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

Annual Report 年度報告

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hartono James *(Chairman)*
Ms. Wang Ying
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Chan Chung Man *(Chief Operating Officer)*
Mr. Chan To Keung *(resigned on 30 October 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Ng Chit Sing

INDEPENDENT AUDITORS

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL PLACE OF BUSINESS IN SHANGHAI

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LEGAL ADVISERS

As to PRC law
Jin Mao P.R.C. Lawyers
19/F., Sail Tower
266 Han Kou Road
Shanghai 200001
PRC

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

CORPORATE INFORMATION

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

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Hong Kong
(appointed on 17 February 2020)

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong
(ceased on 17 February 2020)

STOCK CODE

2393

COMPANY WEBSITE

http://www.yestarcorp.com

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Hartono James
Chairman

Dear valued shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Yestar Healthcare Holdings Company Limited (the "Company" or "Yestar", and, together with its subsidiaries, the "Group"), I am pleased to present results for the year ended 31 December 2019 (the "Year") to our shareholders.

POLICY TAILWIND MEETS WELL-EXECUTED STRATEGIES

2019 was a year with ample opportunities, as policy implications have emerged to benefit. With the "4+7 Bulk Procurement" policy continued its stride on healthcare products, it became increasingly difficult for medical manufacturers to boost its performance through margin enhancement, as products prices should face a period of consolidation in the short run before stabilizing. This has urged leading manufacturers to turn to volume growth and penetration strategies, or in other words, collaboration with established healthcare product distributors with extensive network and strong relationship with hospitals, in order to reinforce their leading market positions and gain market share.

On the other hand, "Hierarchical Medical System" is a policy that aims to categorize medical institutions into several tiers, and maximize medical resources by matching the level of medical needs of patients with the available resources of each tier. Traditionally, there is a strong preference for grade-A tertiary hospitals due to their comprehensive facilities and personnel, but with the new policy in place, patients, as well as resources, have slowly shifted from top-tier to lower-tier hospitals and local clinics. More resources in the lower-tiers imply more business opportunities for medical manufacturers, especially on generic products and consumables, but it remains extremely costly and inefficient for manufactures to tap into local markets. Together with the "4+7 Bulk Procurement" policy, such increasing need of market penetration and the prevalence of volume-driven growth strategy call for the use of efficient medical distributors. This would likely lead to an increasing reliance on key product distributors who boast extensive hospital network.

CHAIRMAN'S STATEMENT

Yestar is a key distributor in the PRC market with vast hospital coverage across cities and provinces of all tiers. In response to aforementioned new policies, we swiftly enhanced our after-sale services, increased the installation of new machines in hospitals, upgraded our training centers to cope with the expanding product portfolio and technical expertise of Roche Diagnostics China, a world-leader in the healthcare solutions industry, and we have expanded our coverage network to Hebei province and Inner Mongolia during the Year. As a result of the continuous network expansion, we were proudly serving a total of 1,554 hospitals as at 31 December 2019. The strengthening of network, along with our partnership with major global players, namely Roche Diagnostics China and Fujifilm, also helped us to capture the exponential volume growth through their latest products and technologies, with total revenue of the Group enjoying a year-on-year growth of 10% to RMB4,903 million for the Year.

DRIVING SUSTAINABLE GROWTH PROSPECT

Policy tailwind brought about impacts and consolidations within the healthcare industry, and we have been eager to extend our market penetration into new regions with high potentials, while strengthening the coverage in existing markets by collaborating with medical institutions of various tiers. We believe one of the key ways to raise penetration, or hence customer stickiness, is through the implementation of automated medical systems, which will guarantee the use of specified products and consumables. This was reflected by the rising adoption of cobas e801, a system produced by Roche that boasts much higher efficiency for delivering medical exam results, as our number of installation was accounting for 27% of Roche's 2019 total installation in the PRC. We believe the future trend should turn increasingly favorable to the machine, and we will continue to push its installation given demands for medical exams is expected to increase given the rising health awareness.

On the product front, we were actively exploring the possibility of co-development with our key partners, Roche and Fujifilm, as we paved the road of becoming a healthcare products distributor with R&D and distribution capabilities. Specifically, we were targeting products on immune and biochemical diagnosis as well as molecular diagnosis, as these departments represent the major IVD products across the globe. We matched our ambition with an increasing R&D expense, with it reaching RMB0.46 million during the Year, for the upgrades of our medical film products and the Shanghai R&D centre, as we believe R&D investment is vital to support the sustainable growth of a healthcare player. Such persistence will be continued as it remains part of our long-term strategy in developing new capabilities.

