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

2019 中期報告
INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Ng Chit Sing

INDEPENDENT AUDITORS

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Certified Public Accountants
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Hong Kong

REGISTERED OFFICE

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Cayman Islands

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LEGAL ADVISERS

As to PRC law
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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hopewell Centre
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Hong Kong
(change of address with effect from
11 July 2019)

STOCK CODE

2393

COMPANY WEBSITE

http://www.yestarcorp.com

ABOUT YESTAR HEALTHCARE

Yestar Healthcare Holdings Company Limited ("Yestar" or the "Company", together with its subsidiaries, the "Group") is one of the largest distributors and service providers of In Vitro Diagnostic ("IVD") products in the Peoples Republic of China (the "PRC"). The Group is principally engaged in the distribution of IVD products in cities of Beijing, Shanghai, Guangzhou and Shenzhen, and in provinces of Anhui, Fujian, Guangdong, Hainan, Hunan, Jiangsu, Hebei and the autonomous region Inner Mongolia. 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

According to Renub Research, China's IVD market is expected to enjoy a strong CAGR growth of 19.0%, reaching approximately RMB111 billion by 2022 due to the rising demand in medical consumables. Meanwhile, as the "Hierarchical Medical System" and "Two Invoices" system continue to proceed, the reach of high-quality medical products is expected to extend in depth, moving downwards from grade-A tertiary hospitals to lower-tier hospitals and clinics. Under the "Hierarchical Medical System", patients with common diseases would be directed to lower-tier medical facilities for diagnosis, in an attempt to raise the overall efficiency and maximize the service coverage of the PRC's medical system. As a result, the less-equipped facilities, previously with a limited demand in IVD reagents and devices, is now expected to provide a sustainable and strong demand in medical products used in disease diagnosis and treatment. As for the "Two Invoices" system, it aims to streamline the distribution chain of medical products, essentially eliminating inefficient and cost-inflicting sub-distribution processes in an attempt to make medical products more affordable and accessible. This would greatly benefit major IVD distributors and service providers including Yestar, as the value chain is now left with more profit, along with a stronger demand, to be shared between the key distributor and the manufacturer.

Over the years, the Group has established an extensive distribution network and built up close relationships with IVD and medical imaging product manufacturers such as Roche Diagnostics China and Fujifilm. Riding on their support as well as the Group's leading market position, Yestar is capable to deliver products that can cater to the needs of hospitals across different hierarchies, laying a solid foundation for future growth.

BUSINESS OVERVIEW

Expanding Geographical Coverage and Increasing Penetration to Drive Sustainable Growth

For the six months ended 30 June 2019 (the "Period"), the Group continued to execute its long-term strategy of network expansion, both in terms of width and depth. To expand the width of its business, the Group continued to leverage its network among the four tier-1 cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, to actively explore opportunities in their radiating regions. Specifically, the Group was able to tap into the Inner Mongolia market, a radiating region of Beijing and Hebei, thus bringing the total coverage up to 12 cities and provinces and 1 autonomous region Inner Mongolia as at 30 June 2019.

In terms of depth, the Group kept on expanding its network coverage in preparation of the future volume growth driven by the "Hierarchical Medical System" and "Two Invoices" system. As at 30 June 2019, the Group has established direct sales and services relationship with 1,508 hospitals and clinics, representing an increase of approximately 9.5% as compared with that of 1,377 hospitals and clinics for the six months ended 30 June 2018. In order to fully capture the volume growth, the Group is also actively exploring the potentials with Roche Diagnostics on Cobas 801, a product that performs a broad range of heterogeneous immunoassay tests at a speed that is three times faster than existing products, while keeping a keen eye on other industry-leading products such as those for heart diseases, infectious diseases and tumors. Supported by its expansive distribution network and outstanding value-added services encompassing marketing, sales, logistics and after-sales, the Group will continue to take pre-emptive actions to seek collaboration in such products, catering to the rising demand for in-vitro testing going forward.

RESULTS OVERVIEW

During the Period, the Group recorded revenue of approximately RMB2,287.1 million (six months ended 30 June 2018: RMB2,042.1 million), representing approximately 12.0% year-over-year ("yoy") growth. The increment was mainly driven by our medical business resulted from the Group's expansion plan. Gross profit also increased by approximately 13.5% to approximately RMB640.5 million (six months ended 30 June 2018: RMB564.5 million). The increase is mainly driven by the volume growth from our medical business. Gross profit margin was at 28.0% (six months ended 30 June 2018: 27.6%).

The Group adopted stringent cost control. During the Period, selling and distribution expenses, administrative expenses and finance cost remained at a stable level to the overall revenue. Profit attributable to owners of the parent maintained a stable growth to RMB142.0 million (six months ended 30 June 2018: RMB118.3 million). Profit margin was at 8.8% (six months ended 30 June 2018: 7.9%). Basic earnings per share amounted to RMB5.91 cents (six months ended 30 June 2018: RMB5.44 cents).

