which has also led to an "one-size fits all" concept in healthcare industry, putting women at risk of missing out of opportunities for prevention, incorrect diagnoses and mis-treatment. Luckily, we saw some encouraging changes in the recent decades. The growing awareness of gender-specific healthcare and the increasing influence of female consumer have opened up a new front in the medical and healthcare industry. According to a research by Grand View Research, women's health market is projected to reach over USD51 billion by 2025. With a female population of over 680 million, we believe the women's healthcare market in the PRC is massive.

Recently, fertility, maternity and child care have been the focus of addressing women's healthcare issues. However, from menstruation care, pelvic/sexual healthcare, fertility solution, fertility tracking, pregnancy care, general healthcare, cancer care, nursing care to hormonal related syndromes, women need specific care along many stages of their life time. This is the area we are targeting to expand along with our strategic partners. As aforementioned, we have established a R&D department in 2018 to develop new products and services as well as worked with research institutes to transfer and commercialize the latest technologies. Technologies in women's healthcare sector are the targets we are keen to explore. Leverage on the resources and research competency of our strategic partner and the solid foundation Yestar has built in the past years, we are aiming to provide a total solution for women's healthcare needs covering the full-span of their life time.

Looking ahead, we will continue to invest in the sales and marketing for network expansion and deepen the penetration in the current covering regions, so as to further harness the potentials arising from the horizon. We will also continue to seek quality targets in product development, with an aim to expedite its product scope expansion, and hence enriching income stream and benefitting the sustainability of the Group.

In the past 4 years, we had successfully transformed from a photographic paper and medical film manufacturer to one of the leading IVD product distribution and servicing platform in the PRC. Now we are going into our next stage to becoming a healthcare and medical product research and developer. We believe that continuous transformation is important as all business models should evolve with time. Although investing in R&D, product and service development is an expensive and long-term commitment, we believe that investing in the next generation technologies is crucial for us to stay competitive and create value for our clients and shareholders.

APPRECIATION

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

Hartono James
Chairman

Hong Kong, 19 March 2019

Awards from Roche

Awards from Roche

The Best Business Partner of 2018 in China awarded by the tissue diagnostics department of Roche Diagnostics

The Best Target Achiever of 2018 in China awarded by the tissue diagnostics department of Roche Diagnostics

The Best Distribution Partner in Clinical Value Management of 2018 in China awarded by Roche Diagnostics

The Best Co-operation Project Partner of the Financial and Procurement Departments of 2018 in China awarded by Roche Diagnostics

The Most Valuable EM Business Distribution Partner of the Professional and Molecular Diagnostics Departments of 2018 in China awarded by Roche Diagnostics

The Best CIB Application Partner of 2018 in China awarded by Roche Diagnostics

Gold Plan in Indonesia

From 17 to 21 September 2018, Yestar Medical organised the annual Gold plan activity in Indonesia for all senior management members and some of the staff members of all subsidiaries. The activity comprised internal sharing, seminars, lessons, team building, visit and so on. It provided chances of exchanges, learning, relaxation and enhancement of team spirit and innovation.

Yestar Biotech

Social Awards

In March 2018, Yestar Biotech was given the Medal for Outstanding Contribution to Economic Development in 2017 by the District Committee and the People's Government of Gulou District, Nanjing for the fourth consecutive year.

Shanghai Emphasis Investment

Social Awards

The first prize for advanced enterprises of 2018 awarded by the People's Government of Shihudang Town, Songjiang District, Shanghai

Team Building Activities

In March 2018, Shanghai Emphasis Investment and Yestar Biotech jointly convened an annual conference named "Weathering the Storm Together" in Dubai, the United Arab Emirates. Mr. Hartono James, Chairman of the Group, attended by invitation.

External Investment and Co-operation

In September 2018, the project commencement ceremony of the practical training base of the faculty of medical technology of Shanghai University of Medicine & Health Sciences was held.

Hongen

Social Awards

Lifelong training and learning for engineers in May 2018
Outstanding Project Award for the group action learning project in June 2018

Team Building Activities

Happy memories of the trip to Russia, an icy winter wonderland, in March 2018
Table tennis tournament of pathologists in Guangdong Province in August 2018

Shengshiyuan

Internal and External Training Activities

(1) In July 2018, Shengshiyuan established a QCC action task force in accordance with the aspiration of Yestar for QCC action and conducted training before the action started.

(2) In June and September 2018, the senior management of Shengshiyuan attended the "Outstanding Roche Distribution Entrepreneur Training Project" held by the business school of Roche at Tsinghua University, Beijing.

(3) In November 2018, key members of the HR and operation departments attended the "Open Training Course for Middle Management of Roche" in Shanghai.

Team Building Activities

In June 2018, the entire staff of Shengshiyuan conducted a 2-day outdoor training programme entitled "Poetry and Beyond — A Walk in Yingxi Surrounded by Flowers and Natural Sound" in the Yingxifenglin Scenic Area in Yingde City, Guangdong Province.

Derunlijia

Awards

Shenzhen Association of Medical Equipment and Repairment engaged Shenzhen De Run Li Jia Co., Ltd. as its corporate committee member in 2018.

Team Building Activities

In December 2018, the entire staff of Shenzhen De Run Li Jia Co., Ltd. went on a study trip in Hong Kong.

Kaihongda

Team Building Activities

In September 2018, a company trip to Boracay was organised.

Corporate Social Responsibility Activities

A donation was made to three primary schools in Laishui County, Hebei Province.

Yestar Shanghai

Major Business Events

Name change: On 28 January 2019, Yestar Shanghai has changed its Chinese name from 巨星貿易 (上海) 有限公司 to 巨星醫療科技 (上海) 有限公司. It has also set up the Yestar Medical Research Institute with the aim of transforming itself into a professional medical product supplier, as well as seeking opportunities of exchange and co-operation with topnotch tertiary education institutes next year.

Team Building Activities

In June 2018, Yestar Shanghai launched a staff development activity named "Stay the Course, Strive for Breakthroughs" and arranged a sightseeing trip in Shajiabang with some relaxing activities for the entire staff to unwind.

Internal Training Activities

On 18 July 2018, Yestar Shanghai invited managers of branch companies to attend a mid-year digital imaging branch manager conference in Shanghai. The senior management members of the branch companies vigorously shared their opportunities and challenges. They also offered advices and recommendations to, and made sincere exchanges with, the headquarters with a view to formulating solutions and goals for the future.

Guangxi Technology

Internal and External Training Activities

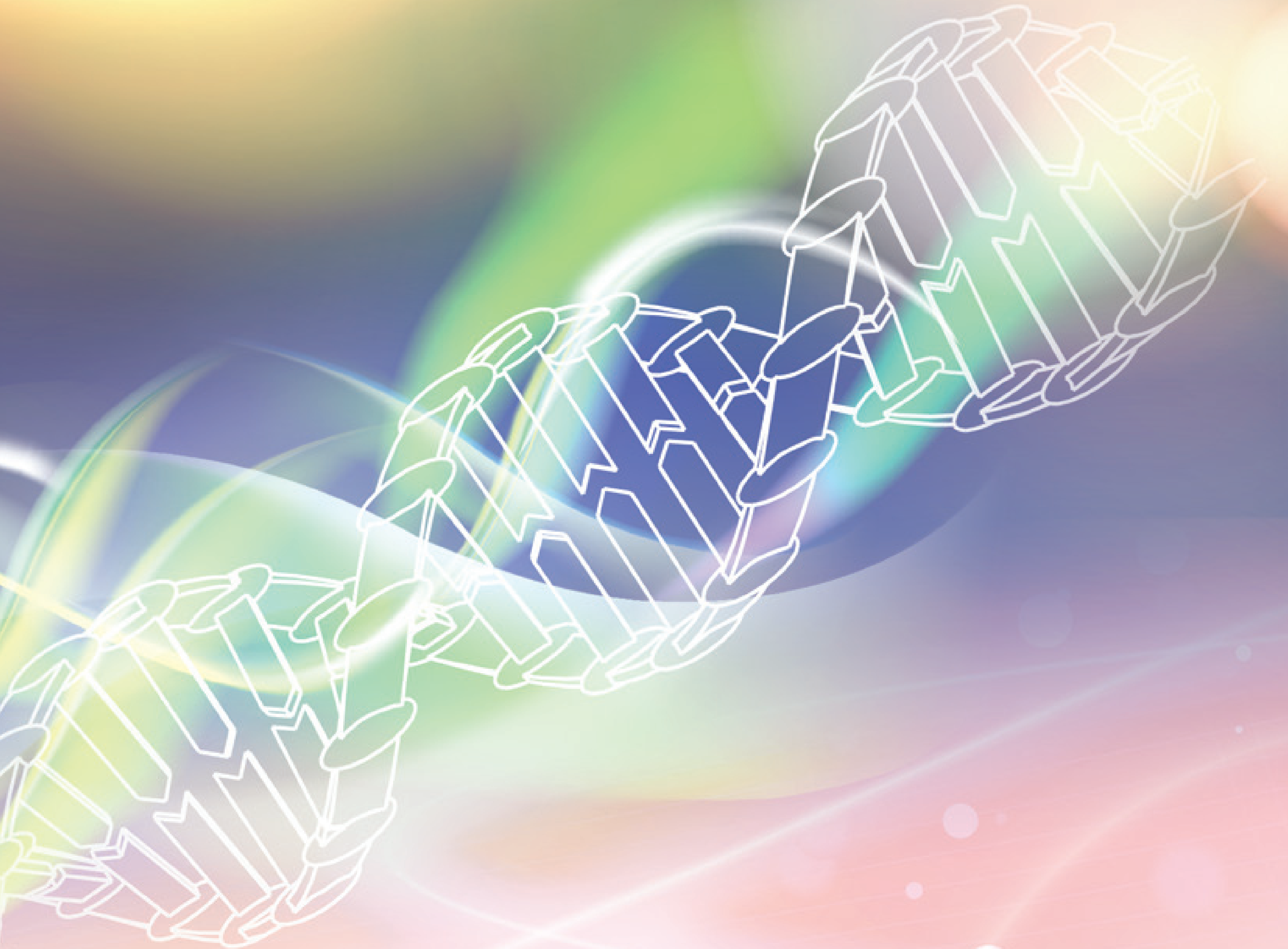
MT training: In July 2018, Guangxi Technology welcomed a new batch of MTs. The youthful and energetic MT team strengthened the human resources of Yestar and provided the essential ingredient for identifying and nurturing high-calibre talents.

Team Building Activities

Middle and Senior Management Development Activity: In March 2018, Guangxi Technology organised a 43-km walkathon named "Be Adventurous and Courageous" for the middle and senior management members.

Corporate Social Responsibility Activities

Cleaning Yong River with a Thankful Heart: To shoulder the responsibility to protect the environment, Ms. Liao Changxiang, the General Manager, led the staff to clean the riverside of Yong River in an event called "Cleaning Yong River with a Thankful Heart".



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT YESTAR HEALTHCARE

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"), which covers cities of Beijing, Shanghai, Guangzhou and Shenzhen, and in provinces of Anhui, Fujian, Guangdong, Hainan, Hunan, Jiangsu and Hebei. The Group also manufactures medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC and manufactures, markets and sells dental film and medical dry film products under the house brand "Yes!Star".

MARKET OVERVIEW

From the "Healthy China 2030" plan that aims to improve the national healthcare welfare, specific guidelines are given to refine the current medical system which stimulate the demand for disease diagnosis, accelerating of the growth of the IVD market. Under "Hierarchical Medical System", lower tier hospitals are facing an increasing demand for disease diagnosis and treatment for common diseases, thus triggering the need for IVD reagents and devices. Partnering with Roche Diagnostics China and leveraging on its extensive distribution network, the Group possesses the capability to deliver both tertiary hospitals and lower tier hospitals with the products that best fit their needs. Combining its value-adding service scope and brand reputation the Group built over the past few years, the Group is well positioned to grasp on the market opportunity.

In addition, specific guidance is also enforced on the upgrade of county-level hospitals, leading to an enhancement in the number of tertiary hospitals. The significant rise in the numbers of tertiary and secondary hospitals outlines a prosperous business environment with ample opportunities for the Group to capture.

BUSINESS OVERVIEW

Consolidating Leading Position in Tertiary Hospitals while Expanding to Secondary Hospital Market

For the year ended 31 December 2018 (the "Year"), with its high quality services in product marketing, after-sales support, logistic and delivering, the Group continued to deepen its established foothold in tertiary hospitals. As at 31 December 2018, the Group has established direct sales and services relationships with 413 hospitals (三級醫院), representing an increase of 11.0% year-on-year ("YOY"), from 372 hospitals in the previous year. In addition to solidifying its position in the prevailing market, the Group has also devoted substantial efforts in expanding its coverage in secondary and lower-tier hospitals. As at 31 December 2018, the Group increased its network coverage to 1,078 secondary hospitals.

Capturing Opportunities from the "Two Invoices" System

The PRC government has launched the "Two-Invoices" System and centralized procurement policy to avoid hospitals funding their operational profit by selling overpriced medications. The "Two-Invoices" system was meant to streamline the distribution channels of pharmaceutical products and medical consumable products, therefore, those who enjoy operating scale, vast distribution network and solid customer base will continue to thrive. With its direct sales network with hospitals and comprehensive service offering, the Group is well-positioned to capture more market shares from the "Two-Invoices" system. During the Year, the Group had invested about RMB4.5 million to strengthen its logistic system, distribution channel and had increased its warehouse area.

Forming Strategic Partnership with Fujifilm to Co-explore Opportunities

On 30 November 2018, Yester entered into a subscription agreement with FUJIFILM Corporation ("Fujifilm"), a wholly-owned subsidiary of FUJIFILM Holdings Corporation. Pursuant to the terms of subscription agreement, Yestar has allotted and issued 230,000,000 shares at a price of HK$1.79 per share to Fujifilm, representing 9.56% of the enlarged total issued shares of Yestar. The subscription agreement does not only deepen the collaboration between Yestar and Fujifilm, but also highlight the strategic meaning of the collaboration. By combining the distribution channel that Yestar has built and the technological competency of Fujifilm, two partners will be capable to co-develop new products, co-offer new services along the value chain of the medical industry in the PRC.

Increasing Contribution from House Brand "Yes!Star"

Apart from the major advancements in the IVD business, the Group has also recorded a revenue growth in its house brand "Yes!Star". The Group manufactures, markets and sells dental film under the "Yes!Star" brand, which has been a success in the mass market. In 2018, the Group launched its dry film printer and dry film products as a complementary to Fujifilm's current product range, targeting the increasingly booming demands from the secondary and lower-tier hospitals.

Fulfillment of Profit Guarantee in relation to the Acquisitions

Reference was made to the announcements of the Company in respect of, amongst other things, the acquisition of 70% equity interests in each of the four companies ("Four Acquired Companies") (as defined below), all are principally engaged in distribution of medical devices including in-vitro diagnostic products.

Pursuant to the respective share transfer agreement for each of the Four Acquired Companies, there is a provision of profit guarantee (the audited consolidated net profit after taxation in accordance with the IFRS) undertaken by the respective vendors of each of the Four Acquired Companies for the year ended 31 December 2018.

The Directors is pleased to announce that the 2018 actual net profit for each of the Four Acquired Companies is more than the respective annual guarantee profit undertaken for the year ended 31 December 2018. As the annual guarantee profit for each of the Four Acquired Companies has been fulfilled, no compensation is required to be paid by the respective vendors for each of the respective Four Acquired Companies pursuant to the respective share transfer agreement. Details of fulfillment of profit guarantee for each of the Four Acquired Companies as follows:

		For the Year Ended 31 December 2018	
Date of Announcement	Name of Acquired Company	Annual Guarantee Profit	Actual Net Profit After Taxation
13 October 2016	Guangzhou Hongen Medical Diagnostic Technologies Company Limited	RMB62.40 million	RMB62.59 million
27 October 2016	Shenzhen De Run Li Jia Company Limited	RMB68.00 million	RMB68.01 million
11 November 2016	Guangzhou Shengshiyuan Trading Company Limited	RMB29.75 million	RMB30.98 million
20 September 2017	Beijing Kaihongda Technology Company Limited (collectively the "Four Acquired Companies")	RMB18.00 million	RMB18.54 million

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2018, the Group performed a year end annual impairment test on goodwill and other intangible assets (which included distribution rights and customer relationship) by performing discounted free cash flow forecasts for each of the acquired subsidiaries in previous years, namely Shanghai Anbaida Group Companies, the Four Acquired Companies and Yestar Biotech (Jiangsu) Co., Ltd. Taking into consideration their respective projection on future results of cash-generating performance and financial results, the Group recorded an impairment loss on goodwill in one of the non wholly-owned subsidiaries for an amount of approximately RMB18.5 million, as the computed value of the discounted cash flow of that subsidiary is lower than its carrying amount as at 31 December 2018.

Use of Proceeds from Allotment of 230,000,000 New Shares

On 19 December 2018, the Company completed the allotment and issuance of 230,000,000 new shares (the "Subscription Shares") to Fujifilm Corporation at HK$1.79 per share. The Subscription Shares represented approximately 9.56% of the issued shares after the completion of allotment and issuance of the Subscription Shares of the Company. The aggregated gross and net proceeds received from the subscription of 230,000,000 new shares amounted to approximately HK$411.7 million and approximately HK$409.7 million respectively.