While we may not be able to control world events and policies development during our navigation, we are always capable of maintaining the most agile structure by prudently managing operation. Inventory turnover was reduced by 10 days to 82 days, whereas our net cash flow from operating activities has increased by 131% YoY, all pointing to a positive outlook as we continue to hold the necessary agility and efficiency for future expansion and collaboration.

APPRECIATION

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

Hartono James
Chairman

Shanghai, 27 March 2020

COMPANY ACTIVITIES

SHANGHAI EXHIBITION

On 18 October 2019 and between 25 and 27 October 2019, Fujifilm's mass photo exhibition, "Print Life", was held in Global Harbor and People's Square, Shanghai, respectively. The staff of Shanghai Yestar Healthcare Technology Co., Ltd. attended the exhibition, at which Mr. Taketomi, the general manager of Fujifilm delivered a speech.

SHANGHAI DEVELOPMENT

In mid-Autumn, Shanghai Yestar Healthcare Technology Co., Ltd. organised and successfully completed a team-building event called "Weathering the Storm Together" in Suzhou Cowboy Resort (蘇州牛仔樂園) on the picturesque shore of Lake Tai in October 2019. This event was packed with exciting activities that generated bursts of laughter and memories. Through this event, we identified a lot of new writers, athletes and strategists and strengthened mutual understanding and interdepartmental coordination.

GUANGXI DEVELOPMENT

Marched through the storm, the management team of Guangxi Technology completed a marathon in Fangcheng in the rain on 23 March. This activity toughened the team's spirit and execution capability, thereby laying a solid foundation for the company's development.

COMPANY ACTIVITIES

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SHENGSHIYUAN TEAM BUILDING

In July 2019, Shengshiyuan held a 2D1N outdoor development activity, called "The Strongest Battlegroup", for the entire staff in the CCTV Nanhai Movie & TV Town.

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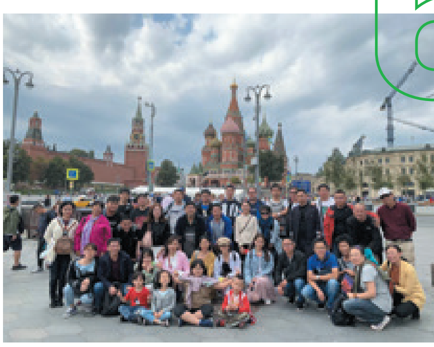
HONGEN 4-COUNTRY EUROPEAN TRIP

At the turn of summer in May, Hongen conducted a cultural team-building activity to visit 4 European countries under the bright warm sun. A picture was taken in front of the Arc de Triomphe in France.



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KAIHONGDA AND RUSSIA

In September 2019, the staff of Kaihongda traveled together to Russia. Leaving the pressure of work behind, they were rejuvenated and became more united than ever by spending fun and wonderful time together.

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GP1

In September 2019, the Group organised the annual Gold Plan summit in Zhujiajiao, Shanghai. Lasted for 4 days, the event comprised 15 seminars under 3 themes attended by 90 management personnel from various subsidiaries across the Group. Being the tenth of such event, the 2019 summit paid tribute to long-serving employees who have spent their prime years in the Group by serving Yestar for over 10 years and going through 10 Gold Plans. Yestar appreciates their hard work and contributions and looks forward to their service for another decade.

GP2

Taking advantage of the Group's close partnership with Fujifilm, participants of the summit took the rare chance to visit FUJIFILM Imaging Systems (Suzhou) Co., Ltd., the production and innovation base of Fujifilm in China. They admired and studied the wonderful corporate culture and standardised production management method so as to strengthen mutual communication and conduct in-depth exchanges.

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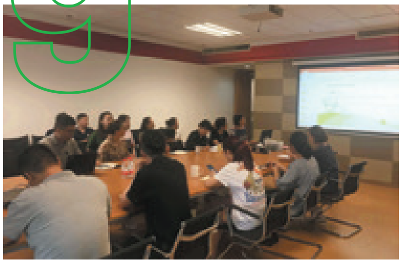
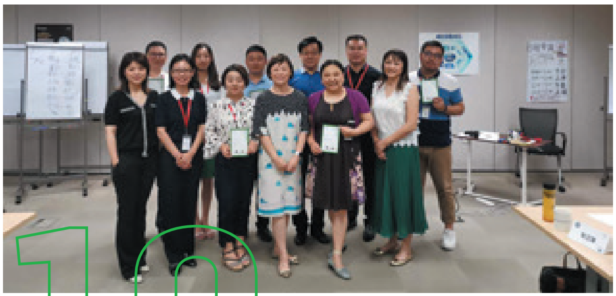


TRAINING IN JIANGSU

With a constant focus on internal training and fostering employee's business knowledge, Yestar Biotech conducted a company-wide training on hazardous chemicals in August 2019. The picture shows a training session about the laws and regulations in relation to hazardous chemicals.