Medical Business — 89.7% of Overall Revenue

Benefitted from our strategic plan on network expansion, the Group recorded segment revenue of RMB2,052.3 million (six months ended 30 June 2018: RMB1,730.9 million), representing a 18.6% yoy growth. Segment gross profit margin remained relatively stable at approximately 29.3%, as compared to 30.0% in the corresponding period of the last year.

Leverage on the smooth integration with Beijing Kaihongda (a subsidiary of the Group), the Group is able to recognize and respond to opportunities quicker through sharing of information. During the Period, Yestar well executed the network expansion plan and successfully penetrated into the Inner Mongolia, an autonomous region. As of 30 June 2019, Yestar had a medical consumable distribution network covering 8 provinces and 4 tier-1 cities in the PRC.

Apart from geographical expansion, the Group also increased its market shares of lower-tier hospital located in its existing network and penetrated into certain tier-2 hospitals for further growth of sales volume.

Non-medical Business — 10.3% 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 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 Period, revenue of non-medical businesses was RMB234.8 million (30 June 2018: RMB311.2 million), decreased by approximately 24.6% yoy. Segment gross profit margin was 16.7%, increased by 2.2p.p. (six months ended 30 June 2018: 14.5%).

OUTLOOK

Under the strategic theme "co-building, sharing and health for all" of Healthy China 2030, there is a rising healthcare awareness and medical standard among the general public, where early, rapid, and definite diseases diagnosis such as IVD is expected to become increasingly crucial especially in clinical medicine and related medical research. According to "China In Vitro Diagnostic (IVD) Industry report, 2019–2025" from Research and Markets, China's IVD market has developed rapidly due to robust demand over the years, with its size approximating RMB57.6 billion in 2018, representing an annualized jump of 19.3%. In another report from Research and Markets, "China In-Vitro Diagnostics (IVD) Market, By Diagnostics, and Companies", it is projected that the China IVD market will exceed US$12 billion by the end of year 2024, mainly driven by the rapid increase of middle class population who is willing to pay more for better healthcare services, as well as aging population who are more vulnerable to contagious diseases. All these paint a favourable market environment for Yestar to operate, with exciting growth opportunities across tiers and regions.

In order to capture the growing opportunities for IVD checkups, Yestar will continue its collaboration with Roche Diagnostics for new products distribution. Leveraging its technical advantage, Roche has developed closed-end systems for its automatic analyzers for IVD checkups while constantly inventing new machines and equipment to improve efficiency. The Group will proactively work with Roche to introduce advance and innovative IVD products and services to the market and drive overall sales volume during the process. The Group will also closely work with Fujifilm, a strategic shareholder of Yestar and a renowned innovator and market leader in medical diagnostic field. With shared vision and values, synergies will be created through the strategic partnership to co-explore untapped markets and co-develop new products and services.

Besides, despite the fact that the Group may not be able to accurately predict market or policies development, the Group can always maintain a healthy financial position in order to be agile and flexible regardless of situations. On such front, the Group has always maintained a healthy level of cash and cash equivalents, current ratio, and cash conversion cycle. As at 30 June 2019, the Company has obtained certain loan facilities from several banks for future development. The Group will continue to embrace such strategy, and will be prepared for any upcoming threats, business opportunities, or future acquisitions.

FINANCIAL REVIEW

Liquidity and financial resources

The Group practised product financial management for the six months ended 30 June 2019. The Group finances its daily operation through a combination of internally-generated funds from operation and borrowings. The Group maintained a strong and sound financial position during the Period. As at 30 June 2019, the Group had a cash and cash equivalents of approximately RMB600.3 million (31 December 2018: approximately RMB721.3 million). The decrease in cash and cash equivalents were mainly attributable to the increase in pledged deposits for bank borrowings and the repurchase of shares during the Period.

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2019 was approximately RMB1,775.6 million (31 December 2018: approximately RMB1,747.6 million). Except for the Senior Notes which are denominated in USD and a short-term loan of USD1.5 million, all borrowings of the Group are principally dominated in Chinese Yuan (RMB), which is the presentation currency of the Group.

The Group has secured bank loans of approximately RMB331.5 million and an unsecured bank loan of approximately RMB83.8 million.

Current Ratio

As at 30 June 2019, the Group's current ratio was approximately 1.11 (31 December 2018: approximately 1.52), based on total current assets of approximately RMB3,240.4 million and total current liabilities of approximately RMB2,908.4 million.

Gearing Ratio

As at 30 June 2019, the Group's gearing ratio was approximately 60% (31 December 2018: approximately 62%), calculated as the total debt which includes the interest-bearing bank loans and other borrowings for an aggregate amount of approximately RMB1,755.6 million divided by total equity plus total debt for an aggregate amount of approximately RMB2,968.7 million as at the end of June 2019. The decrease in gearing ratio was mainly attributable to the net-off effect on the increase in interest-bearing bank loans and other borrowings for an amount of approximately RMB28.1 million and the significant increase in total equity of approximately RMB104.1 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by about 11.5% from approximately RMB108.2 million for the six months ended 30 June 2018 to approximately RMB120.6 million for the Period, and accounted for approximately 5.3% of the Group's revenue for both of the respective reporting periods. The increase in selling and distribution expenses were in line with the increase in revenue of the Group during the Period. Benefitted by the stringent cost control, such expenses to the overall revenue for the Period remained stable.