The Company intends to use the net proceeds as planned as disclosed in the announcement of the Company dated 30 November 2018. The Directors are not aware of any material change to the planned use of proceeds from the allotment of the Subscription Shares as at the date of this report.

As at 31 December 2018, the Company has not utilized the proceeds from the allotment of the Subscription Shares.

FINANCIAL REVIEW

During the Year, the Group recorded a 13.2% growth in revenue from approximately RMB3,926.9 million to approximately RMB4,447.0, which was attributable to the significant increase in revenue contributed by our medical business and partially offset by a decrease in revenue from our non-medical business. Gross profit amounted to approximately RMB1,198.8 million, representing a growth of approximately 8.4% from RMB1,105.8 million in 2017. Gross profit margin was at 27.0% in 2018.

There was an increase in selling and distribution expenses from approximately RMB174.6 million in 2017 to approximately RMB231.7 million, representing an increase of approximately 32.7% as compared with that of last year in 2017. The increase was mainly due to our distribution costs incurred for more sales transactions taken place in proportion to our medical business during the Year. Profit attributable to owners of the parent recorded an increase of approximately 0.7% from approximately RMB250.0 million to approximately RMB251.7 million. Net profit margin was at about 5.6% in 2018. Basic earnings per share remained at RMB11.5 cents in 2018 and 2017.

Medical Business — 86.9% of Overall Revenue

Driven by the increase in sales volume of IVD products, the Group recorded a 16.1% increase in revenue from approximately RMB3,329.6 million in 2017 to RMB3,865.5 in 2018 for the medical business segment. Segment gross profit margin decreased to approximately 28.5% in 2018, as compared to 30.2% in the previous year.

Since the acquisition of Beijing Kaihongda Technology Co. Ltd in 2017, the Group has devoted much efforts to deepen its foothold and expand its market shares in the current market. During the Year, the Group successfully increased its network coverage in the Hebei province and has further strengthen its position in northern China. As of 31 December 2018, Yestar had a medical consumable distribution network covering 7 provinces and 4 tier-1 cities in the PRC.

Non-medical Business — 13.1% of Overall Revenue

Apart from the medical business segment, non-medical business of the Group mainly consists 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".

This segment faces a stable demand in the market and hence has generated stable cash flow for the Group in the previous years.

During the Year, revenue of non-medical businesses of the Group recorded a slight decrease of approximately 2.6% YOY from approximately RMB597.3 million last year to approximately RMB581.5 million in 2018. Segment gross profit margin decreased from 16.9% last year to approximately 16.7%.

Liquidity and Financial Resources

The Group continued to have a strong and healthy financial position for the Year with cash and cash equivalents of approximately RMB721.3 million as at 31 December 2018 (2017: approximately RMB634.7 million). The increase in cash and cash equivalents was attributable to the net proceeds received from the subscription of new shares from Fujifilm during the Year, which was partially offset by the repayment of interest bearing loan and the interest expenses in relation to the Senior Notes.

As at 31 December 2018, the Group's gearing ratio was approximately 59% (2017: approximately 72%), calculated as the total debt which includes the interest-bearing bank loans and other borrowings divided by total equity plus total debt as at the end of December 2018. The decrease were attributable to the increase in our equity due to the allotment of shares and partial repayment of interest-bearing bank loans during the Year.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2018 was approximately RMB1,682.6 million (2017: approximately RMB1,740.3 million). Except for the Senior Notes and a short-term loan of USD2.9 million, all borrowings of the Group are principally denominated in Chinese Yuan (RMB), which is also the presentation currency of the Group.

The current ratio as at the end of December 2018 was approximately 1.52 (2017: approximately 1.20), based on current assets of approximately RMB3,148 million and current liabilities of approximately RMB2,074 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 32.7% to approximately RMB174.6 million in 2017 to approximately RMB231.7 million in 2018, and accounted for about 4.4% and about 5.2%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the increase in distribution expenses for our IVD products during the Year for the increase in revenue in our medical business.

Administrative Expenses

The Group's administrative expenses increased by about 13.5% from approximately RMB285.8 million in 2017 to approximately RMB316.9 million in 2018, and accounted for about 7.3% and about 7.1%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the consolidation in administrative expenses of all the previously acquired companies upon completion of the acquisitions and amortization of the intangible assets of the Group for an aggregate amount of approximately RMB131.0 million (2017: RMB120.8 million) during the Year.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings. The aggregate amount of interest incurred was approximately RMB131.7 million (2017: approximately RMB130.0 million) for the Year.

For the Year, interest rates of the interest-bearing loans ranged from 3.6% to 5.95%, while those for the year ended 31 December 2017 ranged from 4.61% to 6.18%.

Foreign Exchange Exposure

Most of the revenue-generating operations of the Group were transacted in Chinese Yuan which is the presentation currency of the Group. For the Year, the Group was exposed to foreign currency risk arising from the purchasing and Senior Notes in US Dollars. The Group will monitor its foreign currency exposure closely to minimize the exchange risk.

Share Capital and Capital structure

Save as disclosed in this report in relation to the allotment of 230,000,000 shares to Fujifilm during the Year and cancellation of 565,000 shares following the repurchase of shares of the Company subsequent to the Year, there has been no change to the shares in issue and capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserve. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

Human Resources and Remuneration Policies

As at 31 December 2018, the Group had 1,013 (2017: 951) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB168.7 million for the Year as compared to approximately RMB156.1 million for the year ended 31 December 2017. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience. On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. For the Year, bonus was paid to Directors by the Company. Other staff benefits include provision of welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance and central pension scheme.

Significant investments held

Except for investment in subsidiaries and associate during the Year, the Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments and capital assets

The Group did not have any other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of assets

As at 31 December 2018, none of the Group's property, plant and equipment was pledged (2017: Nil). In addition, bank loans of approximately RMB167.7 million were secured by the pledge of 70% of equity interests for each of Shenzhen De Run Li Jia Company Limited, Guangzhou Shenshiyuan Trading Company Limited and Beijing Kaihongda 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 had no material contingent liabilities as at 31 December 2018 (2017: Nil).

PROSPECT

In China, the population expanded by 5.3 million in 2018, arriving at 1.40 billion. This underpins a massive room for expansion.

Along with increasing per capital disposable income in 2018, the average expenditure on healthcare and welfare also rose by 16.1% to RMB1,685. Boosted by stronger awareness for healthcare, cross-province medication has become more common. According to data from National Healthcare Security Administration ("國家醫保局"), the number of patients who sought cross-province medication amounted to 1.32 million in 2018, 6.3 times the number of 2017. Shanghai, Beijing, Jiangsu and Guangdong were among the provinces where the most inflow of patients were seen, and they represent markets where Yestar possesses a well-established network.

Riding on such growth trend, the Group has been proactive in forming strategic partnerships to explore potentials. the Group will continue to devote resources to promote new technologies, to market and implement laboratory automation and to upgrade its logistic and warehousing network.

As one of the leading IVD product distribution and service platforms with vast networks across the PRC, the Group is pleased to see opportunities in women's healthcare market. Human Papillomavirus ("HPV") is of one the most common kind of infection, and 99% of cervical cancer cases were related to the infection of high-risk human papillomavirus. In the PRC, the number of cervical cancer patients increased from 98,500 in 2013 to 107,400 in 2017, and has become one of the most pressing illnesses that threatened women's health, as stated by Frost & Sullivan. The Group sees potentials begin to tick up, we have established a long-term collaboration with various renowned IVD researcher and product developers, and we are ready to capture the opportunities.

Currently, immune and biochemical diagnosis are the most popular IVD products, accounting for the largest market share globally, however, molecular diagnosis is an up-and-coming star with the biggest market potential. As the newest diagnostic method that detects the structural or expression change of genetic materials, molecular diagnosis is accurate and tailor-made to each patient's needs. In the future, the Group will continue to work with Roche Diagnostic to introduce such new products and services into the PRC, with an aim to provide comprehensive, effective and efficient diagnostic services to the citizens.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Hartono James, aged 43, is our Chairman and chief executive officer.

He joined our management team since our establishment and is responsible for the overall strategic development of our business as well as implementing our strategic objectives and business plans and overseeing the management and operations of all members of our Group. Mr. Hartono is also responsible for coordinating between the Directors as well as providing leadership to our Board.

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

Mr. Hartono has over 18 years of experience in the distribution of image printing products in China. Since 2000, he has participated in his family business in the distribution of image printing products. He developed his expertise in the industry when he first became the vice general manager of Yestar Shanghai in 2000. Mr. Hartono was a director of Yestar (Shanghai) International Trading Co., Ltd. 迪星(上海)國際貿易有限公司 (engaged in international trading and import and export trading) and Yestar (Shanghai) Digital Imaging Co., Ltd 迪星(上海)數碼技術有限公司 (engaged in digital photo and minilab processing business). Mr. Hartono was awarded the Honored citizenship from Nanning city in 2009. He graduated from Portland State University in Oregon, the USA with a bachelor's degree of science in marketing and finance in June 1997. In addition, Mr. Hartono completed the 21st session of the General Management Program in Harvard Business School in November 2016.

Ms. Wang Ying, aged 58, joined the Company in 2010 and is primarily responsible for formulating the sales strategies and product development of our business. She is also the chairman of Yestar Shanghai.

Ms. Wang has over 34 years of experience in the imaging industry. Prior to joining our Group, Ms. Wang had worked for the Processing Group from July 1984 to June 2010. During this period, she worked for certain members of the Processing Group as the project engineer, processing executive, head of quality control department, co-head of sales for processing plant, legal representative and general manager. She also worked for the Processing Group as the chief engineer and head of processing plant.

Ms. Wang was awarded the second prize in respect of her accomplishment on GK-II Medical X-ray Film by Economic Commission of Shanghai in April 1998. Ms. Wang was also awarded the second and the third prize in respect of her accomplishment on RL-II Laser Phototypesetting Film by Economic Commission of Shanghai in July 2003 and by the local government in Shanghai in December 2003, respectively.

Ms. Wang obtained a Bachelor's degree in Fine Chemical Engineering Major in Photosensitive Material from East China University of Science and Technology (formerly known as 華東化工學院) in July 1984. She obtained a C.E.O. Associate certificate from British Federal Committee. She has been a committee member of Chinese Society for Imaging Science and Technology (中國感光學會) since 2001. She was a member of National Technical Committee on Light Industrial Machinery of Standardization Administration of the People's Republic of China (全國感光材料標準化技術委員會) from 2004 to 2009.

Mr. Chan To Keung, aged 60, has over 37 years of experience in the production of image printing products. Prior to joining our Group in 2006, Mr. Chan worked in Fuji Photo Products Co., Ltd, a wholly owned subsidiary of China-Hongkong Photo Products Holdings Limited which is listed on the Stock Exchange of Hong Kong (Stock Code: 1123) (engaging in distribution of Fujifilm products in Hong Kong and Macau), as senior manager in production, senior manager, manager, assistant manager, supervisor and technician in technical education center from 1977 to 2003.

Mr. Chan completed a three-year part-time evening certificate program specialising in electronics in 1982 held by the Technical Education and Industrial Training Department of Hong Kong. He further obtained a business administration certificate in 2006 from the Open University of Hong Kong.

Ms. Wang Hong, aged 43, is our chief financial officer and joined the Company in January 2007 and is primarily responsible for overseeing our finance and accounting and financial planning.

Ms. Wang is the financial controller of Yestar Shanghai and a director of Yestar Asia Company Limited ("Yestar BVI"), Yestar International (HK) Company Limited ("Yestar HK") and Yestar Biotech (Jiangsu) Company Limited, all of which are wholly-owned subsidiaries of the Company.

Ms. Wang is also a director of Shanghai Anbaida Group Companies, which is non-wholly owned subsidiary of the Company.

Ms. Wang graduated from Shanghai University of Finance and Economics (上海財經大學) and has over 12 years of experience in PRC financial accounting and auditing. Prior to joining our Group, Ms. Wang worked as an accountant for different companies for more than 5 years.

Mr. Chan Chung Man, aged 43, joined the Group in July 2015 as head of medical division and is responsible for the business development, marketing and management of the medical consumable business of the Group. Mr. Chan was appointed as Chief Operating Officer in March 2018.

Mr. Chan has 18 years of overseas and the Chinese domestic market and distribution development and management experiences. With his extensive experience in merger and acquisitions, Mr. Chan has also assisted the Group to acquire and manage various medical consumable business companies acquired by the Group in the last few years. Mr. Chan is the director of Yestar Biotech (Jiangsu) Co., Ltd., which is a wholly-owned subsidiary of the Company. Besides, Mr. Chan is the supervisor of Shanghai Emphasis Investment Management Consulting Company Limited, Guangzhou Hongen Medical Diagnostic Tech Company Limited, Guangzhou Shengshiyuan Trading Company Limited, Shenzhen Derun Lijia Company Limited and Beijing Kai hongda Technology Company Limited, all are non-wholly owned subsidiaries of the Company.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming, aged 55, joined the Company on 18 September 2013. She is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Dr. Hu has more than 25 years of experience in accounting. Dr. Hu has been a professor of accounting at the Department of Accounting of the Antai College of Economics & Management and the Supervisor of the Company Financial Research Centre of Antai College of Economics & Management at the Shanghai Jiao Tong University, China since January 2005. She has been a committee member of the Professional (Finance and Accounting) Committee of the Chinese Accounting Society (中國會計學會專業委員會(金融會計)) since February 2008. Dr. Hu was a supervisor of Ph.D. students of the School of Accountancy from January 2002 to January 2005 at the Shanghai University of Finance and Economics, China, an associate professor of the MBA Centre of the School of Management at Xiamen University, China from September 1997 to September 1999, a lecturer of the Accounting Department at the Xiamen University, China from April 1991 to September 1997, and a research assistant in the Computer Centre at Xiamen University, China from September 1988 to April 1991. Dr. Hu is also a member of the Accounting Committee of the Asia Pacific Management Accounting Association (亞太管理會計指導委員會).

Dr. Hu obtained a Bachelor of Science degree in Chemistry from Xiamen University, the PRC in 1985 and a Ph.D. degree in Management/Accounting from Xiamen University, the PRC in 1998.

Dr. Hu was an independent non-executive director of International Mining Machinery Holdings Limited (stock code: 1683) ("IMMH"), which was delisted on the Stock Exchange in June 2012, between January 2010 and June 2012.

Mr. Tirtamarta Karsono (Kwee Yoe Chiang), aged 71, joined the Company on 18 September 2013. He is the Chairman of our Remuneration committee and a member of our Audit committee and Nomination committee.

Mr. Karsono is the Founder and Executive Chairman of the Eurokars Group, a privately-held automobile distributorship group which operates well-known automotive brands marques in Singapore, Indonesia Australia, and China. He has garnered over 30 years of experience in the automotive business, with luxury and premium brands as his primary focus.

A well known entrepreneur with a list of stellar accomplishments, Mr. Karsono was conferred the Public Service Medal (PBM) in Nov 2017 as part of the Singapore National Day Awards by Her Excellency, the President of the Republic of Singapore.

An intrepid entrepreneur, Mr. Kwee was presented with the 2015 Honorary Distinguished Leader Award at the Promising SME 500 Medallion Presentation Ceremony. And in 2006, he was the recipient of the Entrepreneur of the Year Award which was jointly organized by ASME and Rotary Club of Singapore.

Eurokars Group was conferred the third position in 2011 in the Enterprise 50 Award, which was jointly organised by The Business Times and KPMG, sponsored by OCBC Bank and supported by the Infocomm Development Authority of Singapore, International Enterprise Singapore, Singapore Business Federation and SPRING Singapore. And in 2012, Eurokars Group was accorded the Business Superbrands status, a prestigious recognition of its achievements.

Mr. Sutikno Liky, aged 44, joined the Company on 18 September 2013. He is the chairman of our nomination committee and a member of our audit committee and remuneration committee.

Mr. Sutikno has over 14 years of experience in management and global supply chain services. He has been the chief operating officer of Seglian Manufacturing Group with responsibility to oversee its operation, primarily in Asia, since January 2004. He is also a legal representative and the chairman of the board of International Seglian (Shanghai) Ltd., overseeing its factories and joint ventures in the PRC. Seglian provides global supply chain services.

Mr. Sutikno obtained Bachelor degrees in Industrial Systems Engineering, Information Systems and Finance (his areas of concentration in Engineering were Manufacturing, Operation Research and Engineering Management) from The Ohio State University, Columbus, Ohio, the United States in June 1997.

SENIOR MANAGEMENT

Ms. Liao Changxiang, aged 45, is the general manager of Yestar (Guangxi) Technology Co., Ltd., Joy Health Biotech (Guangxi) Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd. Ms. Liao joined us in 2007 and is primarily responsible for overseeing our finance, accounting and logistics of our operations in Guangxi.