SHENGSHIYUAN AND ROCHE

In September 2019, Shengshiyuan participated in a 3-day training programme organised by Roche. Given by professional lecturers in an easily understandable manner, the programme delved deeply into a vast array of issues in marketing and allowed us to grasp professional marketing theories and knowledge, thereby laying a solid theoretical foundation for their practical operation.



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COMPANY ACTIVITIES

DONATIONS FROM SHANGHAI EMPHASIS INVESTMENT

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On 18 September 2019, Mr. Zhou Shanhua, the Chief Operating Officer of Shanghai Emphasis Investment Management Consulting Company Limited, and Mr. Luo Xi, the Chief Financial Officer of Shanghai Emphasis Investment Management Consulting Company Limited, attended the completion ceremony of the "Firefly Land" at High-tech District Xinxu School in Suzhou.

The BEA Charity Fund and Shanghai Emphasis Investment Management Consulting Company Limited are the title sponsors of the "Firefly Land" of High-tech District Xinxu School. To give back to the society and show its care for the education of youths in under-privileged regions, Shanghai Emphasis Investment donated computer educational equipment to the "Firefly Land" in order to help children venture into a new world, broaden their horizons and sail freely in the sea of knowledge.

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DONATIONS FROM DERUNLIJIA

In December 2019, Derunlijia organised a fundraising campaign in Shenzhen for the 21st Marathon of Hope held by the Cancer Hospital Chinese Academy of Medical Sciences, Shenzhen Center, the objectives of which are to publicise scientific cancer prevention knowledge, promote cancer prevention and treatment researches, and support impoverished cancer patients by running together with love for charity.

Guangxi Technology participated in the mass campus emergency drill organised by the Red Cross in 2019.

To ensure safety and prevent accidents, Guangxi Technology participated in the mass campus emergency drill organised by the Red Cross and conducted joint first-aid training with the Red Cross in order to enhance execution capability during emergencies.

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DONATION 1 FROM KAIHONGDA

On 3 September 2019, Kaihongda donated home appliances such as 2 door refrigerators, front load washers and microwave ovens to the dormitory for medical students with clinical placements at the second affiliated hospital of the medical school of Inner Mongolia University of Science & Technology in Baotou.

DONATION 2 FROM KAIHONGDA

In addition to the donation of appliances such as refrigerators and washers to the second affiliated hospital, Kaihongda also made a donation on 3 July 2019 to a primary school in Dongxiangguang Town, Zhuolu County, Hebei Province for re-roofing the school's offices and classrooms, putting up stronger doors and windows, installing heating systems, purchasing classroom tables and chairs.

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COMPANY ACTIVITIES

Hongen 1: Roche Diagnostics China Best Strategic Marketing Award (Equipment Promotion) 2019 — Tissue Diagnostics

Hongen 2: Roche Diagnostics China Best Sales Award for Molecular Diagnostics Reagent for Hepatitis 2019 — Professional Diagnostics and Molecular Diagnostics

Hongen 3: Roche Diagnostics China Best Distributor (Clinical Value Management) 2019 — Professional Diagnostics and Molecular Diagnostics

ABD Best Distributor (Immunisation Equipment Sales & Marketing) 2019 — Professional Diagnostics and Molecular Diagnostics

COMPANY ACTIVITIES

ABD Best Value Distributor (CPS) 2019 — Professional Diagnostics and Molecular Diagnostics

KHD EM NC Best Project Marketing Award

KHD EM Business Best Value Distributor

KHD ID Best Project Marketing Award

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT YESTAR

Yestar 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 principally engages 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

Since late 2018, Chinese authorities have launched a national centralized procurement pilot program in four municipalities and seven local cities, namely the "4+7 Bulk Procurement" policy, aiming to slash drug prices and advance reforms in the national healthcare sector. This was followed by a circular from The State Council on 19 July 2019,《治理高值醫用耗材改革方案》, emphasizing the use of platform for the price-monitoring and centralized procurement of high-value medical consumables. Together, the healthcare sector has slowly shifted from a margin-driven to a volume-driven marketing strategy, as healthcare players became increasingly focus on market share, regional penetration, and local network in order to capture the opportunity. For that specific purpose, the adoption and reliance over established medical distributors, such as Yestar, also became increasingly critical.