Administrative Expenses

The Group's administrative expenses increased by about 14.0% from approximately RMB150.9 million for the six months ended 30 June 2018 to approximately RMB172.0 million for the Period, and accounted for approximately 7.4% and approximately 7.5%, respectively, of the Group's revenue for the respective reporting periods.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings. The aggregate amount of interest incurred was approximately RMB64.0 million (six months ended 30 June 2018: approximately RMB64.1 million) for the Period.

For the Period, interest rates of the interest-bearing loans and Senior Notes ranged from 2.1% to 7.43%, while those for the six months ended 30 June 2018 ranged from 3.72% to 7.43%.

Foreign Exchange Exposure

Most of the revenue-generating operations of the Group were transacted in Chinese Yuan which is the presentation currency of the Group. For the Period, the Group was exposed to foreign currency risk arising from the purchasing and Senior Notes in US Dollars.

During the Period, the Group did not enter into any agreement to hedge our currency exposure and will continue to closely monitor its foreign exchange exposure to minimize the exchange risk.

Capital structure

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

Employees and Remuneration Policies

As at 30 June 2019, the Group had a total of 1,066 employees (six months ended 30 June 2018: 1,038 employees), including Directors. Total staff costs (including Directors' emoluments) were approximately RMB98.0 million for the Period (six months ended 30 June 2018: approximately RMB80.2 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include provision of welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance, and central pension scheme.

Significant investments held

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

Future plans for material investments and capital assets

The Group did not have any other plans for material investments and capital assets as at 30 June 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Period.

Charges of assets

As at 30 June 2019, none of the Group's property, plant and equipment was pledged (31 December 2018: Nil). In addition, bank loans of approximately RMB127.6 million (31 December 2018: 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.

In addition, certain of the Group's bank loans are secured by the pledge of certain of the Group's deposits amounting to RMB112,998,000 (31 December 2018: RMB42,522,000).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

Significant Event after the Reporting Period

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

Use of Proceeds from Allotment of 230,000,000 Subscription 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.

As at 30 June 2019, the Company net proceeds from Subscription Shares had been applied as follows:

Intended use of net proceeds	Amount of net proceeds allocated HK$ million	Remaining amount available as at 1 January 2019 HK$ million	Amount utilized for the six months ended 30 June 2019 HK$ million	Remaining amount available as at 30 June 2019 HK$ million
Possible acquisition to expand market share	163.88	163.88	—	163.88
Repayment of interest bearing borrowings to reduce finance cost	163.88	163.88	—	163.88
General working capital	81.94	81.94	20.97	60.97
Total	409.70	409.70	20.97	388.73

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. The Company expects to utilize the balance of net proceeds from the Share Subscription for the next two years ending 31 December 2019 and 31 December 2020 as follows:

Intended use of net proceeds	Remaining amount available as at 30 June 2019 HK$ million	Amount to be utilized for the year ending 31 December 2019 HK$ million	Amount to be utilized for the year ending 31 December 2020 HK$ million
Possible acquisition to expand market share	163.88	—	163.88
Repayment of interest bearing borrowings to reduce finance cost	163.88	163.88	—
General working capital	60.97	20.00	40.97
Total	388.73	183.88	204.85

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the Period (six months ended 30 June 2018: Nil).

SHARE OPTION SCHEME

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

Purpose of the Scheme Option Scheme

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

Participants under the Share Option Scheme

Participants under the Share Option Scheme include the following:

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

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

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

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

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

Principal terms of the Share Option Scheme

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

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

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

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

(c) the nominal value of a Share.

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

An offer shall be deemed to have been accepted by the Grantee and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the offer duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the granting thereof is received by our Company within the acceptance period as specified in the offer letter, and the option to which the offer relates shall be deemed to have been granted on the offer date.

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

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

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

As at 30 June 2019, no option has been granted by the Company to subscribe for shares of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Period or subsisted at the end of the Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Period or at any time during the Period.

RELATED-PARTY TRANSACTIONS

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

COMPETITION AND CONFLICT OF INTERESTS

Save as disclosed above and except for the interests in the Group, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the Period.

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

Up to the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of director	Interests in ordinary shares Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	Approximate percentage of shareholding in the Company
Hartono James	598,662,500	—	20,000,000 (Note 1)	618,662,500	—	618,662,500 (Note 2)	25.97%

Notes:

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

2. Out of 618,662,500 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 30 June 2019 and up to the date of this report, 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, up to the date of this report, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of any class of issued voting shares carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Hartono Jeane	Beneficial owner	391,870,000	16.45%
Hartono Rico	Beneficial owner	265,810,000	11.16%
FUJIFILM Corporation*	Beneficial owner	230,000,000	9.66%
Li Bin	Beneficial owner	164,600,600	6.91%

* 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 position in shares and underlying shares of the Company" which is discloseable under Divisions 2 and 3 of Part XV of the SFO above, as at 30 June 2019, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

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

The Company was authorized by its shareholders at the annual general meetings held on 15 May 2018 (the "2018 AGM") and held on 10 May 2019 (the "2019 AGM), respectively to repurchase its shares not exceeding 10% of the issued shares of the Company as at the date of the 2018 AGM and 2019 AGM respectively until the conclusion of next annual general meeting or the revocation of the resolution for repurchase of shares, whichever is earlier.