Ms. Liao has over 19 years of experience in finance. Prior to joining our Group, Ms. Liao was the chief financial officer of Guangxi Runyu Business and Trade Group Corporation (廣西潤宇工貿集團有限公司) from January 2003 to May 2007 and from March 1999 to March 2002, worked in Nanning Yangda Tank Factory (南寧樣達水箱廠) which later merged with Nanning Eight Rhombus Motors Accessories Co., Ltd. (南寧八菱汽車配件有限公司), a subsidiary of Nanning Baling Technology Co., Ltd. (南寧八菱科技股份有限公司) (Stock Code: 002592), the shares of which are listed on the Shenzhen Stock Exchange.

Ms. Liao has been a senior accountant recognized by the Department of Human Resources and Social Security of Guang Xi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳) since December 2010. Ms. Liao obtained a Master of Business Administration from Guangxi University in June 2009.

Mr. Ng Chit Sing was appointed as our company secretary in May 2015. He is the chief executive officer of IN Corporate Services Limited specialising in the provision of corporate secretarial services to listed issuers and private companies.

Mr. Ng is currently acting as named company secretary/joint company secretary of certain companies listed on the Main Board or GEM of the Stock Exchange of Hong Kong Limited. Mr. Ng was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England in July 2000. Mr. Ng received a Bachelor's Degree in Social Sciences in 1996 and a Bachelor's Degree in Laws in August 2008.

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited consolidated financial statements (the "Financial Statements") of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

There were no significant changes in the nature of the Group's principal business during the Year.

The business review and analysis of major financial performance indicators of the Group for the Year together the discussion on future business development are set out in the section headed "Management Discussion and Analysis" on pages 16 to 23 of this annual report. This discussion form part of the report of directors.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY'S BUSINESS

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

(a) Supplier Concentration Risk

Yestar is a small company relative to its rated global healthcare peers and it is heavily dependent on two supplier relationships — with Fujifilm and Roche. Yestar entered the IVD market in 2014 after its first acquisition of a medical device company in Jiangsu and had established partnerships with Roche Diagnostics. Since then, Yestar has acquired five more distributors in the PRC. Sales of Roche's diagnostic and IVD products contributed significant amount of our total revenue during the Year, which suggests that any change in strategic investment policies of Roche Diagnostics or potential conflict with Roche or loss of Roche's competitive positioning in IVD products could result in risk to our IVD revenue and profit of the Group as a whole.

(b) Currency Risk

The majority of our revenue is dominated in RMB. However, the Company issued US$200 million 6.9% senior notes due 2021 in 2016, which requires Yestar to pay interest of US$6.9 million semi-annually until 2021. Any depreciation of RMB against US$ would increase our financial burden and affect our profit of the Group. During the Year, the Company recorded an exchange loss of approximately RMB2.0 million.

(c) Financial Management and Liquidity Risk

Yestar generates solid cash flows from its operations, but payments (working capital, interest on issuance of senior notes, dividends and further acquisition) will keep its free cash flow in the negative for the next next couple of years.

For its IVD business, hospital payments can take as long as 12 months. The lengthened cash conversion cycle would hamper the liquidity, cash flow and operation of the Group, and put pressure on the Company's future possible acquisitions and/or interest expenses arising from issuance of senior notes. As a result, as its IVD business grows, Yestar's working capital will be a drag on operating cash flows.

(d) Regulatory Risk

Healthcare industry is a heavily regulated market in China. Currently, there are no price controls on IVD products and new products can also be introduced relatively easily by registration rather than by approval. However, this situation may change in the future with the increasing usage and costs of IVD which will affect the competitive advantage of the business operation of the Group.

(e) Market Competition

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

The Group will keep on monitoring the competition situation and adopts corresponding measures.

RELATIONSHIP WITH KEY PARTIES

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

Customers

The principal customers of the Group are distributors, hospitals and clinics in Shenzhen, Fujian, Guangdong, Hainan, Hunan, Shanghai, Jiangsu, Anhui and Beijing. We have been devoted to providing excellent customer services (including after-sale services) with the purpose of maintaining long term co-operation relationship, increasing sales volume and improving profitability.

IVD manufacturers' distribution agreements are generally non-exclusive and need to be renewed annually. However, we entered into contracts with hospitals and clinics lasting from one to eight years, and our contracts with local distributors can last from one to four years. Such long-term contracts provide stability and give suppliers an incentive to maintain the relationship with their distributor.

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

Suppliers

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

Employees

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

Shareholders

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Discussion on the environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" on pages 58 to 72 in this report. This discussion forms part of the report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESULTS AND DIVIDEND

The results of the Group for the Year and the financial position of the Group as at 31 December 2018 are set out in the Financial Statements on pages 80 to 171.

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

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

The Board did not recommend the payment of any final cash dividend for the year ended 31 December 2018 (2017: HK5.5 cents per share).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 172. This summary does not form part of the audited Financial Statements.

SHARE CAPITAL IN THE YEAR

Details of movement in share capital of the Company during the Year are set out in note 27 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

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

EQUITY-LINKED AGREEMENT

Other than the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2018 or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

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

The Company was authorized by its shareholders at the annual general meeting held on 15 May 2018 (the "2018 AGM") to repurchase its shares not exceeding 10% of the issued shares of the Company at the date of the 2018 AGM until the conclusion of next annual general meeting or the revocation of the resolution for repurchase of shares, whichever is earlier. During the Year, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

Subsequent to the Year, the Company repurchased its shares on the Stock Exchange in order to reflect the confidence of the Board and the management team in the long-term strategy and growth of the Company as well as to enhance value of the shareholders.

Details of the share repurchased of the Company on the Stock Exchange subsequent to the Year are set out as follows:

All the repurchased shares were cancelled as at the date of this report and the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB838.8 million (2017: approximately RMB499.4 million). Details of the movement in reserve of the Company during the Year are set out in note 38 to the Financial Statements.

CHARITABLE DONATIONS

During the Year, charitable and other donations made by the Group amounted to approximately RMB0.3 million (2017: RMB0.3 million).

Month/Year of repurchase	No. of repurchased shares	Consideration per share Highest	Consideration per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
January 2019	565,000	1.87	1.76	1,023,675
	565,000	1.87	1.76	1,023,675

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

— the largest supplier	36%
— five largest suppliers in aggregate	61%

Sales

— the largest customer	22%
— five largest customers in aggregate	40%

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

INTEREST-BEARING LOANS AND OTHER BORROWINGS

Particulars of interest-bearing loans and other borrowings of the Group as at 31 December 2018 are set out in note 23 to the Financial Statements. As at 31 December 2018, none of the Group's property, plant and equipment was pledged (2017: Nil). In addition, bank loans of approximately RMB167.7 million were secured by the pledge of 70% of equity interests for each of Shenzhen De Run Li Jia Company Ltd, Guangzhou Shenshiyuan Trading Company Limited and Beijing Kaihongda 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.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

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

Independent Non-Executive Directors:

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

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 11 October 2016, which shall be terminated at any time by giving to the other not less than 3 months' written notice, subject to retirement by rotation and re-election at annual general meeting.

Each of the independent non-executive Directors has executed a letter of appointment with the Company for a term of three years commencing from 11 October 2016 unless otherwise terminated in accordance with the terms of the letter of appointment, subject to retirement by rotation and re-election at annual general meeting.

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. Accordingly, Ms. Wang Ying, Mr. Chan To Keung and Mr. Chan Chung Man shall retire from office at the forthcoming annual general meeting to be held on 10 May 2019 (Friday) (the "AGM").

All retiring Directors shall be eligible and offer themselves for re-election at the AGM.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors (including his/her immediately family members under rule 14A.12(1)(a) of the Listing Rules) has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors and Senior Management on pages 24 to 28 of this annual report.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the related party transactions as disclosed in note 33 to the Financial Statements, no transaction, arrangement or contract (that is significant in relation to the business of the Company), to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest, subsisted as at 31 December 2018 or at any time during the Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Save for the related party transactions below, during the Year, the Group did not conduct any connected transaction and/or continuing connected transaction which was required to be disclosed under the Listing Rules.

RELATED PARTY TRANSACTIONS

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

NON-COMPETE UNDERTAKING

Each of Ms. Hartono Jeane, Mr. Hartono James, Mr. Hartono Rico and Ms. Hartono Chen Chen Irene (the "Controlling Shareholders") gave a non-competition undertaking in favour of the Company, pursuant to which each of the Controlling Shareholders undertakes and covenants with the Company that he/she will not, and will procure that none of his/her associates shall directly or indirectly, either on his/her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any right or interest in or render any services to or otherwise be involved in any business directly or indirectly in competition with, or likely to be in competition with, the image-printing business and the medical imaging business carried out by the Group in the PRC.

The Company has received the confirmation from each of the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking for the Year.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms during the Year.

SHARE OPTION SCHEME

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

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

Participants under the Share Option Scheme include the following:

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

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

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

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

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

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 18 September 2013 and will remain in force until 17 September 2023. The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme and their terms of issue.

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a Business Day;

(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(c) the nominal value of a Share.

Upon acceptance of the options, the grantee shall pay HKD1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than ten years commencing on the date of grant and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

An offer shall be deemed to have been accepted by the Grantee and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the offer duly signed by the grantee together with a remittance in favour of our Company of HKD1.00 by way of consideration for the granting thereof is received by our Company within the acceptance period as specified in the offer letter, and the option to which the offer relates shall be deemed to have been granted on the offer date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering but without taking into account any Shares to be issued upon exercise of the over-allotment option, unless the Company obtains an approval from our shareholders in general meeting for refreshing the 10% limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Any further grant of options in excess of this 1% limit must be separately approved by the shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

As at 31 December 2018, no option has been granted by the Company to subscribe for shares of the Company.

Apart from the aforesaid Share Option Schemes, at no time during the Year was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

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

As at 31 December 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 in Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Director	Interests in ordinary shares Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	Approximate percentage of the Company's issued share capital
Hartono James	531,162,500	—	20,000,000 (Note 1)	551,162,500	—	551,162,500 (Note 2)	22.92%

Notes:

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

2. Out of 551,162,500 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 31 December 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 31 December 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 the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Hartono Jeane	Beneficial owner	459,370,000	19.10%
Hartono Rico	Beneficial owner	265,810,000	11.05%
FUJIFILM Corporation*	Beneficial owner	230,000,000	9.56%
Li Bin	Beneficial owner	164,600,600	6.85%

* FUJIFILM Corporation is a wholly-owned subsidiary of FUJIFILM Holdings Corporation, which is therefore deemed to be interested in the 230,000,000 Shares held by FUJIFILM Corporation under the SFO.

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' Interests and/or Short Positions in Shares and Underlying Shares of the Company" above, as at 31 December 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2018.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information of the Company are as follows:

The monthly salary of Mr. Hartono James, the Chairman and an executive Director of the Company, increased from RMB210,761 to RMB219,191 since 1 January 2019.

The monthly salary of Ms. Wang Ying, an executive Director, increased from RMB108,410 to RMB112,747 since 1 January 2019.

The monthly salary of Mr. Chan To Keung, an executive Director, increased from RMB113,915 to RMB118,472 since 1 January 2019.

The monthly salary of Ms. Wang Hong, an executive Director, increased from RMB55,000 to RMB60,000 since 1 January 2019.

The monthly salary of Mr. Chan Chung Man, an executive Director, increased from RMB120,959 to RMB157,247 since 1 January 2019.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public as at the date of this report.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 42 to 57 in this annual report.

ANNUAL GENERAL MEETING ("AGM")

The annual general meeting of the Company will be held on 10 May 2019 (Friday) and the notice convening such meeting will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 May 2019 (Tuesday) to 10 May 2019 (Friday) (both days inclusive), during which period no transfers of shares will be registered, for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 6 May 2019 (Monday).

AUDITORS

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

By order of the Board
YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED

Hartono James
Chairman, CEO and Executive Director

Hong Kong, 19 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance, practices and procedures. The Company believes that good corporate governance provides a solid foundation for the Group to manage business risks and is also one of the key factors leading to the success of the Company so as to balance the interests of shareholders, customers and employees. The Board is devoted to ongoing enhancements and review of the efficiency and effectiveness of such principles and practices to ensure that all of them are in line with corporate governance best practices.

Throughout the year ended 31 December 2018 (the "Year"), the Directors consider that the Company has complied with all corporate governance codes ("CG Code") as set out in Appendix 14 to the Listing Rules, save for the following:

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

THE BOARD OF DIRECTORS

Composition and Responsibilities

As at 31 December 2018, the Board comprises eight Directors, of which five are executive Directors, and three are independent non-executive Directors. The composition of the Board throughout the Year and up to the date of this report is as follows:

Executive Directors:

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

Independent Non-executive Directors:

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

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

The biographical details and responsibilities of the Directors as well as the senior management as at the date of this report are set out in the section "Biographical Details of the Directors and Senior Management" on pages 24 to 28.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the

Company and make operational and business decisions within the control of and delegation framework of the Company. The independent non-executive Directors contribute valuable views and proposals for the Board's deliberation and decisions.

The Company has throughout the Year met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the Year, the independent non-executive Directors represent at least one-third of the Board.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence for the year. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules as at the date of this report.

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

PROCEDURE FOR SEEKING INDEPENDENT PROFESSIONAL ADVICE BY DIRECTORS

The Company has agreed to provide separate independent professional advice and sufficient resources to Directors and all Board Committees to assist them to discharge their duties in compliance with the Listing Rules and CG Code. The Company will consider to develop written procedures to enable Directors and members of all Board Committees, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense.

The Company has subscribed an insurance policy with an aim to indemnify its Directors and senior management from any losses, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective services agreements entered into with the Company.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business. For the Year, a total of five Board meetings were held.

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meeting, board committee meetings and general meeting held during the Year:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2018 Annual General Meeting
Total number of meeting held	5	2	2	2	1
			Number of Meetings Attended		
Executive Directors:					
Hartono James	3	N/A	N/A	N/A	1
Wang Ying	3	N/A	N/A	N/A	1
Chan To Keung	4	N/A	N/A	N/A	1
Wang Hong	5	N/A	N/A	N/A	1
Chan Chung Man	4	N/A	N/A	N/A	1
Independent non-executive Directors:					
Hu Yiming	5	2	2	2	1
Tirtamarta Karsono (Kwee Yoe Chiang)	4	2	2	1	1
Sutikno Liky	4	2	2	2	1

Appropriate notices are given to all Directors in advance for attending regular and other board or board committee meetings. Meeting agendas and other relevant information are provided to the Directors in advance of board or board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes will be sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

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

Appointment, Re-election and Removal

Each of the executive Directors and independent non-executive Directors has entered into a service contract and letter of appointment with the Company for an initial term of three years. The aforesaid service contracts and the letters of appointment may be terminated by not less than three month's notice in writing served by either party on the other.

In accordance with the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines throughout the Year and as at the date of this report.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

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

Induction and Continuous Professional Trainings of Directors

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors have also been informed of the requirement under A.6.5 of the CG Code regarding continuous professional development and they may join institutes and attend relevant training seminars or informative talk from time to time to enable them to better discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading and any industry-related matters, to develop themselves professionally, at the Company's expense.

For the Year, regulatory updates have been provided and sent to all the Directors, include:

— briefing by the external auditor on changes or amendments to accounting standards at the audit committees; and

— update by the Company Secretary on proposed amendments to the Listing Rules, directors' duties, risk management and directors' responsibilities from time to time.

The Company shall from time to time, if necessary, arrange for relevant and appropriate continuous professional training to all Directors to develop and refresh their knowledge and skills to enable them to be better discharge their duties as a Director of the Company.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee on 18 September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Company has updated the written terms of reference of audit committee on 30 November 2018 in compliance with the new CG Code with effect from 1 January 2019. The revised terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the audit committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

The composition of the audit committee is as follows:

Independent non-executive Directors:

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

All of the members of the audit committee are independent non-executive Directors. None of them is a former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them do not have material interest in any principal business activity of nor is or was involved in any material business dealings with the Group or with any core connected persons (as defined in the Listing Rules) of the Group within one year immediately prior to their respective date of appointment.

Dr. Hu Yiming, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the audit committee.

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

The summary of work of the audit committee during the Year is as follows:

— met with the external auditors, reviewed and made recommendations for the Board's approval on the annual and interim reports of the Company;

— reviewed and approved audit fee;

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

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

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

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

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

Remuneration Committee

The Board established the remuneration committee on 18 September 2013 with written terms of reference in compliance with the relevant Code Provisions. The written terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange.

The remuneration committee is responsible for, inter alia, formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the remuneration committee is as follows:

Independent non-executive Directors:

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

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

The summary of work of the remuneration committee during the Year is as follows:

— reviewed and recommended to the Board on the Group's remuneration policy and strategy;

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

— reviewed and recommended to the Board the Directors' fees of the non-executive Directors and independent non-executive Directors remain unchanged for the next year.

Nomination Committee

The Board established the nomination committee on 18 September 2013 with written terms of reference in compliance with the relevant Code Provisions. The written terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the nomination committee is as follows:

Independent non-executive Directors:

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

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

The summary of work of the nomination committee during the Year is as follows:

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

— reviewed the board diversity policy;

— reviewed the nomination policy;

— reviewed and assessed the independence of the independent non-executive Directors; and

— made recommendations on the re-election of the retiring Directors at the 2019 AGM of the Company.