On 24 October 2019, China's National Healthcare Security Administration has issued two key technical documents that introduced diagnosis-related groups (DRGs), a patient classification which standardizes payment under the national medical insurance schemes《關於印發疾病診斷相關分組 (DRG) 付費國家試點技術規範和分組方案的通知》. Under the DRG model, patients will be classified into DRGs with similar clinical symptoms and resource needs on the basis of their age, gender, length of stay and clinical diagnosis, and medical fees and insurance payments will thus be based on DRG classification instead of each specific patient. From such grouping, it shows the progress and determination of the Chinese government to implement the Hierarchical medical System, which gradually shifts resources from top-tier hospitals to basic medical institutions, aiming to expand coverage and raise efficiency of its medical services. Given the downward movement of resources, and hence budget, key medical players are increasingly looking for close collaborations with medical distributors for better market penetration.

BUSINESS OVERVIEW

Increased penetration of top-tier hospitals

Yestar retained a strong and solid network among hospitals in China, as they have generated approximately 70% of medical revenue of the Group, versus only 30% coming from distributors. To further capture opportunities coming from the volume-based tendering policy, the Group has been aggressively boosting the installation of Roche's newest modular analyzer, the cobas e801 module in top-tier hospitals. Cobas e801 is compatible with other lab automation systems, and is capable of testing more than 90 types of immunoassays, including 9-minute STAT, and can deliver up to 1,200 tests per hour, which is three time faster than other existing products, across up to 192 reagent positions. It suits well for top-tier hospitals with massive amount of patients, as the system is highly automated, allowing the continuous loading of reagents and consumables and has a high uptime while requiring less hands-on time, improving the overall efficiency. Through the installation of such closed-end system, the Group would be able to raise stickiness of top-tier hospitals, while also laying a solid foundation for lab automation in the PRC as a whole. During the Year, the number of Cobas e801 installed by Yestar accounted for 27% of Roche's 2019 total installation in the PRC.

Given the well-documented cost efficiency of lab automation, it is expected that the upgrade will persist among hospitals in the PRC. With Roche being the market leader in the area, accounting for 35% of market shares in 2019, Yestar, who also involved in 23% of Roche's 2019 total lab automation installation in the PRC, is expected to benefit. The remaining 65% of market share also represents a huge market for Yestar to further penetrate.

Stable organic growth with regional expansion

Between 2014 and 2017, the Group has completed a series of mergers and acquisitions, and organic growth has kicked in after successful integration, with revenue enjoying a 10.3% YoY increase to RMB4,903.3 million during the Year. However, network coverage remains the bread and butter of medical distributors, and Yestar continued to make stride in its geographical expansion. Riding on its entry into Hebei province last year, the Group has once again successfully expanded into Inner Mongolia, the autonomous region, as a result of its continuous upgrade on products and services offering. Since more resources will be flowed to lower-tier medical institutions under the hierarchical medical system, the Group has also strategically focused more on lower-tier hospitals in Hebei. During the Year, the Group newly penetrated into 63 hospitals, in which 90% were second-tier or lower hospitals. In terms of product range, the Group has also adapted its mix to promote middle size machines for diagnostics to cater their specific needs.

Yestar's Northern China centre was recognized as Roche's training centre

During the Year, the Group expanded three of its logistics centres located in Northern China, Eastern China and Southern China. Apart from increasing the gross floor area, the Group also divided certain areas in the Northern China hub and upgraded them for training purpose, including new seminar rooms and labs for equipment demonstration. Through the provision of product education and after-sales services to hospital personnel, lab operators, distributors and others, the Group aims to strengthen client relationship and promote the sales of latest products, Yestar was honored to have the centre recognized by Roche as its designated and authorized training centre. This offers much encouragement as it shows increasing commitment from Roche in Yestar as its major distributor, allowing the Group to radiate its services and products to nearby customers through the latest authorized training center.

Profit Guarantee in relation to the Acquisitions

Reference is made to the announcements of Yestar Healthcare Holdings Company Limited (the "Company") dated 13 October 2016, 27 October 2016, 11 November 2016 and 20 September 2017, respectively, in respect of, amongst other things, the acquisition of 70% equity interests in each of the four companies, all are principally engaged in distribution of medical devices including in-vitro diagnostic products.