During the Period and up to the date of this report, 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 during the Period and up to the date of this report are set out as follows:

Month/Year of repurchase	No. of repurchased shares	Consideration per share Highest HK$	Consideration per share Lowest HK$	Aggregate consideration paid HK$'000
January 2019	565,000	1.87	1.76	1,024
April 2019	1,145,000	1.87	1.69	2,088
May 2019	6,220,000	1.85	1.68	10,713
June 2019	8,250,000	1.70	1.39	12,691
July 2019	7,137,500	1.45	1.00	7,801
	23,317,500			34,317

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 Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors, which is also applicable to its employees who are likely to possess unpublished inside information (the "Relevant Employees").

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change of Director's information of the Company during the Period and up to the date of this report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the relevant CG Code, its revised which are available on the websites of the Company and the Stock Exchange.

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

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		For the six months ended 30 June	
	Notes	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Revenue	4	2,287,118	2,042,108
Cost of sales		(1,646,577)	(1,477,636)
Gross profit		640,541	564,472
Other income and gains	4	17,565	12,821
Selling and distribution expenses		(120,607)	(108,204)
Administrative expenses		(171,982)	(150,865)
Impairment losses on financial assets		(215)	—
Other expenses		(7,694)	(5,028)
Finance costs	5	(64,016)	(64,126)
Share of profit and loss of an associate		(2,779)	(3,599)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	290,813	245,471
Income tax expense	7	(90,252)	(83,706)
PROFIT FOR THE PERIOD		200,561	161,765
Attributable to:			
Owners of the parent		141,992	118,270
Non-controlling interests		58,569	43,495
		200,561	161,765
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period	9	RMB5.91 cents	RMB5.44 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
PROFIT FOR THE PERIOD	200,561	161,765
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,477)	853
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(3,477)	853
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(3,477)	853
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	197,084	162,618
Attributable to:		
Owners of the parent	138,515	119,123
Non-controlling interests	58,569	43,495
	197,084	162,618

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	121,811	127,816
Right-of-use assets		101,064	—
Prepaid land lease payments		—	13,971
Intangible assets		1,528,945	1,594,363
Goodwill		945,276	945,276
Investment in an associate		3,396	9,166
Deferred tax assets		9,637	9,421
Total non-current assets		2,710,129	2,700,013
CURRENT ASSETS			
Inventories	11	892,368	876,432
Trade and bills receivables	12	1,438,684	1,377,280
Prepayments, other receivables and other assets		193,549	129,467
Pledged deposits		115,495	43,237
Cash and cash equivalents		600,333	721,325
Total current assets		3,240,429	3,147,741
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	396,766	304,221
Lease liabilities		36,766	—
Trade and bills payables	14	625,074	701,644
Contract liabilities		20,559	21,059
Other payables and accruals	15	1,681,546	877,877
Tax payable		147,670	169,101
Total current liabilities		2,908,381	2,073,902
NET CURRENT ASSETS		332,048	1,073,839
TOTAL ASSETS LESS CURRENT LIABILITIES		3,042,177	3,773,852

	Notes	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	1,378,863	1,443,336
Lease liabilities		51,601	—
Deferred tax liabilities		410,893	427,204
Other long term payables	15	7,794	814,370
Total non-current liabilities		1,849,151	2,684,910
NET ASSETS		1,193,026	1,088,942
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	48,006	48,179
Treasury shares		(11,169)	—
Reserves		1,144,924	1,029,483
		1,181,761	1,077,662
Non-controlling interests		11,265	11,280
TOTAL EQUITY		1,193,026	1,088,942

James Hartono
Director

Wang Hong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

		Attributable to owners of the parent											
	Note	Share capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Put-options written on non-controlling interests RMB'000	Statutory reserve fund RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (audited)		48,179	—	846,823	84,991	(789,697)	112,162	(158,637)	947,938	(14,097)	1,077,662	11,280	1,088,942
Profit for the period		—	—	—	—	—	—	—	141,992	—	141,992	58,569	200,561
Other comprehensive income for the period:													
Exchange differences related to foreign operations		—	—	—	—	—	—	—	—	(3,477)	(3,477)	—	(3,477)
Total comprehensive income for the period		—	—	—	—	—	—	—	141,992	(3,477)	138,515	58,569	197,084
Repurchase of shares	16	(173)	(11,169)	(11,849)	—	—	—	—	—	—	(23,191)	—	(23,191)
Transfer from retained earnings		—	—	—	—	—	10,578	—	(10,578)	—	—	—	—
Dividends paid to non-controlling shareholder		—	—	—	—	—	—	—	—	—	—	(15,000)	(15,000)
Put-options in relation to non-controlling interests		—	—	—	—	(11,225)	—	—	—	—	(11,225)	(43,584)	(54,809)
At 30 June 2019 (unaudited)		48,006	(11,169)	834,974*	84,991*	(800,922)*	122,740*	(158,637)*	1,079,352*	(17,574)*	1,181,761	11,265	1,193,026

* These reserve accounts comprise the consolidated reserves of RMB1,144,924,000 (31 December 2018: RMB1,029,483,000) in the interim condensed consolidated statement of financial position.