Board Nomination Policy

The Company adopted a nomination policy on 30 November 2018 in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The nomination committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the nomination committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

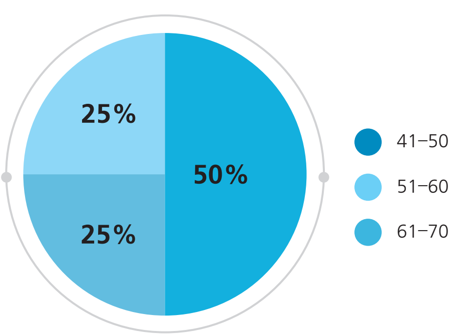
The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service will be considered. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Current composition of the Diversified Board

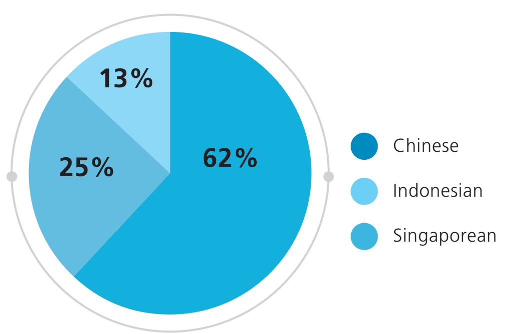
As at the date of this annual report, the Board comprises eight Directors, three of which are female. The following diagram and/or table further illustrate the composition and diversity of the Board in terms of gender, length of service with the Group, age, nationality, educational background and professional experience as of the date of this annual report:

	Age group			Ethnicity		
Name of Director	40 to 49	50 to 59	60 or above	Chinese	Indonesian	Singaporean
Mr. Hartono James	✓				✓	
Ms. Wang Ying		✓		✓		
Mr. Chan To Keung			✓	✓		
Ms. Wang Hong	✓			✓		
Mr. Chan Chung Man	✓			✓		
Dr. Hu Yiming		✓		✓		
Mr. Karsono Tirtamarta			✓		✓	
Mr. Sutikno Liky	✓					✓

AGE



ETHNICITY



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

	Educational background				Professional experience	
Name of Director	Management	Chemical Engineering	Accountancy	Other	Audit, accounting and finance	Management
Mr. Hartono James	✓					✓
Ms. Wang Ying		✓				✓
Mr. Chan To Keung	✓					✓
Ms. Wang Hong			✓		✓	
Mr. Chan Chung Man	✓					✓
Dr. Hu Yiming			✓		✓	
Mr. Karsono Tirtamarta				✓		✓
Mr. Sutikno Liky				✓		✓

The nomination committee considers the existing size and composition of the Board are adequate and diversified for effective decision-making, taking into account the nature and scope of the Group's operations. The nomination committee has also monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

Corporate Governance Function

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

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

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

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

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

— reviewed the Company's compliance with CG Code and disclosure in the corporate governance report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of independent non- executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements for the Year which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by auditor about their reporting responsibilities is set out in the independent auditor's report on pages 73 to 79 of the Consolidated Financial Statements.

External Auditors' Remuneration

During the Year, the Company engaged Messrs. Ernst & Young as the external auditors. The fee in respect of audit services and non-audit services provided by Messrs. Ernst & Young for the Year amounted to approximately RMB3.0 million and approximately RMB0.9 million respectively.

The audit committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditors for annual audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the year.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

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

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

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

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

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

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

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

Effectiveness

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

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

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

Internal Audit

The audit committee relies on reports from the management, external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the audit committee oversees and monitors the implementations thereto.

During the Year, the Group has outsourced its internal audit function and engage an independent internal control consultant to assess our overall internal control systems and give recommendations to make enhancement. The internal audit has an administrative reporting function to management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned, and will report their findings and recommendations directly to the audit committee. The internal audit can access to all the Group's documents, records and properties for performing its duties.

It was reported that there were no material deficiencies in relation to the Group's internal controls. The Board is of the view that the internal control measures of the Group are adequately and effectively monitor our business operations for the Year.

Inside Information

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

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

DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

With the establishment of the Audit Committee, Remuneration Committee and Nomination Committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

Each of Ms. Hartono Jeane, Mr. Hartono James, Mr. Hartono Rico and Ms. Hartono Chen Chen Irene (the "Controlling Shareholders") gave a non-competition undertaking in favour of the Company, pursuant to which each of the Controlling Shareholders undertakes and covenants with the Company that he/she will not, and will procure that none of his/her associates shall directly or indirectly, either on his/her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any right or interest in or render any services to or otherwise be involved in any business directly or indirectly in competition with, or likely to be in competition with, the image-printing business and the medical imaging business carried out by the Group in the PRC.

The Company has received the confirmation from each of the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking for the Year.

The Board comprising all independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms during the Year.

COMPANY SECRETARY

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

The Procedures for Sending Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at http://www.yestarcorp.com. It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular, financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming annual general meeting of the Company is scheduled to be held on 15 May 2018 (Tuesday). At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

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

Policy on Payment of Dividends

The Company adopted a policy on payment of dividends (the "Dividend Policy") on 30 November 2018 in compliance with E.1.5 of the CG Code with effect from 1 January 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Hong Kong, 19 March 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the third Environmental, Social and Governance Report ("Report") released by Yestar Healthcare Holdings Company Limited and its subsidiaries (collectively known as "Group" or "We") to outline our approaches, commitments and strategies in pursuit of sustainable development, as well as enhance stakeholders' understanding of the Group. This Report is prepared in accordance with the "Comply or Explain" provisions laid down in the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited. All the information in this Report reflects the performance of Yestar in environmental management and social responsibilities for the year ended 31 December 2018 (the "Reporting Period").

This Report covers the material issues of the operations of the Group and its subsidiaries Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd., Yestar (Guangxi) Imaging Technology Co., Ltd. and Yestar Biotech (Jiangsu) Company Limited, unless otherwise specified.

STAKEHOLDER ENGAGEMENT

The Group understands that addressing issues of interest to a variety of stakeholders is intrinsically linked to its abilities to establish a strong operating foundation, which is in turn vital to ensure the sustainability of its business activities and to achieving sustainable growth. We strive to maintain open communication with a wide range of stakeholders including shareholders, clients, employees and the community through daily operation channels such as meetings and site visits. Through carrying out a survey with a questionnaire listing out the potentially material issues, the results showed that quality management and staff development are relatively material.

With an understanding of the expectations of different stakeholders, the Group can better reshape our business strategies to respond to their needs, address their concerns, enhance the key relationships and foster harmonious development.

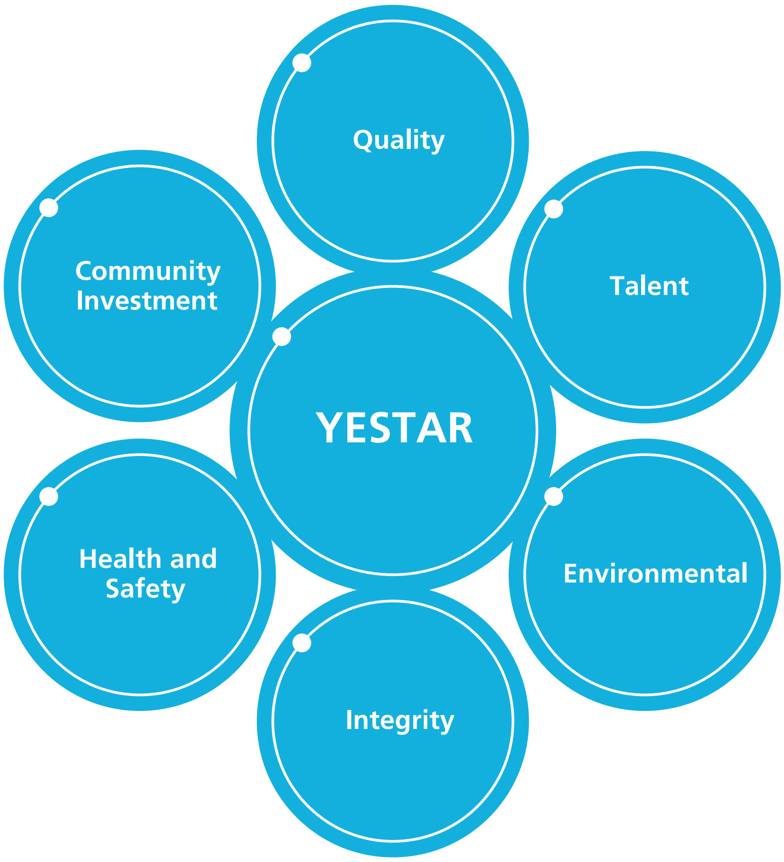
MATERIALITY ASSESSMENT

Materiality assessment is a process for understanding the expectations of multi-stakeholders and identify any industry specific issues, helping the Group to prioritise our initiatives. This Report focuses on sustainability issues material to the Group's business and those issues of prime importance. We identify these issues by

- analysing environmental and social impacts of our business activities
- reviewing concerns identified by stakeholders
- framing our approach to reporting adherence to the ESG Guide

To conduct the materiality assessment, potentially material issues and industry specific issues have been selected to compile a list. Key stakeholders were identified for engagement subsequently. Finally, the material and prioritised aspects were identified, associated with the areas in quality management, supplier chain management, employee development and compensation policy, as well as environmental management. With the surging demand from the stakeholders, the Group is exploring opportunities to embrace sustainability across the business to achieve continuous success over the long term.

The topics in the Report have been articulated by incorporating issues which are deemed most relevant and material to the Group and its stakeholders. These topics could be classified as the following six major strategic areas, intending for strengthening the Group's operating foundation as well as enhancing its corporate value:



A performance summary table is shown as below:

Employment and Development	
Total number of employees	599
By gender	
Female	255
Male	344
By age group	
Below 30	140
30 to 50	441
Over 50	18
Training Hours	
The average training hours completed	
By gender	
Female	15.72
Male	16.18
By employee category	
Senior Management	11.95
Middle Management	20.74
General Employees	15.16
Health and Safety	
Number of work-related fatalities	1
Number of lost days due to work injury	13
Environment	
Air Emissions[1]	
Particulate Matter (PM) (kg)	131.51
Nitrogen Oxides (NOx) (kg)	1,828.95
Sulphur Oxides (SOx) (kg)	5.14
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions and Scope 2 Indirect Emissions) (tonnes of CO2e)	2,584.11
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions) (tonnes of CO2e)	357.07
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions) (tonnes of CO2e)	2,227.04
Total Energy Consumption (MegaWatt-hours)	4,137.46
Energy Consumption per Revenue (MegaWatt-hours/RMB$'000,000)	0.93
Total Non-Hazardous Waste (tonnes)[2]	93.56
Non-Hazardous Waste Produced per Revenue (tonnes/RMB$'000,000)	0.02
Total Hazardous Waste (tonnes)[3]	452.04
Hazardous Waste Produced per Revenue (tonnes/RMB$'000,000)	0.10
Total Water Consumption (cubic meters)	16,396.83
Water Consumption per Revenue (m^3/RMB$'000,000)	3.69
Total Packaging Materials (tonnes)	2,694.54

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

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

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

We sincerely welcome your comments and suggestions with regard to this Report and our sustainability performance. Please send your feedback to us at michelleshi@dlkadvisory.com.

QUALITY

Clients and other stakeholders have become increasingly concerned about the quality. Ensuring top quality is crucial, without tolerance for mediocrity. Clients' trusts are built on the quality, safety and performance of our products. The Group is fully committed to improving product and service quality from the clients' viewpoint and safety viewpoint in order to both maintain and enhance satisfaction, confidence and trust.

Quality management system, supply chain management and client relationship management are implemented. Particularly, our quality management system which includes defining the roles, responsibilities and authority of those responsible for product quality guides us to consistently provide superior products, achieved through customer focus, continuous improvement and maintain an effective quality system. We not only pay extra attention to production process, but also other areas including research & development and supply chain management. All parts, semi-finished or finished products have to undergo rigorous quality inspection procedures. The Group provides after-sales support services to its customers, aiming at protecting the health of the end-users.

Quality Assurance

The Group manages chemical and medical consumable products, encountering the evolving regulatory updates. With the cooperation of all departments, the Group endeavours at delivering quality products and strengthening customer confidence in every possible way. Quality Management System acts as one of the core components of the Group's strategy for sake of the continual improvement, ascertaining product compliance with quality standards and creating value for clients. The Quality Management System of the Group is audited and verified by independent certification bodies to prove conformity to the internal standards on a regular basis. The Group has operated in accordance with ISO 9001:2015[4], ISO 13485:2003[5], ISO 14971:2007[6] and European Union Directives.

Manufacturing sites and office under the Group operate based on the ISO 9001 system, including Yestar (Guangxi) Technology Co., Ltd, Yestar (Guangxi) Imaging Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. And Shanghai Yestar Co., Ltd.

4 ISO 9001, published by International Organisation for Standardisation (ISO), specifies the criteria for a quality management system.

5 ISO 13485, published by International Organisation for Standardisation (ISO), specifies requirements for a quality management system where an organisation needs to demonstrate its ability to provide medical devices and related services that consistently meet clients' requirements and regulatory requirements applicable to medical devices.

6 ISO 14971, published by International Organisation for Standardisation (ISO), specifies a process for a manufacturer to identify the hazards associated with medical devices, including in vitro diagnostic (IVD) medical devices, to estimate and evaluate the associated risks, to control these risks, and to monitor the effectiveness of the controls.

Medical device regulations are undergoing evolving changes, and specific requirements do exist in the medical consumable industry. Yestar (Guangxi) Medical System Co., Ltd, production site of the medical imaging film, dental x-ray film and medical sensitive film, has attained the certification according to ISO 13485:2003 as well as ISO 14971:2007. By adopting these international standards, it provides a foundation for the Group to address the evolving Medical Device Directives, incorporating risk management for identifying different risks quantitatively, responding to these risks as well as demonstrating a commitment to the safety and quality of medical devices.

Additionally, Yestar (Guangxi) Medical System Co., Ltd. has been certified as meeting the requirements under the Annex V for the Dental X-ray Film, Directive 93/42/EEC[7] of the European Union, and awarded a valid EC type examination certificate according to Annex III. Under the Annex V EC Declaration of Conformity concerning production quality assurance, it laid down the requirements pertinent to quality system, surveillance as well as administrative provisions, while under the Annex III EC type-examination, it stipulates the procedure that a notified body certifies the production satisfying the requirements of the Directive 93/42/EEC, covering documentation conformity, performances of the product, methods of manufacture envisaged as well as technical test results.

In order to evaluate the quality performance in a quantitative manner, the Group sets a clear target on the product passing rates, namely, 100% for Yestar (Guangxi) Technology Co., Ltd. and over 99% for Yestar (Guangxi) Medical System Co., Ltd. Owing to the continuous commitment on the quality assurance, there were no recall cases in 2018. The above measures show the quality objective achievement.

On the other hand, with the promulgation of Administrative Measures for Medical Device Recalls, Order of the China Food and Drug Administration No.29 with effective date on 1 May 2017, the Group has devised a standardised procedure to satisfy the prescribed requirements pertaining the safety and efficacy of medical devices. Furthermore, European Union has adopted the new Medical Devices Regulation, namely, Regulation (EU) 2017/745, replacing the two existing directives, the Medical Devices Directive and the Active Implantable Medical Devices Directive. The Regulation will come into effective in 2020, and thus the Group is construing the legislation and reviewing the applicable provisions to ensure compliance.

Supply Chain Management

The Group is committed to building partnerships with its suppliers, contributing to sustainable development of the industry and the society, as well as meeting clients' expectations. We engage our suppliers through long-term agreements and regular communication to help them better understand and meet our latest requirements.

The Group has established and implemented standard procurement procedures covering procurement control and supplier management to ensure the effectiveness of the procurement process. Our purchasing engineers review potential suppliers and all suppliers must satisfy the qualification requirements as per policy and purchasing procedures.

[7] Directive 93/42/EEC of the European Union details the essential requirements that manufacturers shall meet to apply the CE mark and legally market or sell their devices in the EU.

Moreover, we establish supplier management control program to review and continuously improve the performance of our suppliers. Suppliers are required to take appropriate measures and offer training to improve and maintain workplace safety, hygiene and health conditions. Moreover, an internal audit team, which is formed by the representatives from the procurement department, the technical department and the quality assurance department, would evaluate the performance of the existing suppliers from a variety of aspects including quality and technical competency. The Group conducts statistics on the monthly performance of existing suppliers and evaluates their annual performance. Only qualified suppliers could stay in the supplier list. The unqualified supplier is limited to rectification within three months. Evaluation will be conducted after rectification to resume the status of qualified supplier upon meeting the prescribed requirements.

Client Service

The Group attaches great importance to the quality of our customer service, and always takes every complaint seriously. Resolving client complaints effectively and promptly is one of our ultimate responsibilities. Our staffs are required to follow a standard procedure to handle clients' complaints. Once we received any complaint, we will work with the clients and tackle the problem at its roots promptly.