Pursuant to the respective share transfer agreement for each of the four companies, there is a provision of profit guarantee (the audited consolidated net profit after taxation in accordance with the IFRS) undertaken by the respective vendors for each of the four companies for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of the Company announces that the 2019 actual net profit after taxation for each of the four companies (except Derunlijia) is more than that of their respective annual guarantee profit undertaken by the respective vendors for the year ended 31 December 2019. As the annual guarantee profit for each of the four companies (except Derunlijia) has been fulfilled, no compensation is required to be paid by the respective vendors for each of the respective four companies (except Derunlijia) pursuant to their respective share transfer agreements. Details of the performance of profit guarantee for each of the four companies are as follows:

Date of Announcement	Name of Company	For the Year Ended 31 December 2019 Annual Profit Guarantee	Actual Net Profit After Taxation
13 October 2016	Guangzhou Hongen Medical Diagnostic Technologies Company Limited ("Hongen")	RMB81.12 million	RMB81.80 million
27 October 2016	Shenzhen De Run Li Jia Company Ltd. ("Derunlijia")	RMB92.00 million	RMB87.12 million
11 November 2016	Guangzhou Shengshiyuan Trading Company Limited	RMB37.20 million	RMB37.57 million
20 September 2017	Beijing Kaihongda Technology Company Limited	RMB21.60 million	RMB21.78 million

Profit Guarantee in relation to Derunlijia

Pursuant to the share transfer agreement in relation to Derunlijia, the vendors shall pay compensation to the purchaser calculated by the following formula in the event that actual net profit after taxation is less than the annual profit guarantee for the respective years ended:

(annual profit guarantee – actual net profit after taxation) x 2

The compensation shall be payable in cash by the vendors to the purchaser within 30 days after the issue of the audited report for the respective years ended.

As disclosed above, the 2019 actual net profit after taxation of Derunlijia was approximately RMB87.12 million, which falls short of the annual profit guarantee of RMB92.00 million undertaken by the vendors of Derunlijia for the year ended 31 December 2019 by approximately RMB4.88 million (the "Profit Shortfall"). Accordingly, the vendors of Derunlijia are obliged to compensate an amount of RMB9.76 million (the "Compensation Amount") (being 2 times of the amount of Profit Shortfall) to the purchaser.

As at the date of this report, the purchaser of Derunlijia has issued a debit note to request the vendors of Derunlijia to pay for the Compensation Amount pursuant to the terms of the share transfer agreement, which is pending for the settlement as 30 days payment term has yet to be due.

As such, the Board considers that the obligation of the vendors of Derunlijia in relation to the annual profit guarantee for the year ended 31 December 2019 has yet to be fulfilled and the issuance of debit note for the Compensation Amount at this stage is fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further announcement will be made by the Company as and when appropriate in respect of the payment of the Compensation Amount by the vendors of Derunlijia.

The Directors of the Company also confirmed that there is no change to the terms of guarantee as stated in all respective share transfer agreement for each of the four companies since its execution up to the date of this report.

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2019, the Group performed a year end annual impairment test on goodwill and other intangible assets (which included distribution rights and customer relationship) by performing discounted free cash flow forecasts for each of the acquired subsidiaries in previous years, namely Shanghai Anbaida Group Companies, the Four Acquired Companies and Yestar Biotech (Jiangsu) Co., Ltd. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated and each intangible asset. The recoverable amount of each cash-generating unit and individual asset is the higher of its fair value less costs of disposal and its value in use using a cash flow projection based on a financial budget covering a five-year period.

Taking into consideration their respective projection on future results of cash-generating performance and financial results, the Group recorded an impairment loss on goodwill in one of the non wholly-owned subsidiaries for an amount of approximately RMB39.9 million (2018: 18.5 million), which was due to its lower recoverable amounts in relation to the estimated future business performance and hence the value of the discounted cash flow of that subsidiary taking into account the budgeted gross profit margin and estimated growth rate of different product mixture, which are the assumptions adopted in value-in-used calculation.

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

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

The scheduled use of proceeds as disclosed in the announcement of the Company dated 30 November 2018 was based on the best estimation of future market conditions and business strategy of the Group at the time of preparing the announcement, while the net proceeds were applied with consideration of the actual development of business and market. As at the date of this report, the Company intends to use the net proceeds as planned as disclosed in the related announcement. The Directors are not aware of any possible material change to the planned use of proceeds from the allotment of the Subscription Shares as at the date of this report.

The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with licensed bank in Hong Kong and the PRC.