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Put-options written on non-controlling interests RMB'000	Statutory reserve fund RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (audited)	43,116	587,104	84,991	(751,505)	87,487	(158,637)	720,867	59,357	672,780	10,871	683,651
Profit for the period											
Other comprehensive income for the period:	—	—	—	—	—	—	118,270	—	118,270	43,495	161,765
Exchange differences related to foreign operations	—	—	—	—	—	—	—	853	853	—	853
Total comprehensive income for the period	—	—	—	—	—	—	118,270	853	119,123	43,495	162,618
Final 2017 dividend declared	—	(96,758)	—	—	—	—	—	—	(96,758)	—	(96,758)
Transfer from retained earnings	—	—	—	—	8,908	—	(8,908)	—	—	—	—
Put-options in relation to non-controlling interests	—	—	—	(7,438)	—	—	—	—	(7,438)	(43,401)	(50,839)
At 30 June 2018 (unaudited)	43,116	490,346*	84,991*	(758,943)*	96,395*	(158,637)*	830,229*	60,210*	687,707	10,965	698,672

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 Unaudited RMB'000	2018 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		290,813	245,471
Adjustments for:			
Finance costs	5	64,016	64,126
Impairment of inventories	6	186	314
Impairment of financial assets	6	215	2,258
Impairment of investment in an associate	6	2,991	—
Exchange loss		1,862	4,693
Net gain on financial assets at fair value through profit or loss	4	(326)	(1,117)
Share of loss of an associate		2,779	3,599
Recognition of deferred income		(94)	(94)
Depreciation of items of property, plant and equipment	6	11,259	8,670
Depreciation of right-of-use assets/ recognition of prepaid land lease payments	6	16,170	163
Amortisation of other intangible assets	6	65,481	65,490
Loss on disposal of items of property, plant and equipment	6	1,095	23
		456,447	393,596
Increase in trade and bills receivables		(61,619)	(66,538)
Increase in prepayments, other receivables and other assets		(64,082)	(27,817)
Increase in inventories		(16,122)	(129,283)
Decrease in trade and bills payables		(76,570)	(15,136)
Decrease in other payables and accruals		(52,329)	(132,566)
(Increase)/decrease in pledged deposits for issuance of bank acceptance notes		(1,782)	39
(Decrease)/increase in contract liabilities		(500)	13,109
		183,443	35,404
Income tax paid		(128,210)	(134,785)
NET CASH FROM/(USED) IN OPERATING ACTIVITIES		55,233	(99,381)

		For the six months ended 30 June	
		2019	2018
		Unaudited	Unaudited
	Notes	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(6,412)	(1,415)
Purchases of intangible assets		(64)	—
Proceeds from disposal of items of property, plant and equipment		63	27
Net proceeds from disposal of financial assets measured at fair value through profit or loss		326	1,117
Acquisition of subsidiaries		—	(73,500)
Loans to third parties		—	(2,335)
NET CASH USED IN INVESTING ACTIVITIES		(6,087)	(76,106)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		257,118	144,500
Repayment of bank loans		(234,373)	(157,393)
Increase in pledged deposits for bank borrowings		(70,476)	(5,750)
Acquisition of a non-controlling interest		(5,540)	(11,718)
Principal portion of lease payments		(14,896)	—
Repurchase of shares		(23,191)	—
Dividend paid to non-controlling interests of a subsidiary		(15,000)	—
Interest paid		(63,768)	(61,813)
NET CASH FLOWS USD IN FINANCING ACTIVITIES		(170,126)	(92,174)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(120,980)	(267,661)
Cash and cash equivalents at beginning of period		721,325	634,657
Effect of foreign exchange rate changes, net		(12)	916
CASH AND CASH EQUIVALENTS AT END OF PERIOD		600,333	367,912

		For the six months ended 30 June	
	Notes	2019 Unaudited RMB'000	2018 Unaudited RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and non-pledged bank balances		473,967	366,982
Non-pledged time deposits		126,366	930
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION		600,333	367,912

1. CORPORATE INFORMATION

Yestar Healthcare Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2012 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the Company's ultimate controlling shareholders are Jeane Hartono, Rico Hartono, James Hartono and Chen Chen Irene Hartono.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 October 2013 (the "Listing").