The Group values the relationship with each customer. We provide free maintenance service to our customer during warranty period, and much effort has been devoted to providing support through multiple channels, such as customer service and maintenance hotline, mail box to deal with customer inquiries.

We are committed to improving our customer satisfaction level, and enhancing the quality of products and services based on their feedback and suggestion. We have set our annual overall quality target and conducted a customer satisfaction survey regularly to collect the opinions of our customers and continuously improve our after-sales management.

TALENT

Our success and ability to grow is inextricably related to a skilled and professional team. Employees are valuable assets to the Group. Hence, the Group strives to attract the best and brightest talents through competitive remuneration, benefits packages, and devises an employment policy stipulated to the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. We also regularly review the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group is devoted to creating a working environment where employees feel valued and respected. Moreover, employees are motivated to be well equipped with the skills and knowledge they learnt from the online learning platform and assessment to continuously promote the Group's growth.

Employment

The Group is strive to offer competitive remuneration packages, comprising basic salary, performance-based incentives, subsidies, statutory insurance entitlements, discretionary rewards and central pension scheme. In addition to the abovementioned benefits, the Group provides medical and dental insurance, holiday gifts, free shuttles and so on.

With the aim of attracting and retaining employees who are able to contribute long-term value to the Group and promote the financial growth, the Group offers a comprehensive compensation system to employees. The Group structures the performance-based compensation recompense those employees who have contributed to the Group in short-term or long-term strategic values through annual performance review. Each employee shall complete at least one annual performance review cycle for pay and benefits.

The Group ensures that all employees are entitled to paid annual leave, marriage leave, maternity leave and other statutory leaves and holidays in accordance with the law and safeguards employees' basic rights. To specify for men, parental leave, paternity leave and caring leave are available. Moreover, the Group organises different cultural and outing activities, such as family day and sports day to strengthen employees' sense of belonging.

	Female	Male
Total Number of Employees	255	344

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

	Number of Employees
Below 30	140
30–50	441
50 or above	18

Labour Standards

The Group fully recognises that child labour and forced labour violate fundamental human rights, posing a threat to sustainable social and economic development. The Group strictly prohibits child labour and carries out verification of applicants' actual age during recruitment process. The Group only implements the requirements of the standard labour contract after both employees and employers have negotiated and agreed in principle, and will not unfairly limit the employment relationship between employees and the Group in any way.

During the reporting period, no reports of any violations of the Labour Law of the People's Republic of China and other relevant laws and regulations were found, nor were there any cases of child labour or forced labour.

Development and Training

The Group continuously reaffirms its commitment with respect to career advancement for all staff and development to improve professional and management skills so as to attract and retain talents. We support each of our employees in studying and building their capabilities by developing strength, as well as foster a work culture where staffs are closely involved in their development.

An e-learning platform is set up to promote continuous learning and maximise the cost efficiency of the training portfolio. Under the e-learning platform, a wide range of topics are offered, like practical management, health and safety, production, quality control, personal development etc. Specific training parameters are defined for different employees according to their job responsibilities. To achieve effective learning, employees are required to carry assessment before and after attending the online courses.

In 2018, a training plan was established, defining the training topics as well as the training schedule. In addition, tuition reimbursement policy for employees seeking to complete external education or training is offered for the aim of personal development.

	Average Training Hours
Female	15.72
Male	16.18

	Average Training Hours
Senior Management	11.95
Middle Management	20.74
General Employees	15.16

ENVIRONMENTAL

Being a medical consumable provider, the Group understands that impacts from environmental challenges, thereby supporting ongoing initiatives that will exert a positive impact on the environment as well as intending on nurturing the culture of environmental stewardship within the Group to monitor emissions, reduce emissions, optimise use of resources and minimise direct and indirect environmental impacts. For sake of compliance, the Group reviews applicable regulations including Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Environment Impact Assessment, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and so on, as well comprehend the relevant technical standards such as Integrated emission standard of air pollutants (GB16297–1996).

In addition, the Group devises the Environmental Risk Management Plan by incorporating the principles stated in the ISO 31010:2009[8]. The environmental issues are managed in the following scopes.

- Air Emission
- Greenhouse Gas Emissions and Energy Consumption
- Waste Management
- Water Consumption
- Packaging Materials
- The Environment and Natural Resources

8 ISO 31010, published by International Organisation for Standardisation (ISO), provides guidance on selection and application of systematic techniques for risk assessment.

Air Emissions

Hazardous smog is posing risks to the health problem especially the respiratory diseases and causing a rise in the premature death demand immediate attention in China. To estimate the air emissions, the Group assessed the fuel consumption based on the distribution network among a few major cities including Beijing, Shanghai, Nanning and Dongguan. These air emissions come from particulate matter (PM), nitrogen oxides (NOx) as well as sulphur oxides (SOx).

	Emissions (kg)
PM Emissions	131.51
NOx Emissions	1,828.95
SOx Emissions	5.14

Currently, the Group does not have any fleet for shipping the goods. On account of present delivery service, the Group has been collaborated closely with the logistics service providers, trying its best to enhance the efficiency of the logistic network to remain its economic competitiveness and environmental sustainability.

The key success to stay cost-effective and environmentally sustainable is to optimise the efficiency of the distribution network and communicate with the logistic partners continually. We optimise the efficiency of the distribution network in every extent by improving the fuel efficiency, optimising the transportation network and chasing the emission reduction.

Greenhouse Gas Emissions and Energy Consumption

The energy consumption mainly comes from the medical film manufacturing process. As huge amount of energy is used for creating an environment with specific temperature, humidity and cleanliness, the energy consumption during the production is high. This not only increases the energy consumption, but also the greenhouse gas (GHG) emission.

Our GHG emission is reported as required by the Greenhouse Gas Protocol, which is a Corporate Accounting and Reporting Standard, published by World Resources Institute and World Business Council for Sustainable Development.

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

Total Greenhouse Gas Emissions (Scope 1 Direct Emissions and Scope 2 Indirect Emissions) (tonnes of CO2e)	2,584.11
Total Greenhouse Gas Emissions[9] (Scope 1 Direct Emissions) (tonnes of CO2e):	357.07
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions)[10] (tonnes of CO2e):	2,227.04

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

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

The total energy consumption was 4,137.46 megawatt-hours and its intensity was 0.93 megawatt-hours per RMB million of revenue.

The Group strives to improve its energy efficiency through the operation and the production unit, without affecting the machine performance.

To further enhance the energy efficiency and minimise the operational and production cost, the Group will seek opportunities in adjusting the lighting retrofits and replace the present lighting to LED lights in the future.

Raising Awareness

To increase employees' awareness of environmental protection, the Group implements different measures to promote a green company, such as sharing and dissemination of green tips, putting up poster, etc. The Group also encourages phone conference and paperless office, which greatly reduces emission caused by travelling and enhances operational efficiency.

Waste Management

In terms of waste management, there are two types of waste that our Group generated, namely non-hazardous waste and hazardous waste. Non-hazardous waste is comprised of carton box paper, plastic, foam and film, while hazardous waste is generated from the uses of chemical solvent. Pursuant to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Group appointed third-party professional processing institute to properly dispose of photographic paper, film and fixer liquids which are in the National Hazardous Waste List. During the Reporting Period, total 93.56 tonnes of non-hazardous waste was generated and its intensity was 0.02 tonnes per RMB million of revenue. For hazardous waste, total 452.04 tonnes was generated and its intensity was 0.10 tonnes per RMB million of revenue.

The use of chemical solvents is undesirable as the use of photographic developer solution during production is associated with hazardous and toxic chemical. Strict regulations and procedures are set up to manage and control the use of chemical solvents and handling of hazardous waste.

A licensed hazardous waste treatment service provider is responsible for collecting and handling the hazardous waste. To manage the hazardous waste in a systematic way, guidelines and procedures are set up and employees are required to complete the chemical management training and follow the guidelines for treating waste. In addition, hazardous waste is stored in containers which are solvent resistant, while the storage units are constructed to avoid exposure or leakage.

Because of the surging concerns over waste issues, it is necessary to improve the utilisation and reduce disposal rates of both non-hazardous and hazardous waste. The Group targets to foster operation efficiency, incorporate recycling concepts and introduce waste reduction with different measures including reducing the materials consumed during the manufacturing process, boosting recycling as well as reducing unnecessary waste.

Among the non-hazardous waste, disposable cardboard boxes are the largest generation during our operation. We are seeking the possibilities to eliminate the use of these cardboard boxes. To reduce the use of paper, the Company has implemented paperless internal communication and encourages employees to reduce the use of paper, aiming to create a paperless business environment.

Water Consumption

The Group strictly follows applicable regulations such as the Law on the Water Resources of the People's Republic of China and the Law on the Prevention and Control of Water Pollution in the People's Republic of China. During the reporting year, the total water consumption by the Group was 16,396.83 cubic meters (m^3) and its intensity was 3.69 cubic meters (m^3) per RMB million of revenue. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. The Group made every effort to maintain the same level of water usage as in the past and carried out measures of reduction in general water consumption. The Group has also educated the employees on water-saving measures.

Packaging Materials

Packing materials in the production and transportation process is an essential part, which is also the last process to ensure the product quality. During the Reporting Period, the total packaging materials consumed was 2,694.54 tonnes. Reducing packaging material is beneficial to both environment and economy. The Group is devoted to adjust the design of the packaging such that it can deliver its goods in a safe condition and minimise the amount of packaging material.

The Environment and Natural Resources

The Group considers different environmental aspects apart from the emission and use of resource, such as noise, sewage discharge, and biodiversity. Regular assessment is carried out to eradicate adverse environmental impacts. For example, noise assessment is conducted for Yestar (Guangxi) Technology Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd in accordance with GB 12348:2008 Standard for Industrial Enterprises Noise at Boundary. We appointed the third party environmental laboratory to assess our noise level and the result was satisfactory.

HEALTH AND SAFETY

Safe operation is a prerequisite for sound business performance. As engaging in manufacturing business, the Group strives for an injury-free and illness-free working environment. Careless use of machinery and equipment may pose a harm or risk towards accident.

The Group complies with regulations in relation to occupational health and safety, such as Administrative Measures for Diagnosis and Identification of Occupational Diseases, Measures for the Declaration of Projects with Occupational Hazards, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and Production Safety Law of the People's Republic of China. By deploying a holistic approach, we have established an effective occupational health and safety system for the sake of supporting and protecting the employees. A Contingency Plan for Environmental Emergencies, with objective to tackle potential environmental incidents, is devised. Incident management procedures such as allocation of responsibility, report and notification, emergency rescue, post-incident investigation and conclusion, are set out. A safety manual is prepared to improve the safety awareness of employees and reduce the possibility of dangerous injuries. Under the manual, rules and procedures are stated explicitly, such as limit access to the darkroom, good housekeeping, restricted objects, exposure times as well as emergency measures. For employees who work in the darkroom, they are required to have a specific year of related experience and have to be assessed regularly. Other guidelines pertaining to traffic safety, fire safety, electrical safety and mechanical injury are provided.

The Group set up an emergency task force which is responsible for managing the scene of incident, as well as communicating with environmental protection, safety supervision, firefighting and other relevant government departments. Potential health and safety risks are regularly monitored. The fatality rate was one during the reporting period.

Number of Work-Related Fatalities	1
Lost Days due to Work Injury	13

In order to create a healthy and safe working environment, the Group organises Safety Education and Training Program to provide appropriate safety training for staff with different grades and functions. The Group has made multiple effort to ensure and enhance the safety among operation and production. Moreover, the Group monitors and implements occupational health and safety measures according to hazard identification and control management to further safeguard the effectiveness of risk management.

INTEGRITY

Building trust among our stakeholders and operating transparently pose significance to the business growth. The Group has embedded the ant-corruption, intellectual property right and privacy into the Group's policy, demonstrating the Group's commitment to integrity. All the employees of the Group are responsible for maintaining high ethical standards and conducting business with integrity.

Anti-Corruption

The Group upholds a high standard of business integrity throughout its operations. A system with good moral integrity and anti-corruption mechanism is the cornerstone for the sustainable and healthy development of the Group. The Group strictly adheres to all applicable anti-corruption laws including the Anti-Unfair Competition Law of the People's Republic of China, the Criminal Law of the People's Republic of China and the Hong Kong Prevention of Bribery Ordinance (Chapter 201).

The Group is committed to the prevention of corruption, theft, fraud, malpractice, money laundering and other illegal acts. Our employee handbook stipulates that employees must observe the code of conduct, and prohibits employees from using their position to ask or extort money from customers, or abuse their power to engage in corruption or bribery. The human resources department will investigate all suspected corrupt practices and report them to the management for decisive course of action. The decision will be announced to all employees via internal notification to ensure that the information is open and transparent.

According to the Group's policy, every employee of the company shall observe the Code of Conduct, and is prohibited from offering advantages or promises to any director or employees of other company or organization, for the purpose of influencing such person or company while having business dealings. Commissions, discounts and payment method shall be consistent with company policy during trading. Using the client's information for personal profit is also banned. The human resources department would investigate all suspected corrupt practices and report them to the management for decisive course of action. Any deviation from the policy shall seek approval from the Chief Executive Officer, directors, managers or supervisors of the Group by formal request, in order to follow the Code of Conduct of the Group. However, entertainment is acceptable for offering to any government officer, community group and key customers, coherence with the provisions stipulated to the Hong Kong Prevention of Bribery Ordinance.

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

With the commitment to the anti-corruption, there were no concluded legal cases regarding the corruption in 2018.

Intellectual Property Rights

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

Consumer Data Protection

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

COMMUNITY INVESTMENT

With the vision of 'creating a better life', the Group aims to create social and economic benefits for the communities and promotes community activities in the area of medical caring, education, recreational and cultural activities. Being a medical consumable provider, the Group harnesses business knowledges, practical skills and employee resources to share skills as well as create good places to live. Every year, we would set a yearly plan for the community activities.

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

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of Yestar Healthcare Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 171, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter

Valuation of goodwill and other intangible assets

The carrying values of goodwill and other intangible assets (which include distribution rights and customer relationship) in the consolidated financial statements amounted to RMB945.3 million and RMB1,593.2 million, respectively, as at 31 December 2018. The Group recorded an impairment loss on goodwill amounting to RMB18.5 million for the year ended 31 December 2018. Under IFRSs, the Group is required to annually test the amount of goodwill for impairment. In performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired as each of these acquired subsidiaries is a separate cash-generating unit. In addition, each year, the Group assesses whether there are any indications of impairment of other intangible assets and performs the impairment tests if the impairment indicators exist.

The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated and each intangible asset. The recoverable amount of each cash-generating unit and individual asset is the higher of its fair value less costs of disposal and its value in use using a cash flow projection based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant judgements.

The Group's disclosures about the impairment of goodwill and other intangible assets are included in note 2.4, note 3, note 15 and note 16 to the consolidated financial statements, which specifically explain the key assumptions the management used for value-in-use calculations.

How our audit addressed the key audit matter

Our audit procedures included, among others, testing the operating effectiveness of management's internal controls in their review of the carrying values for goodwill and other intangible assets including controls over the valuation model and assumptions applied.

We involved our internal valuation specialist to assist us in the assessment of cash flow forecasts against business development and operation data. We checked future revenues and operating results by comparing the forecasts with the historical performance of the respective cash-generating units and the business development plan and performing sensitivity analysis.

We assessed the assumptions used in the cash flow forecasts, in particular, the discount rates and long-term growth rates.