As at 31 December 2019, the net proceeds from the allotment of the Subscription Shares have been applied and utilized as follows:

Use of Proceeds from the Subscription Shares

Intended use of net proceeds	Amount of net proceeds allocated HK$ million	Actual amount utilized for the year ended 31 December 2019 HK$ million	Total remaining net proceeds available as at 31 December 2019 HK$ million	Amount to be utilized for the six months ending 30 June 2020 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	163.88	—
Repayment of interest bearing borrowings to reduce finance cost	163.88	163.88	—	—	—
General working capital	81.94	40.97	40.97	20.97	20.00
Total	409.70	204.85	204.85	184.85	20.00

The Company expects to utilize the balance of net proceeds from the Subscription Shares by the year ending 31 December 2020 as disclosed above.

FINANCIAL REVIEW

During the Year, the Group achieved a revenue of RMB4,903.3 million (2018: RMB4,447.0 million), representing a 10.3% year-over-year ("yoy") growth. The increment was mainly driven by the increase in sales volume resulted from the IVD business growth, particularly from lower-tier hospitals and some of the new top-tier hospitals. Gross profit also increased by 5.5% to RMB1,265.3 million (2018: RMB1,198.8 million). The increase was mainly driven by the volume growth from medical business. Gross profit margin decreased by 1.2p.p. to 25.8% (2018: 27.0%), primarily attributable to the decrease in product market price as a result of the "4+7 Bulk Procurement" policy.

In order to meet its mid-to-long term goal of ensuring future volume consumption, the Group has since dedicated additional resources to drive the installation of Cobas e801 and lab automation in hospitals, thus leading to a 28.2% yoy increase in selling and distribution expenses for the Year. Administrative expenses also recorded a 12.7% yoy increase, mainly attributable to the increase in manpower for driving business growth. Operating profit margin therefore has decreased to 9.2% (2018: 11.5%), with profit attributable to owners of the parent reducing by 19.5% yoy to RMB202.7 million (2018: RMB251.7 million). Profit margin was at 4.1% (2018: 5.7%). Basic earnings per share was amounted to RMB8.5 cents (2018: RMB11.5 cents).

Medical Business — 89.9% of Overall Revenue

Benefitted from the strategic plans on network expansion, the Group recorded a segment revenue of approximately RMB4,406.1 million for the Year (2018: RMB3,865.5 million), representing an approximately 14.0% growth as compared with that of last year 2018. Segment gross profit margin slightly dropped 1.5p.p. to approximately 27.0% as compared to that of approximately 28.5% of last year.

During the Year, Yestar well-executed its network expansion plan and has successfully penetrated into the Inner Mongolia, an autonomous region. As of 31 December 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 raised its market shares of lower-tier hospitals located in its existing network. During the Year, Yestar has newly penetrated into tier-2 hospitals, driving a further growth in sales volume.

Numbers of Hospitals and Clinics Covered

For the year ended 31 December	2018	2019	YOY change
Provinces			
Anhui	70	70	—
Fujian	66	71	—
Guangdong	348	355	+2%
Hainan	42	54	+29%
Hebei	10	32	+220%
Hunan	16	18	+13%
Jiangsu	260	260	—
Autonomous region			
Inner Mongolia	—	10	N.A.
Tier-1 cities			
Beijing	190	190	—
Guangzhou	110	110	—
Shanghai	310	315	+2%
Shenzhen	69	69	—
Overall	1,491	1,554	+4%

MANAGEMENT DISCUSSION AND ANALYSIS

Non-medical Business — 10.1% of Overall Revenue

Apart from the medical business segment, non-medical business of the Group mainly consists of manufacturing, marketing, distribution and sale of Fujifilm color photographic paper (professional and minilab) as well as industrial imaging products (NDT x-ray films and PWB films) in the PRC. The Group also manufactures, markets and sells NDT x-ray film under the house brand "Yes!Star". This segment faces a stable demand in the market and hence has generated stable cash flow for the Group in the previous years.

During the Year, revenue of non-medical businesses amounted to approximately RMB497.2 million (2018: RMB581.5 million), representing a decrease of approximately 14.5% as compared with that of 2018. Segment gross profit margin remained stable at 15.7% (2018: 16.7%).

Liquidity and Financial Resources

The Group continued to have a healthy financial position for the Year with cash and cash equivalents of approximately RMB546.2 million as at 31 December 2019 (2018: approximately RMB721.3 million). The decrease in cash and cash equivalents was attributable to the repurchase of shares of the Company amounted to approximately RMB42.4 million and the repayment of bank loan during the Year.

As at 31 December 2019, the Group's gearing ratio was approximately 49% (2018: approximately 49%), calculated as the total debt which includes the interest-bearing bank loans and other borrowings divided by total equity plus total debt as at the end of December 2019.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2019 was approximately RMB1,680.5 million (2018: approximately RMB1,747.6 million). Except for the Senior Notes of USD200 million, all borrowings of the Group are principally denominated in Chinese Yuan (RMB), which is also the presentation currency of the Group.