The Company is an investment holding company. During the six months ended 30 June 2019 (the "Period"), the Company's subsidiaries were involved in the following principal activities:

- manufacture and sale of color photographic paper, industrial NDT x-ray films and PWB films, and trading of imaging equipment; and

- manufacture and sale of medical dry films, medical wet films and dental films, and distribution of medical equipment and diagnostic reagents.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) 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 account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

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

2.2 Changes in accounting policies and disclosures (Continued)

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

2.2 Changes in accounting policies and disclosures (Continued)

(a) Adoption of IFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognizes based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were 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 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Elected to use the transition practical expedient allowing the standard to applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) RMB'000 (Unaudited)
Assets:	
Increase in right-of-use assets	92,259
Decrease in prepaid land lease payments	(13,971)
Increase in total assets	78,288
Liabilities:	
Increase in lease liabilities	78,288
Increase in total liabilities	78,288
Decrease in retained earnings	—

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

2.2 Changes in accounting policies and disclosures (Continued)

(a) Adoption of IFRS 16 (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018:	92,439
Weighted average incremental borrowing rate as at 1 January 2019	5.54%
Discounted operating lease commitments as at 1 January 2019	87,796
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	9,508
Lease liabilities as at 1 January 2019	78,288

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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

2.2 Changes in accounting policies and disclosures (Continued)

(a) Adoption of IFRS 16 (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

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

2.2 Changes in accounting policies and disclosures (Continued)

(a) Adoption of IFRS 16 (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets				
	Properties RMB'000	Equipments RMB'000	Prepaid land lease payment RMB'000	Sub-total RMB'000	Lease liabilities RMB'000
As at 1 January 2019	47,224	31,064	13,971	92,259	78,288
Additions	23,086	1,889	—	24,975	24,975
Depreciation charge	(10,853)	(5,154)	(163)	(16,170)	—
Interest expense	—	—	—	—	1,837
Payments	—	—	—	—	(16,733)
As at 30 June 2019	59,457	27,799	13,808	101,064	88,367

(b) 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 assessed its business model for its long-term interests in an associate upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in an associate continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

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

2.2 Changes in accounting policies and disclosures (Continued)

(c) 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively:

Six months ended 30 June 2019 (unaudited)	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	234,839	2,052,279	2,287,118
Segment results	10,100	300,452	310,552
Reconciliation:			
Corporate and other unallocated expenses			(19,739)
Profit before tax			290,813
Other segment information:			
Depreciation of items of property, plant and equipment	3,650	7,609	11,259
Depreciation of items of right-of-use assets/ recognition of prepaid land lease payments	1,210	14,960	16,170
Amortisation of intangible assets	156	65,325	65,481
Share of loss of an associate	—	2,779	2,779
Impairment loss recognised in the statement of profit or loss	—	3,392	3,392
Loss on disposal of items of property, plant and equipment	11	1,084	1,095
Capital expenditure*	64	6,412	6,476

3. OPERATING SEGMENT INFORMATION (Continued)

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

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

Six months ended 30 June 2019 (unaudited)	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment assets	385,658	5,326,390	5,712,048
Reconciliation:			
Corporate and other unallocated assets			238,510
Total assets			5,950,558
Segment liabilities	147,197	4,248,908	4,396,105
Reconciliation:			
Corporate and other unallocated liabilities			361,427
Total liabilities			4,757,532

Year ended 31 December 2018 (audited)	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
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			346,025
Total liabilities			4,758,812

3. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the six months ended 30 June 2019, the Group had one individual customer from whom the revenue derived by selling medical imaging products and imaging printing products of RMB419,944,000 (six months ended 30 June 2018: RMB454,437,000) accounted for about 18.36% (six months ended 30 June 2018: 22.3%) of the Group's total revenue during the Period.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Revenue from contracts with customers		
Sale of goods	2,268,055	2,013,317
Rendering of services	19,063	28,791
	2,287,118	2,042,108

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2019

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	234,839	2,033,216	2,268,055
Services transferred over time	—	19,063	19,063
Total revenue from contracts with customers	234,839	2,052,279	2,287,118

For the six months ended 30 June 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	311,238	1,702,079	2,013,317
Services transferred over time	—	28,791	28,791
Total revenue from contracts with customers	311,238	1,730,870	2,042,108

4. REVENUE, OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Other income and gains		
Government grants (note)	15,576	10,402
Interest income	1,553	1,198
Net gain on financial assets at fair value through profit or loss	326	1,117
Others	110	104
	17,565	12,821

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Finance costs		
Interest on bank loans, overdraft and other borrowings	60,154	60,826
Interest expense on lease liabilities	1,837	—
Cash discount for collection of trade receivables	641	3,000
Interest arising from discounted bills	1,384	300
	64,016	64,126

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Cost of inventories sold and services provided	1,646,391	1,477,322
Depreciation of items of property, plant and equipment	11,259	8,670
Depreciation of right-of-use asset/recognition of prepaid land lease payments	16,170	163
Amortisation of other intangible assets	65,481	65,490
Research and development costs	297	133
Minimum lease payments under operating leases	—	8,972
Employee benefit expense including		
— Wages and salaries	90,017	73,297
— Pension scheme contributions	8,024	6,944
	98,041	80,241
Foreign exchange differences, net	1,282	4,693
Impairment of inventories (note 11)	186	314
Impairment of financial assets (note 12)	215	2,258
Impairment of investment in an associate	2,991	—
Loss on disposal of items of property, plant and equipment	1,095	23

7. INCOME TAX EXPENSE

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

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

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

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

The major components of income tax charge for the Period were as follows:

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Current charged for the Period	106,779	91,853
Deferred	(16,527)	(8,147)
Total tax charge	90,252	83,706

8. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2018: Nil).