We also assessed the adequacy of the Group's disclosures about those assumptions that have a significant effect on the determination of the recoverable amounts of goodwill and other intangible assets in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss of trade and bills receivables	
The balance of trade and bills receivables at 31 December 2018 was RMB1,377.3 million, which was material to the consolidated financial statements. The Group applies the simplified approach in calculating the expected credit loss for trade and bills receivables. Under the simplified approach, the Group recognizes a loss allowance based on lifetime expected credit loss at each reporting date by establishing a provision matrix. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and expected credit loss allowance requires significant estimation by management. The Group's disclosures about the impairment of trade and bills receivables are included in note 2.4, note 3 and note 20 to the consolidated financial statements.	Our audit procedures included, among others, discussing with management on the estimation involved in determining the amount of expected credit loss allowance regarding the trade and bills receivables and assessing management's processes and controls relating to the estimation of the expected credit loss allowance. We tested the model of provision matrix prepared by management to calculate the expected credit loss and checked the information included in the provision matrix which is based on the Group's historical observed default rates. In order to evaluate the appropriateness of these judgements, we verified whether the ageing analysis including current and days past due records for groupings of various customer segments that had similar loss patterns, historical payment patterns and historical loss data was complete and accurate. We also obtained corroborative evidence to evaluate the appropriates of management's reasonable and supportable forecasts about future economic conditions in the expected credit loss model. We also assessed the adequacy of the Group's disclosures about the expected credit loss allowance regarding trade and bills receivables in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Liabilities arose from put options in relation to non-controlling interests	
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 the subsidiaries to the Group during the acquisition by the Company of the 70% interests in the subsidiaries acquired. 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. The carrying amount of the non-current portion of payables arose from put options in relation to non-controlling interests at 31 December 2018 was RMB806 million. The present values of the future exercise price are determined on a number of assumptions, the key ones being the future performance of the aforementioned subsidiaries being acquired and the discount rates. We focused on this area due to its materiality to the consolidated financial statements and the high level of management's judgement involved. The Group's disclosures about the financial liabilities arose from put options in relation to non-controlling interests are included in note 2.4, note 3, note 26 and note 35 to the consolidated financial statements.	Our audit procedures included, among others, testing the operating effectiveness of management in determining the present value of the amount payable at the time of acquiring the corresponding equity interests of such put options and subsequent measurement. We examined the terms of those purchase agreements relevant to the determination of the future exercise price in relation to non-controlling interests and involved our internal valuation specialists to evaluate the valuation methodologies used by management and tested the main assumptions (including the expected future operating results and discount rates). We paid specific attention to the forecasts used with respect to three-years' operating results by comparing the forecasts with the historical performance of the respective subsidiaries and the business development plan. We critically assessed the discount rates to confirm whether they were consistent with the capital structure and risk premium of the respective subsidiaries. We also assessed the adequacy of the Group's disclosures about the financial liabilities arose from put options in relation to non-controlling interests in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	4,446,954	3,926,877
Cost of sales		(3,248,123)	(2,821,057)
Gross profit		1,198,831	1,105,820
Other income and gains	5	32,576	33,444
Selling and distribution expenses		(231,658)	(174,564)
Administrative expenses		(316,861)	(285,805)
Impairment loss on financial assets		(9,356)	—
Other expenses		(23,268)	(17,557)
Finance costs	6	(131,657)	(130,006)
Share of profit and loss of an associate		(8,920)	(1,414)
PROFIT BEFORE TAX	7	509,687	529,918
Income tax expense	10	(160,152)	(179,343)
PROFIT FOR THE YEAR		349,535	350,575
Attributable to:			
Owners of the parent		251,746	249,968
Non-controlling interests		97,789	100,607
		349,535	350,575
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year	12	RMB11.5 cents	RMB11.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	349,535	350,575
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(8,498)	82,736
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(8,498)	82,736
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(8,498)	82,736
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	341,037	433,311
Attributable to:		
Owners of the parent	243,248	332,704
Non-controlling interests	97,789	100,607
	341,037	433,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	127,816	113,653
Prepaid land lease payments	14	13,971	14,298
Intangible assets	15	1,594,363	1,725,117
Goodwill	16	945,276	963,820
Investment in an associate	17	9,166	18,086
Deferred tax assets	18	9,421	6,719
Total non-current assets		2,700,013	2,841,693
CURRENT ASSETS			
Inventories	19	876,432	775,404
Trade and bills receivables	20	1,377,280	1,114,834
Prepayments, other receivables and other assets	21	129,467	100,654
Pledged deposits	22	43,237	20,029
Cash and cash equivalents	22	721,325	634,657
Total current assets		3,147,741	2,645,578
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	304,221	319,402
Trade and bills payables	24	701,644	642,297
Contract liabilities	25	21,059	—
Other payables and accruals	26	877,877	1,065,627
Tax payable		169,101	170,605
Total current liabilities		2,073,902	2,197,931
NET CURRENT ASSETS		1,073,839	447,647
TOTAL ASSETS LESS CURRENT LIABILITIES		3,773,852	3,289,340
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	1,378,380	1,420,877
Deferred tax liabilities	18	427,204	475,826
Other long term payables	26	814,370	708,986
Total non-current liabilities		2,619,954	2,605,689

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NET ASSETS		1,153,898	683,651
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	48,179	43,116
Reserves	28	1,094,439	629,664
		1,142,618	672,780
Non-controlling interests		11,280	10,871
TOTAL EQUITY		1,153,898	683,651

Hartono James
Director

Wang Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent										
	Share capital RMB'000 (note 27)	Share premium account RMB'000 (note 28)	Contributed surplus RMB'000 (note 28)	Put options written on non-controlling interests reserve RMB'000	Statutory reserve fund RMB'000 (note 28)	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	43,116	670,172	84,991	(391,505)	68,150	—	490,236	(23,379)	941,781	10,447	952,228
Profit for the year	—	—	—	—	—	—	249,968	—	249,968	100,607	350,575
Other comprehensive income for the year: Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	82,736	82,736	—	82,736
Total comprehensive income for the year	—	—	—	—	—	—	249,968	82,736	332,704	100,607	433,311
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	237,385	237,385
Final 2016 dividend declared	—	(83,068)	—	—	—	—	—	—	(83,068)	—	(83,068)
Transfer from retained earnings	—	—	—	—	19,337	—	(19,337)	—	—	—	—
Acquisition of non-controlling interest	—	—	—	111,114	—	(158,637)	—	—	(47,523)	—	(47,523)
Put options in relation to non-controlling interests	—	—	—	(471,114)	—	—	—	—	(471,114)	(337,568)	(808,682)
At 31 December 2017	43,116	587,104*	84,991*	(751,505)*	87,487*	(158,637)*	720,867*	59,357*	672,780	10,871	683,651

* These reserve accounts comprise the consolidated reserves of RMB629,664,000 (2016: RMB898,665,000) in the consolidated statement of financial position

	Attributable to owners of the parent										
	Share capital RMB'000 (note 27)	Share premium account RMB'000 (note 28)	Contributed surplus RMB'000 (note 28)	Put options written on non-controlling interests reserve RMB'000	Statutory reserve fund RMB'000 (note 28)	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	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 year	—	—	—	—	—	—	251,746	—	251,746	97,789	349,535
Other comprehensive loss for the year: Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(8,498)	(8,498)	—	(8,498)
Total comprehensive income for the year	—	—	—	—	—	—	251,746	(8,498)	243,248	97,789	341,037
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(30,000)	(30,000)
Final 2017 dividend declared	—	(96,758)	—	—	—	—	—	—	(96,758)	—	(96,758)
Issue of shares	5,063	357,455	—	—	—	—	—	—	362,518	—	362,518
Share issue expenses	—	(978)	—	—	—	—	—	—	(978)	—	(978)
Transfer from retained earnings	—	—	—	—	24,675	—	(24,675)	—	—	—	—
Put options in relation to non-controlling interests	—	—	—	(38,192)	—	—	—	—	(38,192)	(67,380)	(105,572)
At 31 December 2018	48,179	846,823*	84,991*	(789,697)*	112,162*	(158,637)*	947,938*	50,859*	1,142,618	11,280	1,153,898

* These reserve accounts comprise the consolidated reserves of RMB1,094,439,000 (2017: RMB629,664,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		509,687	529,918
Adjustments for:			
Finance costs	6	131,657	130,006
Impairment of inventories	7	1,563	1,722
Impairment of financial assets	7	9,356	2,283
Impairment of goodwill	7	18,544	—
Exchange (gain)/loss		(4,632)	11,326
Net gain on financial assets at fair value through profit or loss	5	(1,493)	(1,099)
Share of loss of an associate		8,920	1,414
Recognition of deferred income		(189)	(189)
Depreciation of items of property, plant and equipment	7	21,626	17,943
Amortisation of prepaid land lease payments	7	327	327
Amortisation of other intangible assets	7	130,993	120,786
(Gain)/loss on disposal of items of property, plant and equipment	7	(228)	1,788
		826,131	816,225
Increase in trade and bills receivables		(271,802)	(362,190)
(Increase)/decrease prepayments, other receivables and other assets		(28,813)	6,022
Increase in inventories		(102,591)	(263,027)
Increase in trade and bills payables		59,347	214,930
Decrease in other payables and accruals		(104,382)	(37,161)
Increase in contract liabilities		21,059	—
Decrease/(increase) in pledged deposits for issuance of bank acceptance notes		914	(1,087)
Decrease in deferred income		—	5,069
		399,863	378,781
Income tax paid		(212,979)	(158,144)
NET CASH FLOWS FROM OPERATING ACTIVITIES		186,884	220,637

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(36,299)	(24,922)
Purchases of intangible assets		(239)	(32)
Proceeds from disposal of items of property, plant and equipment		738	3,636
Net proceeds from disposal of financial assets at fair value through profit or loss		1,493	1,099
Investments in an associate		—	(19,500)
Acquisition of subsidiaries		(73,500)	(468,057)
Loans to a third party		—	(6,140)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(107,807)	(513,916)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interest		(11,718)	(237,244)
Proceeds from issue of shares		361,540	—
New interest-bearing loans		282,328	424,206
Increase in pledged deposits for bank borrowings		(24,122)	(18,400)
Repayment of bank loans		(345,409)	(296,070)
Dividends paid		(126,758)	(83,068)
Interest paid		(131,132)	(129,992)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		4,729	(340,568)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		83,806	(633,847)
Cash and cash equivalents at beginning of year		634,657	1,272,663
Effect of foreign exchange rate changes, net		2,862	(4,159)
CASH AND CASH EQUIVALENTS AT END OF YEAR		721,325	634,657
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		720,395	633,727
Non-pledged time deposits with original maturity of less than three months when acquired		930	930
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	22	721,325	634,657

1. CORPORATE AND GROUP 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 year, the Company's subsidiaries were involved in the following principal activities:

- manufacture and sale of color photographic paper, industrial NDT x-ray films and PWB films, and trading of imaging equipment; and
- manufacture and sale of medical dry films, medical wet films and dental films, distribution of medical equipment and diagnostic reagents.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Place and date of incorporation/registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Yestar Asia Company Limited[1] ("Yestar BVI")	BVI 1 February 2012	—*	100	—	*Investment holding*
Yestar International (HK) Company Limited ("Yestar HK")	Hong Kong 29 February 2012	HKD10,000	—	100	*Investment holding*
Yestar (Shanghai) Co., Ltd.[2]/[3] ("Yestar Shanghai")	PRC/ Mainland China 20 July 2000	USD231,000,000	—	100	*Marketing and sale of color photographic paper, photo-related products, document printing equipment and consumables, industrial NDT x-ray films and dental films*
Yestar (Guangxi) Technology Co., Ltd.[2] ("Guangxi Technology")	PRC/Mainland China 23 July 2004	USD14,000,000	—	92.86	*Manufacture and sale of color photographic paper and manufacture of industrial NDT x-ray films*
Yestar (Guangxi) Medical System Co., Ltd.[2]/[3] ("Yestar Medical")	PRC/Mainland China 24 December 2009	USD251,050,000	—	100	*Manufacture of dental films and manufacture and sale of medical dry films and medical wet films*
Yestar (Guangxi) Imaging Technology Co., Ltd.[2]/[3] ("Yestar Imaging")	PRC/Mainland China 23 November 2010	RMB18,000,000	—	100	*Manufacture of color photographic paper and manufacture and sale of PWB films*
Joy Health Biotech (Guangxi) Co., Ltd.[2]/[3] ("Joy Health")	PRC/Mainland China 3 November 2017	RMB5,000,000	—	100	*Development of biotechnology and sale of medical equipment*
Yestar Biotech (Jiangsu) Company Limited[5]/[7] ("Yestar Biotech")	PRC/Mainland China 5 December 2011	RMB26,000,000	—	100	*Sale of medical equipment and reagents*
Shanghai Emphasis Investment Management Consulting Co., Ltd.[4] ("Shanghai Emphasis Investment")	PRC/Mainland China 4 April 2005	RMB29,880,000	—	70	*Sale of medical equipment and reagents*
Shanghai Jianchu Medical Instrument Co., Ltd.[4] ("Shanghai Jianchu Medical")	PRC/Mainland China 26 August 2011	RMB8,880,000	—	70	*Sale of medical equipment and reagents*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name of company	Place and date of incorporation/registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Chaolian Trading Co., Ltd.(4) ("Shanghai Chaolian Trading")	PRC/Mainland China 26 February 2002	RMB500,000	—	70	*Sale of medical equipment and reagents*
Shanghai Haole Industrial Co., Ltd.(4) ("Shanghai Haole Industrial")	PRC/Mainland China 1 June 2010	RMB11,952,000	—	70	*Sale of medical equipment and reagents*
Shanghai Dingpei Industrial Co., Ltd.(4) ("Shanghai Dingpei Industrial")	PRC/Mainland China 4 April 2014	RMB500,000	—	70	*Sale of medical equipment and reagents*
Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd.(6) ("Hongen")	PRC/Mainland China 6 September 2015	RMB20,000,000	—	70	*Sale of medical equipment and reagents*
Shenzhen De Run Li Jia Co., Ltd.(6) ("Derunlijia")	PRC/Mainland China 18 October 2013	RMB36,000,000	—	70	*Sale of medical equipment and reagents*
Guangzhou Shengshiyuan Trading Co., Ltd.(6) ("Shengshiyuan")	PRC/Mainland China 9 April 2010	RMB40,000,000	—	70	*Sale of medical equipment and reagents*
Beijing Kaihongda Technologies Co., Ltd.(6) ("Kaihongda")	PRC/Mainland China 11 May 2011	RMB10,000,000	—	70	*Sale of medical equipment and reagents*
Guangxi Simai Biotech Co., Ltd.(2) ("Guangxi Simai Biotech")	PRC/Mainland China 10 August 2017	RMB5,000,000	—	100	*Development of biotechnology and sales of medical equipment*
Nanjing Weien Biotech Co., Ltd.(2) ("Nanjing Weien Biotech")	PRC/Mainland China 16 May 2017	RMB10,000,000	—	100	*Development of biotechnology and sales of medical equipment*
Jiangsu Baike Supply Chain Management Co., Ltd.(2) ("Jiangsu Baike Supply Chain")	PRC/Mainland China 16 May 2017	RMB10,000,000	—	100	*Management of supply chain and service of freight transportation*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

* The total number of issued shares of Yestar BVI as at the date of this report is 10,172 and these shares are without par value, and the total subscription price of these issued shares is USD1,100.

Notes:

(1) No audited financial statements have been prepared for this entity since its date of incorporation as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

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

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

(4) Anbaida Group Companies consists of these companies.

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

(6) In year 2017, the Group acquired 70% interests of Hongen, Derunlijia, Shengshiyuan and Kaihongda respectively.

(7) In year 2017, the Group acquired 30% of the non-controlling interests of Yestar Biotech. Yestar Biotech has become an indirectly wholly-owned enterprise of the Company.

The English names of the subsidiaries registered in the PRC represent the best efforts made by the management of the Company to translate their Chinese names as they do not have official English names.

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power on the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC — Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 2, amendments to IFRS 4, amendments to IAS 40 and *Annual Improvements to IFRSs 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) 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.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Classification and measurement (continued)

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement			IFRS 9 measurement	
	Note	Category	Amount	ECLs	Amount	Category
			RMB'000	RMB'000	RMB'000	
Financial assets						
Trade and bills receivables	(i)	L&R[1]	1,122,994	(8,160)	1,114,834	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R	40,137	—	40,137	AC
Pledged deposits		L&R	20,029	—	20,029	AC
Cash and cash equivalents		L&R	634,657	—	634,657	AC
			1,817,817	(8,160)	1,809,657	
Financial liabilities						
Trade and bills payables		AC	642,297	—	642,297	AC
Financial liabilities included in other payables and accruals		AC	975,569	—	975,569	AC
Other long term payables		AC	700,909	—	700,909	AC
Interest-bearing bank and other borrowings		AC	1,740,279	—	1,740,279	AC
			4,059,054	—	4,059,054	

[1] L&R: Loans and receivables

[2] AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The gross carrying amounts of the trade and bills receivables under the column "IAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in note 20 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	ECL allowances under IFRS 9 at 1 January 2018 RMB'000
Trade and bills receivables	8,160	—	8,160
Financial assets included in prepayments, other receivables and other assets	—	—	—
	8,160	—	8,160

Impact on reserves and retained profits

There was no impact of transition to IFRS 9 on reserves and retained profits.

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018, if any. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Note	Increase/ (decrease) RMB'000
Liabilities		
Other payables and accruals	(iii)	(34,289)
Contract liabilities	(iii)	34,289
Total liabilities		—
Equity		
Retained profits		—
Non-controlling interests		—
		—

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

— The consolidated statement of profit or loss for the year ended 31 December 2018 are the same if IFRS15 would have not been adopted.

— Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Note	IFRS 15 RMB'000	Previous IFRS RMB'000	Increase/ (decrease) RMB'000
Other payables and accruals	(iii)	877,877	898,936	(21,059)
Contract liabilities	(iii)	21,059	—	21,059
		898,936	898,936	—

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

The Group is in the business of the manufacture and sale of imaging products, 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.

(i) 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 the 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.

(ii) 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 the rendering of services should be recognised over time during the services period when the services are rendered. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amount of revenue recognition.

(iii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB34,289,000 from other payables and accruals to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB21,059,000 was reclassified from other payables and accruals to contract liabilities in relation to the consideration received from customers in advance for the sale of goods and the rendering of services.

(c) IFRIC-Int 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases — Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB14,066,000 and lease liabilities of RMB14,066,000 will be recognised at 1 January 2019.

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

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

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

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

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

Put options in relation to non-controlling interests

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are the members of the same group

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	the shorter of the lease terms and their useful lives
Plant and machinery	5–10 years
Office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Distribution rights and customer relationship

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

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

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

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost is subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings and other long-term payables.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect to deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from 1 January 2018) (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

Revenue from the sale of imaging products, medical products and equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the above goods.