The current ratio as at the end of December 2019 was approximately 1.15 (2018: approximately 1.52), based on current assets of approximately RMB3,221 million and current liabilities of approximately RMB2,794 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 28.2% from approximately RMB231.7 million in 2018 to approximately RMB297.0 million in 2019, and accounted for about 5.2% and about 6.1%, respectively, of the Group's revenue for the respective reporting years. This was partly attributable to the increase in revenue for the Year associated with the continuing increase in distribution expenses for our IVD products in our medical business, as well as the significant spending on the installation of medical equipment and lab automation in hospitals.

Administrative Expenses

The Group's administrative expenses increased by about 12.7% from approximately RMB316.9 million in 2018 to approximately RMB357.1 million in 2019, and accounted for about 7.1% and about 7.3%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the increase in maintenance cost of the medical equipment in hospitals and the increase in manpower and related staff cost, and consolidation in administrative expenses of all the previously acquired companies during the Year.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings. The aggregate amount of interest incurred was approximately RMB133.2 million (2018: approximately RMB131.7 million) for the Year.

For the Year, interest rates of the interest-bearing loans ranged from 2.10% to 7.43%, while those for the year ended 31 December 2018 ranged from 3.60% 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 Year, the Group was exposed to foreign currency risk arising from the purchasing and Senior Notes in US Dollars. The Group will monitor its foreign currency exposure closely to minimize the exchange risk.

Share Capital and Capital structure

Except for the cancellation of shares following the repurchase of shares of the Company during and subsequent to the Year, there has been no change to the shares in issue and capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserve. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

Human Resources and Remuneration Policies

As at 31 December 2019, the Group had 1,081 (2018: 1,013) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB225.7 million for the Year as compared to approximately RMB168.7 million for the year ended 31 December 2018. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience. On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. For the Year, bonus was paid to Directors by the Company. Other staff benefits include provision of welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance and central pension scheme.

Significant investments held

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

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 December 2019, which is required to be disclosed under the Listing Rules.

Future plans for material investments and capital assets

The Group did not have any other plans for material investments and capital assets as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of assets

As at 31 December 2019, none of the Group's property, plant and equipment was pledged (2018: Nil). In addition, bank loans of approximately RMB48.5 million were secured by the pledge of 70% of equity interests for each of Derunlijia 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 bank loans of the Group are secured by the pledge deposits amounting to RMB88,783,000 (2018: RMB42,522,000) and by the pledge of patent rights of the Group amounting to RMB30,000,000 (2018: nil).

Contingent liabilities

During the Year, a subsidiary of the Group involved with the certain arbitration claims: (i) the acquisition of 30% equity interest in Anbaida Group Companies at consideration of RMB675 million in cash; (ii) payment of interest expenses associated with the above outstanding consideration of acquisition at RMB675 million; and (iii) payment of all legal fee incurred including the fee associated with the arbitration proceeding.

On 27 November 2019, Shanghai Jinshan District People's Court has issued a court order to freeze certain assets of that subsidiary with the equivalent value of approximately RMB769.4 million including bank deposit of RMB29.9 million.

As at the date of this report, the arbitration has yet to be resolved. The Directors, based on the advice from the Group's legal adviser, believe that the Group has a valid defence against the arbitration claims for the related interest expenses and no provision was made as at 31 December 2019. Nevertheless, the Group has accrued the purchase consideration of RMB675 million and the certain legal fee in other payables and accruals.

Save as above, the Group had no material contingent liabilities as at 31 December 2019 (2018: Nil).

PROSPECT

Looking into the near future, the Group will continue to increase its market shares by expanding its distribution network, products and services offering.

Network Expansion

Yestar will continue its network expansion plan both horizontally and vertically. Leveraging its market presence and resources, the Group will seek opportunities to penetrate into new regions with market potential. The Group will tap into different tiers of new hospitals by promoting the newest cobas e801 module for top-tier hospitals, and by focusing more on point of sales products for lower-tier hospitals.

The Group will also proactively upgrade its two other logistics centres in Eastern China and Southern China into a multifunctional training centres, with the aim of providing one-stop and comprehensive solutions to its customers on medical products and after-sale services. With these two newly-established centres, the Group is capable to serve other national healthcare groups in the country, proactively tapping into this potential market segment in order to broaden its revenue stream and distribution network.