The shareholders did not declare any dividend for the year ended 31 December 2018 at the annual general meeting of the Company on 10 May 2019.

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

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB141,992,000 (six months ended 30 June 2018: RMB118,270,000) and the weighted average number of ordinary shares of 2,401,996,000 in issue during the Period (six months ended 30 June 2018: 2,175,200,000 ordinary shares).

The diluted earnings per share amounts were equal to the basic earnings per share amounts for the Period and the six months ended 30 June 2018 as no diluting events occurred.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of RMB6,412,000 (six months ended 30 June 2018: RMB1,415,000).

During the six months ended 30 June 2019, depreciation for property, plant and equipment was RMB11,259,000 (six months ended 30 June 2018: RMB8,670,000).

During the six months ended 30 June 2019, property, plant and equipment with a net book value of RMB1,158,000 (six months ended 30 June 2018: RMB50,000) were disposed of by the Group resulting in a net loss on disposal of RMB1,095,000 (six months ended 30 June 2018: a net loss of RMB23,000).

As at 30 June 2019, none of the Group's property, plant and equipment was pledged (31 December 2018: none).

11. INVENTORIES

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Raw materials	92,671	50,444
Finished goods	804,100	830,205
	896,771	880,649
Less: Provision for inventories	4,403	4,217
	892,368	876,432

11. INVENTORIES (Continued)

The movements in inventory provision are as follows:

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
At beginning of the Period	4,217	2,654
Impairment provision recognised (note 6)	186	1,563
	4,403	4,217

12. TRADE AND BILLS RECEIVABLES

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Trade receivables	1,428,091	1,367,828
Bills receivable	28,324	26,968
Impairment	(17,731)	(17,516)
	1,438,684	1,377,280

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

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Within 90 days	930,001	840,067
91 to 180 days	257,065	321,194
181 to 365 days	189,332	168,620
1 to 2 years	30,570	17,752
2 to 3 years	3,392	2,679
	1,410,360	1,350,312

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	3.60–4.88	2019–2020	55,313	3.60–4.79	2019	49,828
Bank loans — secured	2.10–6.31	2019–2020	203,853	4.79–5.44	2019	134,993
Current portion of long term bank loans — unsecured	4.75	2019–2020	20,000	4.75	2019	20,000
Current portion of long term bank loans — secured	5.70–5.95	2019–2020	117,600	5.70–5.95	2019	99,400
			396,766			304,221
Non-current						
Other unsecured bank loans	4.75	2020	8,500	4.75	2020	20,000
Other secured bank loans	5.95	2020	10,000	5.70–5.95	2020	68,300
Senior notes (note (2))	7.43	2021	1,360,363	7.43	2021	1,355,036
			1,378,863			1,443,336
			1,775,629			1,747,557
Analysed into:						
Bank loans repayable:						
Within one year or on demand			396,766			304,221
In the second year			18,500			88,300
In the third year to fifth years, inclusive			1,360,363			1,355,036
			1,775,629			1,747,557

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

Notes:

(1) Certain of the Group's bank loans are secured by the pledge of 70% of equity interests in Shenzhen De Run Li Jia Company Ltd. ("Derunlijia"), 70% of the equity interests in Guangzhou Shengshiyuan Trading Company Ltd. ("Shengshiyuan"), 70% of the equity interests in Beijing Kaihongda Technologies Company Ltd. ("Kaihongda").

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

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

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

(3) Except for the Notes and a short term loan of USD1,500,000 which are denominated in United States Dollars, all borrowings are in RMB.

(4) Certain of the Group's bank loans are secured by the pledge of certain of the Group's deposits amounting to RMB112,998,000 (31 December 2018: RMB42,522,000).

14. TRADE AND BILLS PAYABLES

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Trade payables	613,286	652,547
Bills payable	11,788	49,097
	625,074	701,644

14. TRADE AND BILLS PAYABLES (Continued)

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

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Within 90 days	601,588	585,052
91 to 180 days	8,048	60,858
181 to 365 days	2,134	1,077
1 to 2 years	1,516	5,301
Over 2 years	—	259
	613,286	652,547

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

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Current portion:		
Other payables	85,588	103,898
Interest payable	28,411	28,163
Value-added tax payable	21,525	50,425
Payroll and welfare payable	9,732	20,391
Put-options in relation to non-controlling interests (Note)	1,536,290	675,000
	1,681,546	877,877

15. OTHER PAYABLES AND ACCRUALS (Continued)

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Non-current portion:		
Deferred government grant	7,794	7,889
Put-options in relation to non-controlling interests (Note)	—	806,481
	7,794	814,370

Note: Put-options in relation to non-controlling interests represent the rights granted to the non-controlling shareholders to dispose of the 30% interests in each of Anbaida Group Companies, Guangzhou Hongen Medical Diagnostic Technologies Company Limited Trading ("Hongen"), Derunlijia, Shengshiyuan and Kaihongda to the Group during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Hongen, Derunlijia, Shengshiyuan and Kaihongda as below:

a) Pursuant to the share purchase agreement entered between Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a subsidiary of the Company, Mr. Li Bin, Mr. Li Changgui, Mr. Li Changkuan, Ms. Yu Liping and Ms. Liu Hong on 9 April 2015, Yestar Medical acquired the 70% equity interest in Anbaida Group Companies and Mr. Li held the remaining 30% equity interest. The non-controlling equity interest holders shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Anbaida Group Companies if the respective net profits of Anbaida Group Companies in 2015, 2016 and 2017 reach the annual guarantee profits. The maximum consideration will not exceed RMB675 million. Since Anbaida Group Companies has met the annual guarantee profit targets for 2015 to 2017, Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. The Group would appreciate the remaining 30% equity interest in an appropriate time.