Some contracts for the sale of goods provide customers with volume rebates. The volume rebates give rise to variable consideration.

(b) Rendering of maintenance services

Revenue from the rendering of maintenance services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period when the services are rendered;

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

(d) dividend income, when the shareholders' right to receive payment has been established.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Pension scheme

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is the Hong Kong dollar ("HKD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 December 2018 was RMB28,874,000 (31 December 2017: RMB44,874,000). Further details are contained in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB945,276,000 (2017: RMB963,820,000). Further details are given in note 16 of the financial statements.

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(iii) Provision for expected credit losses on trade and bills receivables (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements, respectively.

(iv) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(v) Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period.

(vi) Net realisable value of inventories

Net realisable value of inventories are the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature, which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

(vii) Deferred tax assets

Deferred tax assets are recognised for unused tax losses, to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There were no deferred tax assets relating to recognised tax losses at 31 December 2018 (2017: Nil). The amount of unrecognised tax losses at 31 December 2018 was RMB4,004,000 (2017: RMB108,000). Further details are contained in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(viii) Liabilities arose from put options in relation to non-controlling interests

The valuation of the put options over the non-controlling interests is based on a number of assumptions, the key ones being the future performance of the acquired companies and the risk adjusted discount rate. Estimating the value requires the Group to make an estimate in determining these assumptions and the magnitude of the put option liabilities.

The carrying amount of the non-current portion of the put option liabilities at 31 December 2018 was RMB806,481,000 (2017: RMB700,909,000). Further details are given in notes 26 and 35 to the financial statements. Management reassesses these estimates at the end of the reporting period.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Imaging printing products: manufacture and sale of color photographic paper, industrial NDT x-ray films and PWB films, and trading of imaging equipment; and

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue: (note 5)			
Sales to external customers	581,489	3,865,465	4,446,954
Segment results	31,495	497,841	529,336
Reconciliation:			
Corporate and other unallocated expenses			(19,649)
Profit before tax			509,687
Segment assets	381,385	5,146,829	5,528,214
Reconciliation:			
Corporate and other unallocated assets			319,540
Total assets			5,847,754
Segment liabilities	158,836	4,253,951	4,412,787
Reconciliation:			
Corporate and other unallocated liabilities			281,069
Total liabilities			4,693,856
Other segment information:			
Depreciation of items of property, plant and equipment	7,820	13,806	21,626
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	370	130,623	130,993
Share of loss of an associate	—	8,920	8,920
Impairment loss recognised in the statement of profit or loss	293	29,170	29,463
Gain on disposal of items of property, plant and equipment	(228)	—	(228)
Operating lease rentals	8,425	16,105	24,530
Capital expenditure*	7,338	29,200	36,538

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	597,301	3,329,576	3,926,877
Segment results	35,218	534,398	569,616
Reconciliation:			
Corporate and other unallocated expenses			(39,698)
Profit before tax			529,918
Segment assets	518,056	4,901,326	5,419,382
Reconciliation:			
Corporate and other unallocated assets			67,889
Total assets			5,487,271
Segment liabilities	169,982	4,227,416	4,397,398
Reconciliation:			
Corporate and other unallocated liabilities			406,222
Total liabilities			4,803,620
Other segment information:			
Depreciation of items of property, plant and equipment	9,346	8,597	17,943
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	356	120,430	120,786
Share of loss of an associate	—	1,414	1,414
Impairment loss recognised in the statement of profit or loss	1,240	2,765	4,005
Investment in an associate	—	18,086	18,086
(Gain)/loss on disposal of items of property, plant and equipment	(119)	1,907	1,788
Operating lease rentals	5,440	18,876	24,316
Capital expenditure*	6,320	18,634	24,954

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the year ended 31 December 2018, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB987,765,000 (2017: RMB984,910,000) which accounted for more than 22% (2017: more than 25%) of the Group's total revenue during the year.

Details of the concentration of credit risk arising from the customers are set out in note 36 to the financial statements.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers		
Sale of goods	4,411,263	3,866,692
Rendering of services	35,691	60,185
	4,446,954	3,926,877

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Timing of revenue recognition			
Goods transferred at a point time	581,489	3,829,774	4,411,263
Services transferred over time	—	35,691	35,691
Total revenue from contracts with customers	581,489	3,865,465	4,446,954

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	581,489	3,865,465	4,446,954
Intersegment sales	331,134	67,976	399,110
	912,623	3,933,441	4,846,064
Intersegment adjustments and eliminations	(331,134)	(67,976)	(399,110)
Total revenue from contracts with customers	581,489	3,865,465	4,446,954

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	19,749
Rendering of services	14,540
	34,289
Revenue recognised from performance obligations satisfied in previous periods	—

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due within 180 to 360 days from delivery, except for new customers, where payment in advance is normally required.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Rendering of services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. The service contracts which are related to the rendering of maintenance services are for periods of one year or less, or are billed based on the time incurred.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	21,059

The remaining performance obligations, relating to the rendering of maintenance services is expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2018 RMB'000	2017 RMB'000
Other income and gains		
Government grants (note)	28,430	22,898
Interest income	2,178	4,888
Net gain on financial assets at fair value through profit or loss	1,493	1,099
Foreign exchange gains	—	4,026
Others	475	533
	32,576	33,444

Note: The amount represents the grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Finance costs		
Interest on bank loans, overdrafts and other borrowings	123,039	123,239
Cash discount	8,026	6,605
Interest arising from discounted bills	592	162
	131,657	130,006

7. PROFIT BEFORE TAX

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

	2018 RMB'000	2017 RMB'000
Cost of inventories sold and services provided	3,248,123	2,821,057
Depreciation of items of property, plant and equipment (note 13)	21,626	17,943
Amortisation of prepaid land lease payments (note 14)	327	327
Amortisation of other intangible assets (note 15)	130,993	120,786
Research and development costs	357	593
Minimum lease payments under operating leases	24,530	24,316
Auditors' remuneration	3,000	2,600
Employee benefit expense (including directors' remuneration as set out in note 8):		
Wages and salaries	155,441	144,418
Pension scheme contributions	13,274	11,633
	168,715	156,051
Foreign exchange differences, net	3,319	8,216
Impairment of inventories (note 19)	1,563	1,722
Impairment of trade receivables, net (note 20)	9,356	2,283
Impairment of goodwill* (note 16)	18,544	—
(Gain)/loss on disposal of items of property, plant and equipment	(228)	1,788

* The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss, which is non-recurring loss in nature.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2018 RMB'000	2017 RMB'000
Fees	612	612
Other emoluments:		
Salaries, allowances and benefits in kind	8,222	7,361
Discretionary bonuses	3,208	2,709
Pension scheme contributions	102	94
	11,532	10,164
	12,144	10,776

(a) Independent non-executive directors

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

	2018 RMB'000	2017 RMB'000
Mr. Karsono Tirtamarta	204	204
Dr. Hu Yiming	204	204
Mr. Sutikno Liky	204	204
	612	612

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

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

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2018				
Mr. James Hartono*	3,201	1,171	—	4,372
Mrs. Wang Ying	1,349	602	51	2,002
Mr. Chan To Cheung	1,367	527	—	1,894
Mr. Chan Chung Man	1,645	631	—	2,276
Mrs. Wang Hong	660	277	51	988
	8,222	3,208	102	11,532
2017				
Mr. James Hartono*	3,014	960	—	3,974
Mrs. Wang Ying	1,253	524	47	1,824
Mr. Chan To Cheung	1,266	391	—	1,657
Mr. Chan Chung Man	1,274	582	—	1,856
Mrs. Wang Hong	554	252	47	853
	7,361	2,709	94	10,164

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2017: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one highest paid employee who is neither a director nor chief executive of the Company in 2017 are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	—	855
Discretionary bonuses	—	486
Pension scheme contributions	—	88
	—	1,429

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

	Number of employees	
	2018	2017
Nil to HKD1,000,000	—	—
HKD1,000,001 to HKD1,500,000	—	1
	—	1

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax is to be provided at the rate of 16.5% (2017:16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The provision for current income tax in Mainland China is based on the statutory rate of 25% of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

10. INCOME TAX (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Current — PRC		
Charge for the year	211,476	192,366
Deferred (note 18)	(51,324)	(13,023)
Total tax charge for the year	160,152	179,343

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries in which the Company and the majority of its subsidiaries are domiciled (i.e., in their respective countries of incorporation) to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2018 RMB'000	2018 %	2017 RMB'000	2017 %
Profit before tax	509,687		529,918	
Tax at an applicable tax rate	127,421	25%	132,480	25.0%
Lower tax rate for certain loss making entities in different jurisdictions	23,790	4.7%	29,055	5.5%
Adjustments to current tax of previous periods	(221)	(0.0%)	(578)	(0.1%)
Expenses not deductible for tax	5,958	1.2%	865	0.1%
Tax losses not recognised	974	0.2%	27	0.0%
Loss attributable to an associate	2,230	0.4%	354	0.1%
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China (note 18)	—	—	17,140	3.2%
Tax charge at the effective rate	160,152	31.4%	179,343	33.8%

11. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Proposed final — Nil (2017: HK5.5 cents) per ordinary share	—	100,000

There was no proposed final dividend for the year ended 31 December 2018 (2017: HK5.5 cents per share) which would be subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,182,562,000 in issue during the year ended 31 December 2018 (2017: 2,175,200,000).

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

	2018 RMB'000	2017 RMB'000
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	251,746	249,968
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	2,182,562	2,175,200
Basic and diluted earnings per share (RMB cents)	11.5	11.5

The diluted earnings per share amount is equal to the basic earnings per share amount for the years ended 31 December 2018 and 2017, as there were no diluting events during the years ended 31 December 2018 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2017	62,308	25,092	90,080	17,370	36,760	159	231,769
Additions	30	121	3,607	17,091	3,317	756	24,922
Transfers	—	—	236	100	—	(336)	—
Acquisition of subsidiaries	181	461	—	2,416	2,762	—	5,820
Disposals	(61)	—	(5,936)	(4,072)	(7,092)	—	(17,161)
At 31 December 2017 and 1 January 2018	62,458	25,674	87,987	32,905	35,747	579	245,350
Additions	—	288	2,206	26,656	7,057	92	36,299
Transfers	—	—	425	20	—	(445)	—
Disposals	(183)	(1,408)	(95)	(441)	(1,270)	—	(3,397)
At 31 December 2018	62,275	24,554	90,523	59,140	41,534	226	278,252
Accumulated depreciation:							
At 1 January 2017	8,245	18,919	61,276	10,213	25,099	—	123,752
Charge for the year (note 7)	3,652	1,194	4,440	4,319	4,338	—	17,943
Acquisition of subsidiaries	23	—	—	790	926	—	1,739
Disposals	—	—	(2,651)	(3,656)	(5,430)	—	(11,737)
At 31 December 2017 and 1 January 2018	11,920	20,113	63,065	11,666	24,933	—	131,697
Charge for the year (note 7)	3,627	908	4,362	8,126	4,603	—	21,626
Disposals	(130)	(1,408)	(52)	(155)	(1,142)	—	(2,887)
At 31 December 2018	15,417	19,613	67,375	19,637	28,394	—	150,436
Net book value:							
At 31 December 2018	46,858	4,941	23,148	39,503	13,140	226	127,816
At 31 December 2017	50,538	5,561	24,922	21,239	10,814	579	113,653

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

14. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	14,298	14,625
Recognised during the year (note 7)	(327)	(327)
Carrying amount at 31 December	13,971	14,298

15. INTANGIBLE ASSETS

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2017	369,100	699,400	9,561	1,078,061
Additions	—	—	32	32
Acquisition of subsidiaries	241,938	646,900	—	888,838
At 31 December 2017 and 1 January 2018	611,038	1,346,300	9,593	1,966,931
Additions	—	—	239	239
At 31 December 2018	611,038	1,346,300	9,832	1,967,170
Accumulated amortisation and impairment:				
At 1 January 2017	39,514	73,894	7,620	121,028
Charge for the year (note 7)	37,638	82,589	559	120,786
At 31 December 2017 and 1 January 2018	77,152	156,483	8,179	241,814
Charge for the year (note 7)	40,736	89,753	504	130,993
At 31 December 2018	117,888	246,236	8,683	372,807
Net carrying amount:				
At 31 December 2017	533,886	1,189,817	1,414	1,725,117
At 31 December 2018	493,150	1,100,064	1,149	1,594,363

16. GOODWILL

	RMB'000
Cost:	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	963,820
Accumulated impairment:	
At 1 January 2017, 31 December 2017, and 1 January 2018	—
Impairment during the year	18,544
At 31 December 2018	18,544
Net carrying amount:	
At 31 December 2017	963,820
At 31 December 2018	945,276

Impairment testing of goodwill

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

— sale of medical equipment and reagents of Yestar Biotech

— sale of medical equipment and reagents of Anbaida Group Companies

— sale of medical equipment and reagents of Hongen

— sale of medical equipment and reagents of Derunlijia

— sale of medical equipment and reagents of Shengshiyuan

— sale of medical equipment and reagents of Kaihongda

The recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates applied to the cash flow projections were 21.5% (2017: 21.2%) for Yestar Biotech, 21.2% (2017: 20.9%) for Anbaida Group Companies, 20.9% for Hongen (2017: 20.6%), 21.0% for Derunlijia (2017: 20.4%), 21.0% for Shengshiyuan (2017: 20.9%) and 20.9% for Kaihongda (2017: 20.7%). The growth rate used to extrapolate the cash flows of the above cash-generating units beyond the five-year is 3%, which is also an estimate of the rate of inflation.

16. GOODWILL (CONTINUED)

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Carrying amount of goodwill	
	2018 RMB'000	2017 RMB'000
Yestar Biotech	87,315	87,315
Anbaida Group Companies	394,403	394,403
Hongen	173,618	173,618
Derunlijia	194,077	212,621
Shengshiyuan	62,353	62,353
Kaihongda	33,510	33,510
Total	945,276	963,820

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

During the year, an impairment loss of RMB18,544,000 was recognised in the consolidated statement of profit or loss as other expense, in respect of the goodwill resulted from the acquisition of a subsidiary of the Group, Derunlijia. During the impairment test, Derunlijia was considered as a separate cash-generating unit ("Derunlijia CGU"). The impairment charges are driven by the lower recoverable amount of Derunlijia CGU resulting in the directors' reassessment that the estimated future business performance of Derunlijia CGU might not achieve the expectation of management taking the budgeted gross margin and estimated growth rate of different product mixture into consideration.

The recoverable amount of Derunlijia has been determined based on a value-in-use calculation, which is based on certain key assumptions including discount rate, long-term growth rate and budgeted gross margin. The carrying amount of Derunlijia CGU was determined to be higher than its recoverable amount of RMB596,187,000 and an impairment loss of RMB18,544,000 (2017: Nil) was recognised. The impairment loss was solely allocated to goodwill, as a result, the carrying amount of goodwill was reduced. The key assumptions used in value-in-use calculation include a discount rate of 21.0%, long-term growth rate of 3% and budgeted margin which are consistent with market average level and external information sources.

16. GOODWILL (CONTINUED)

The following table illustrates the breakdown points of each key assumption as at 31 December 2018, with all other variables held constant, whether the recoverable amount of the CGUs excluding Derunlijia CGU would have been approximately equal to the carrying amount. Any reasonably possible change in other key assumptions on with management has based its determination of all CGUs' recoverable amount excluding Derunlijia CGU would cause all CGU's carrying amount to exceed their recoverable amount.

	Pre-tax discount rate	Growth rate beyond the five-year period
Yestar Biotech	22.5%	0.55%
Anbaida Group Companies	21.7%	2.19%
Hongen	23.5%	(1.17%)
Shengshiyuan	22.8%	(0.13%)
Kaihongda	23.4%	(1.54%)

17. INVESTMENT IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Share of net assets	9,166	18,086

Particulars of the Group's associate is as follows:

Company name	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
上海中科潤達精準醫學檢驗有限公司	PRC/Mainland China	RMB50,000	—	39%	Medical examination and scientific researches

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	2018 RMB'000	2017 RMB'000
Share of the associate's loss for the year	8,920	1,414
Share of the associate's total comprehensive loss	8,920	1,414
Aggregate carrying amount of the Group's Investment in the associate	9,166	18,086

18. DEFERRED TAX

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

Deferred tax assets

	Elimination of unrealised profits RMB'000	Accruals and provisions RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2017	2,521	2,627	5,148
Acquisition of subsidiaries	—	1,465	1,465
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(709)	815	106
Gross deferred tax assets at 31 December 2017 and 1 January 2018	1,812	4,907	6,719
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	148	2,554	2,702
At 31 December 2018	1,960	7,461	9,421

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2017	238,799	27,734	266,533
Acquisition of subsidiaries	222,210	—	222,210
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(30,057)	17,140	(12,917)
Gross deferred tax liabilities at 31 December 2017 and 1 January 2018	430,952	44,874	475,826
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(32,622)	(16,000)	(48,622)
At 31 December 2018	398,330	28,874	427,204

The Group has tax losses arising in Mainland China of RMB4,004,000 (2017: RMB108,000) that will expire in five years for offsetting against future taxable profits.