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

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

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

15. OTHER PAYABLES AND ACCRUALS (Continued)

Note: (Continued)

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

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

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

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

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

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

e) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Pang Haibin, Mr. Xie Dingjie, Ms. An Hong, Mr. Yu Huimin and Mr. Zhu Yongping on 20 September 2017, Yestar Medical acquired the 70% equity interest in Kaihongda. Yestar Medical is obligated to acquire the remaining 30% equity interest in Kaihongda if the respective net profits of Kaihongda in 2017, 2018 and 2019 reach the annual guarantee profits. The maximum consideration will not exceed RMB71.28 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical calculated by the following formula:

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

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

16. SHARE CAPITAL AND TREASURY SHARES

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Issued and fully paid:		
2,389,020,000 (31 December 2018: 2,405,200,000) ordinary shares of HKD0.025 each	47,825	48,179
Treasury shares:		
8,250,000 (31 December 2018: nil) ordinary shares of HKD0.025 each	181	—
	48,006	48,179

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

	Number of shares in issue ('000)	Share capital RMB'000
At 31 December 2018 and 1 January 2019 (audited)	2,405,200	48,179
Repurchase and cancellation of shares (note)	(7,930)	(173)
At 30 June 2019 (unaudited)	2,397,270	48,006

Note: During the six months ended 30 June 2019, the Group repurchased 16,180,000 shares on the Hong Kong Stock Exchange for a total consideration of HK$26,516,000 in accordance with section 257 of the Hong Kong Companies Ordinance, among which 7,930,000 shares were cancelled and 8,250,000 shares are treasury shares.

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019 Unaudited RMB'000	2018 Unaudited RMB'000
Short-term employee benefits	4,336	4,666
Pension scheme contributions	65	65
	4,401	4,731

18. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets at amortised cost

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Trade and bills receivables	1,438,684	1,377,280
Financial assets included in prepayments, other receivables and other assets	51,826	41,617
Pledged deposits	115,495	43,237
Cash and cash equivalents	600,333	721,325
	2,206,338	2,183,459

18. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

As at 30 June 2019 (unaudited)

	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	—	625,074	625,074
Financial liabilities included in other payables and accruals (note 15)	861,290	788,999	1,650,289
Lease liabilities	—	88,367	88,367
Interest-bearing bank and other borrowings (note 13)	—	1,775,629	1,775,629
	861,290	3,278,069	4,139,359

As at 31 December 2018 (audited)

	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 15)	—	807,061	807,061
Other long-term payables (note 15)	806,481	—	806,481
Interest-bearing bank and other borrowings (note 13)	—	1,747,557	1,747,557
	806,481	3,245,262	4,062,743

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2019 RMB'000	31 December 2018 RMB'000	30 June 2019 RMB'000	31 December 2018 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (non-current portion)	1,378,863	1,443,336	980,961	1,215,600
Put options in relation to non-controlling interests	—	806,481	—	806,481
	1,378,863	2,249,817	980,961	2,022,081

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, other receivables and other assets, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

The fair values of the non-current portion of financial liabilities included the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of senior notes is based on the quoted market price. The Group's own non-performance risk for the non-current portion of financial liabilities included other long-term payables, and the non-current portion of interest-bearing bank and other borrowings as at 30 June 2019 was assessed to be insignificant.

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

In connection with the put options in relation to non-controlling interests as set out in note 15, below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2019:

As part of the purchase agreement, a put option included in other payables and accruals is payable, which is dependent on the amounts of profit after tax of Hongen, Derunlijia, Shengshiyuan and Kaihongda for the year ending 2019. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

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

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 liability arising from the put options in relation to non-controlling interests.

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

Fair value hierarchy

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

Liabilities measured at fair value:

As at 30 June 2019

	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	—	—	861,290	861,290

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

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

Fair value hierarchy (Continued)

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

	30 June 2019 Unaudited RMB'000	31 December 2018 Audited RMB'000
Amounts included in put options in relation to non-controlling interests		
At 1 January	806,481	700,909
Remeasurement recognised in equity	54,809	105,572
	861,290	806,481

Liabilities for which fair values are disclosed:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	962,458	18,503	—	980,961
Lease liabilities	—	51,601	—	51,601
	962,458	70,104	—	1,032,562

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
Interest-bearing bank and other borrowings	1,127,281	88,319	—	1,215,600

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 15 August 2019.