18. DEFERRED TAX (CONTINUED)

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding tax rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

For the year ended 31 December 2018, no income tax expected from deferred tax liability was recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute the earnings for the year ended 31 December 2018 in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB20,121,000 (2017: Nil) at 31 December 2018.

19. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	50,444	74,262
Finished goods	830,205	703,796
	880,649	778,058
Less: provision for inventories	4,217	2,654
	876,432	775,404

The movements in inventory provision are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	2,654	761
Acquisition of subsidiaries	—	171
Impairment provision recognised (note 7)	1,563	1,722
	4,217	2,654

20. TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	1,367,828	1,088,837
Bills receivable	26,968	34,157
Impairment	(17,516)	(8,160)
	1,377,280	1,114,834

The Group grants different credit periods to customers. The Group generally requires its customers to make payments at various stages of a sale transaction. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Certain customers are required to make partial payments before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are unsecured and non-interest-bearing.

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

	2018 RMB'000	2017 RMB'000
Within 90 days	840,067	704,557
91 to 180 days	321,194	231,008
181 to 365 days	168,620	121,340
1 to 2 years	17,752	21,571
2 to 3 years	2,679	2,201
	1,350,312	1,080,677

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	8,160	516
Acquisition of subsidiaries	—	5,361
Impairment losses, net (note 7)	9,356	2,283
At end of year	17,516	8,160

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Not past due	Less than 6 month	7 to 12 months	Over 12 months	Total
Expected credit loss rate	0.55%	0.97%	10.21%	36.71%	1.33%
Gross carrying amount	946,300	378,741	26,748	16,039	1,367,828
Expected credit losses	5,204	3,692	2,732	5,888	17,516

The expected credit loss for bills receivables, which are all bank acceptance notes, is approximate to zero. Those banks who issue bank acceptance notes are creditworthy banks with no recent history of default.

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB8,160,000 with a carrying amount before provision of RMB40,644,000.

The individually impaired trade receivables as at 31 December 2017 related 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.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

Impairment under IAS 39 for the year ended 31 December 2017 (continued)

The ageing analysis of the trade receivables at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	927,244
Past due but not impaired:	
Less than 90 days	114,614
91 to 365 days	5,224
Over 365 days	1,111
	1,048,193

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments	86,190	56,272
Value added tax input	1,660	4,245
Deposits and other receivables	41,617	40,137
	129,467	100,654

Deposits and other receivables mainly represent rental deposits and deposits with suppliers.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	763,632	653,756
Time deposits	930	930
	764,562	654,686
Less: Pledged deposits		
Pledged for issuance of bank acceptance notes	(715)	(1,629)
Pledged for a short term loan (note 23)	(42,522)	(18,400)
Cash and cash equivalents	721,325	634,657

At the end of the reporting period, the cash and bank balances of the Group denominated in USD and HKD amounted to RMB325,111,000 (2017: RMB73,843,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short- term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	3.60–4.79	2019	49,828	5.22–6.07	2018	84,334
Bank loans — secured	4.79–5.44	2019	134,993	4.61–5.22	2018	65,868
Current portion of long term bank loans —unsecured	4.75	2019	20,000	—	—	—
Current portion of long term bank loans — secured	5.70–5.95	2019	99,400	6.18	2018	169,200
			304,221			319,402
Non-current						
Other unsecured bank loans	4.75	2020	20,000	—	—	—
Other secured bank loans	5.70–5.95	2020	68,300	5.63–5.70	2019–2020	136,200
Senior notes (note (3))	7.43	2021	1,290,080	7.43	2021	1,284,677
			1,378,380			1,420,877
			1,682,601			1,740,279
Analysed into:						
Bank loans repayable:						
Within one year or on demand			304,221			319,402
In the second year			88,300			86,400
In the third year to fifth years, inclusive			1,290,080			1,334,477
			1,682,601			1,740,279

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

Notes:

(1) Certain of the Group's bank loans are secured by 70% of equity interests of Derunlijia, 70% of equity interests of Shengshiyuan and 70% of equity interests of Kaihongda.

(2) 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 is paid semi-annually in arrears.

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

(3) Except for the Notes and the unsecured bank loans of RMB19,828,000 which are denominated in United States dollars, all the other 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 RMB42,522,000 (2017: RMB18,400,000).

24. TRADE AND BILLS PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	652,547	606,625
Bills payable	49,097	35,672
	701,644	642,297

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

	2018 RMB'000	2017 RMB'000
Within 90 days	585,052	598,090
91 to 180 days	60,858	5,705
181 to 365 days	1,077	117
1 to 2 years	5,301	399
Over 2 years	259	2,314
	652,547	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.

25. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers		
Sale of goods	13,205	19,749
Rendering of maintenance services	7,854	14,540
Total contract liabilities	21,059	34,289

Contract liabilities include short-term advances received to deliver goods and render maintenance services. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers in relation to the sales of goods and rendering of maintenance service at the end of the year.

26. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Current portion:		
Advances from customers	—	23,106
Deferred income	—	14,540
Other payables	103,898	186,216
Value added tax payable	50,425	46,174
Payroll and welfare payable	20,391	20,778
Interest payable	28,163	26,313
Put options in relation to non-controlling interests (note)	675,000	675,000
Amounts due to non-controlling shareholders	—	73,500
	877,877	1,065,627
Non-current portion:		
Deferred government grant	7,889	8,077
Put options in relation to non-controlling interests (note)	806,481	700,909
	814,370	708,986

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

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, 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 the years from 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.

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 which is 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 respective 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 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 which is 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 respective 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.

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note: (continued)

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 which is 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 respective 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.

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 which is 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 respective 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.

27. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Authorised:		
ordinary shares of HKD0.025 each (2017: HKD0.025 each)	100,000	100,000
Issued and fully paid:		
2,405,200,000 (2017: 2,175,200,000) ordinary shares of HKD0.025 each	48,179	43,116

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

	Number of shares in issue ('000)	Share capital RMB'000
At 1 January 2017, 31 December 2017 and 1 January 2018	2,175,200	43,116
Placing of shares (note)	230,000	5,063
At 31 December 2018	2,405,200	48,179

Note: 230,000,000 shares were issued for cash at a subscription price of HK1.79 per share on 19 December 2018. Upon completion of the subscription, the total number of issued shares of the Company has increased from 2,175,200,000 to 2,405,200,000.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 12 to 13 of the financial statements.

Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands. Under the constitutional documents and the Companies Law (Revised) of the Cayman Islands, the share premium is distributable as a dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

28. RESERVES (CONTINUED)

Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

Put options written on non-controlling interests reserve

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

Statutory reserve fund

In accordance with the relevant regulations in Mainland China applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until the reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant regulations in Mainland China, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in Mainland China as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of this reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

Distributable reserves

For dividend purposes, the amounts which the companies in Mainland China can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in these financial statements which are prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profit after tax of the companies in Mainland China can be distributed as dividends after the appropriation to the SRF as set out above.

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

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

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Anbaida Group Companies	30%	30%
Hongen	30%	30%
Derunlijia	30%	30%

	2018 RMB'000	2017 RMB'000
Profit for the year allocated to non-controlling interests:		
Anbaida Group Companies	56,678	72,957
Hongen	14,570	10,434
Derunlijia	14,929	10,852
Dividends paid to non-controlling interests of Anbaida Group Companies	30,000	—
Accumulated balances of non-controlling interests at the reporting date (note):		
Anbaida Group Companies	386,470	359,792
Hongen	94,597	80,027
Derunlijia	118,258	103,329

Note:

The accumulated balances were reclassified to other payables — put options in relation to non-controlling interests as set out in note 26.

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

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

2018	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,359,585	448,997	210,549
Current assets	1,209,708	203,333	188,598
Non-current assets	47,673	1,112	930
Current liabilities	443,253	72,553	34,069
Net cash flows from/(used in) operating activities	54,927	13,927	(13,253)
Net cash flows used in investing activities	(22,207)	(186)	(655)
Net cash flows from financing activities	(41,033)	—	—
Net increase/(decrease) in cash and cash equivalents	(8,313)	13,741	(13,908)

2017	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,220,617	339,111	158,513
Current assets	1,067,727	135,888	116,637
Non-current assets	42,342	1,177	403
Current liabilities	425,798	67,759	29,594
Net cash flows from/(used in) operating activities	48,879	(6,791)	43,424
Net cash flows used in investing activities	(34,648)	(305)	(354)
Net cash flows from financing activities	—	—	—
Net increase/(decrease) in cash and cash equivalents	14,231	(7,096)	(43,070)

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank RMB'000	Senior notes RMB'000	Interest payable RMB'000
At 1 January 2018	455,602	1,284,677	26,313
Changes from financing cash flows	(63,081)	—	(131,132)
Foreign exchange movement		5,403	1,325
Interest expense		—	131,657
At 31 December 2018	392,521	1,290,080	28,163

The total taxes paid during the year were:

	2018 RMB'000	2017 RMB'000
Operating activities:		
Taxes paid in Mainland China	212,979	158,144
Financing activities:		
Taxes paid in Mainland China	—	—
	212,979	158,144

31. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, and senior notes, which are secured by the assets of the Group, are included in notes 22 and 23, respectively, to the financial statements.

32. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

	2018 RMB'000	2017 RMB'000
Within a year	18,917	15,063
In the second to fifth years, inclusive	15,279	11,113
	34,196	26,176

33. RELATED PARTY TRANSACTIONS

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

	2018 RMB'000	2017 RMB'000
Basic salaries and other benefits	8,861	8,216
Discretionary bonuses	3,487	3,195
Pension scheme contributions	135	182
	12,483	11,593

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

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

2018

Financial assets

	Financial assets at amortised cost RMB'000
Trade and bills receivables	1,377,280
Financial assets included in prepayments, deposits and other receivables	41,617
Pledged deposits	43,237
Cash and cash equivalents	721,325
	2,183,459

Financial liabilities

	Financial liabilities at fair value designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	701,644	701,644
Financial liabilities included in other payables and accruals (note 26)	—	807,061	807,061
Other long-term payables (note 26)	806,481	—	806,481
Interest-bearing bank and other borrowings (note 23)	—	1,682,601	1,682,601
	806,481	3,191,306	3,997,787

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2017

Financial assets

	Loans and receivables RMB'000
Trade and bills receivables	1,114,834
Financial assets included in prepayments, deposits and other receivables	40,137
Pledged deposits	20,029
Cash and cash equivalents	634,657
	1,809,657

Financial liabilities

	Financial liabilities at fair value designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	642,297	642,297
Financial liabilities included in other payables and accruals (note 26)	—	975,569	975,569
Other long-term payables (note 26)	700,909	—	700,909
Interest-bearing bank and other borrowings (note 23)	—	1,740,279	1,740,279
	700,909	3,358,145	4,059,054

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (non-current portion)	1,378,380	1,420,877	1,215,600	1,483,072
Put options in relation to non-controlling interests	806,481	700,909	806,481	700,909
	2,184,861	2,121,786	2,022,081	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 including other long term payables, and the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of senior notes is based on the quoted market price. The Group's own non-performance risk for the non-current portion of financial liabilities including other long-term payables, and the non-current portion of interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

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

In connection with the put options in relation to non-controlling interests as set out in note 26, below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 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 ending 31 December 2019, projection times and discount rate. At the date of approval of these financial statements, no further significant changes to the consideration were expected.

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

Forecasted profit after tax of Hongen, Derunlijia, Shengshiyuan and Kaihongda in 2019	RMB233,685,000
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	RMB71.28 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 liabilities arising from the put options in relation to non-controlling interests.

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

Fair value hierarchy

Liabilities measured at fair value:

As at 31 December 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	—	—	806,481	806,481

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 within Level 3 during the year are as follows:

	2018 RMB'000	2017 RMB'000
Amounts included in non-current portion of put options in relation to the non-controlling interests		
At 1 January	700,909	567,227
Decrease	—	(675,000)
Increase	—	700,909
Remeasurement recognised in equity	105,572	107,773
At 31 December	806,481	700,909

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	1,127,281	88,319	—	1,215,600

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	1,347,169	135,903	—	1,483,072

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and bills receivables and trade and bills payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to market risk of changes in interest rates relates primarily to its interest-bearing loans and other borrowings with floating rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2018, the total interest-bearing bank borrowings of RMB302,700,000 (31 December 2017: RMB205,400,000) of the Group were with floating interest rates denominated in RMB.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings:

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis points %	Increase/ (decrease) in profit after tax RMB'000
2018		
RMB	1	(2,270)
RMB	(1)	2,270

The Group does not use derivative financial instruments to hedge its interest rate risk.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar ("USD") and Hong Kong dollar ("HKD"), with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of the exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit before tax HKD'000	Increase/ (decrease) in equity* HKD'000
Year ended 31 December 2018			
If USD weakens against HKD	1	15,936	—
If USD strengthens against HKD	(1)	(15,936)	—
Year ended 31 December 2017			
If USD weakens against HKD	1	15,335	—
If USD strengthens against HKD	(1)	(15,335)	—
		RMB'000	RMB'000
Year ended 31 December 2018			
If USD weakens against RMB	5	7,963	69,669
If USD strengthens against RMB	(5)	(7,963)	(69,669)
Year ended 31 December 2017			
If USD weakens against RMB	5	6,957	63,853
If USD strengthens against RMB	(5)	(6,957)	(63,853)

* Excluding retained profits

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs		Lifetime ECLs	
	Stage 1	Stage 2	Stage 3	Simplified approach
	RMB'000	RMB '000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	1,377,280
Financial assets included in prepayments, other receivables and other assets				
— Normal**	41,617	—	—	—
Pledged deposits				
— Not yet past due	43,237	—	—	—
Cash and cash equivalents				
— Not yet past due	721,325	—	—	—

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables), and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2018	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing loans	—	174,100	145,073	88,389	407,562
Trade and bills payables	67,495	634,149	—	—	701,644
Other payables and accruals	103,898	28,163	—	—	132,061
Senior notes	—	47,356	47,356	1,562,064	1,656,776
Put options in relation to non-controlling interests	675,000	—	—	920,322	1,595,322
	846,393	883,768	192,429	2,570,775	4,379,524

31 December 2017	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing loans	—	63,383	143,556	250,632	457,571
Trade and bills payables	8,534	633,763	—	—	642,297
Other payables and accruals	274,256	26,313	—	—	300,569
Senior notes	—	46,743	46,743	1,635,340	1,728,826
Put options in relation to non-controlling interests	—	—	675,000	920,344	1,595,344
	282,790	770,202	865,299	2,806,316	4,724,607

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a total debt to total capitalisation ratio, which is total debt divided by total equity plus total debt. Total debt includes interest-bearing bank and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests. The total debt to total capitalisation ratios as at the end of the reporting periods were as follows:

	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other borrowings	1,682,601	1,740,279
Total equity	1,153,898	683,651
Total debt and equity	2,836,499	2,423,930
Total debt to total capitalisation ratio	59%	72%

37. EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period which could influence the economic decisions that users make on the basis of the financial statements.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	29,572	28,212
Total non-current assets	29,572	28,212
CURRENT ASSETS		
Amounts due from subsidiaries	1,856,651	1,812,206
Cash and cash equivalents	319,533	67,382
Total current assets	2,176,184	1,879,588
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	—	54,334
Other payables and accruals	28,649	26,313
Total current liabilities	28,649	80,647
NET CURRENT ASSETS	2,147,535	1,798,941
TOTAL ASSETS LESS CURRENT LIABILITIES	2,177,107	1,827,153
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,290,080	1,284,677
Total non-current liabilities	1,290,080	1,284,677
NET ASSETS	887,027	542,476
EQUITY		
Issued capital	48,179	43,116
Reserves (note)	838,848	499,360
TOTAL EQUITY	887,027	542,476

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

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

	Share premium account RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
Balance at 1 January 2017	670,172	(34,523)	101,915	737,564
Total comprehensive loss for the year	—	(108,713)	(46,423)	(155,136)
Final 2016 dividend declared	(83,068)	—	—	(83,068)
At 31 December 2017 and 1 January 2018	587,104	(143,236)	55,492	499,360
Total comprehensive income for the year	—	1,296	78,473	79,769
Issue of new shares	357,455	—	—	357,455
Share issue expenses	(978)	—	—	(978)
Final 2017 dividend declared	(96,758)	—	—	(96,758)
At 31 December 2018	846,823	(141,940)	133,965	838,848

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2019.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
RESULTS					
Revenue	4,446,954	3,926,877	3,021,831	2,454,684	1,531,353
Profit for the year	349,535	350,575	269,928	198,513	103,546
Profit for the year attributable to:					
Owners of parent	251,746	249,968	201,031	162,756	100,900
Non-controlling interests	97,789	100,607	68,897	35,757	2,646
ASSETS AND LIABILITIES					
Total assets	5,847,754	5,487,271	4,456,417	3,163,509	1,117,919
Total Liabilities	4,693,856	4,803,620	3,504,189	2,246,112	792,862
Net assets	1,153,898	683,651	952,228	917,397	325,057

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