Collaborate with strategic partners to introduce new products

Yestar will continue to work closely with Roche on the introduction of new products and services in order to remain as one of the key beneficiaries of Roche's strong brand equity and product innovation. In the coming years, the Group will mainly focus on immunoassay and molecular diagnostics products, as there is an increasing incidence of chronic and communicable diseases that leads to the rising need for early diagnosis for immunoassay, along with the fast growing demand of early detection for cancer, infectious diseases and genetic disorders whereas for molecular diagnostics. As the people in the PRC become increasingly health-conscious, Yestar can help patients to take precautionary measures by introducing checkup products to intervene in early stages.

Meanwhile, Fujifilm, Yestar's long term and trustworthy partner, aimed to co-develop products catering the fast-growing medical market in the PRC. The Group has already tapped into some provinces in Northern China through machines installation, including Anhui, Hebei, Inner Mongolia, Jiangsu, Liaoning, Shandong and Tianjin, and will start distributing Fujifim's clinical chemistry products, which are complementary to Roche's products. Leveraging the newly-extended network through Fujifilm's partnership, the Group can introduce a broad range of high-quality products to its customers in the future.

In the face of a coronavirus outbreak, Yestar will also continue to develop medical consumables products in order to further contribute to the combat. Apart from the disinfection consumable products that were launched in February, the Group is expected to commence mass production of the medical disposable mask products in late March 2020.

With the aforementioned strategies on channel and product expansion, the Group is confident to capture more market shares in the China IVD market. Through its healthy financial position, the Group will also continue to seek for suitable merger and acquisition opportunities to enhance its market position and performance, creating more fruitful return to all shareholders.

Events after the Reporting Period

The Group has officially started production of its house brand product ''84 Disinfectant" and deliver to hospitals in February 2020 for general cleaning and disinfecting of the surface and the environment for the combat of COVID-19. In addition, following the release of the house brand product "84 Disinfectant", the Group has also launched the high quality standard disposable medical mask production and sales in March 2020, in order to provide more personal protective equipment in domestic and global markets to further strengthen the market share in medical healthcare market.

On 27 March 2020, a wholly-owned subsidiary of the Company (the "Purchaser") entered into a share transfer agreement, pursuant to which the Purchaser conditionally agreed to acquire 20% equity interests in Hongen. The consideration is to transfer and dispose of its entire existing business of the distribution of the diagnostics products of Roche Diagnostics (Shanghai) Ltd. in Guangdong province in the PRC to the vendors with value amounted to approximately RMB77 million.

Upon signing the share transfer agreement, the obligation to acquire the all remaining 30% equity interest of Hongen shall release.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Hartono James, aged 44, is our Chairman and chief executive officer.

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

Mr. Hartono appointed as a director of all members of our Group. He is the brother of Ms. Hartono Jeane, Ms. Hartono Chen Chen Irene and Mr. Hartono Rico, all being our Controlling Shareholders.

Mr. Hartono has over 19 years of experience in the distribution of image printing products in China. Since 2000, he has participated in his family business in the distribution of image printing products. He developed his expertise in the industry when he first became the vice general manager of Yestar Shanghai in 2000. Mr. Hartono was a director of Yestar (Shanghai) International Trading Co., Ltd. 迪星（上海）國際貿易有限公司 (engaged in international trading and import and export trading) and Yestar (Shanghai) Digital Imaging Co., Ltd 迪星（上海）數碼技術有限公司 (engaged in digital photo and minilab processing business). Mr. Hartono was awarded the Honored citizenship from Nanning city in 2009. He graduated from Portland State University in Oregon, the USA with a bachelor's degree of science in marketing and finance in June 1997. In addition, Mr. Hartono completed the 21st session of the General Management Program in Harvard Business School in November 2016.

Ms. Wang Ying, aged 59, joined the Company in 2010 and is primarily responsible for formulating the sales strategies and product development of our business. She is also the chairman of Yestar Medical Technology (Shanghai) Co., Ltd. 巨星醫療科技（上海）有限公司 ("Yestar Shanghai").

Ms. Wang has over 35 years of experience in the imaging industry. Prior to joining our Group, Ms. Wang had worked for the Processing Group from July 1984 to June 2010. During this period, she worked for certain members of the Processing Group as the project engineer, processing executive, head of quality control department, co-head of sales for processing plant, legal representative and general manager. She also worked for the Processing Group as the chief engineer and head of processing plant.

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

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Hong, aged 44, is our chief financial officer and joined the Company in January 2007 and is primarily responsible for overseeing our finance and accounting and financial planning.

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

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

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

Mr. Chan Chung Man, aged 44, joined the Group in July 2015 as head of medical division and is responsible for the business development, marketing and management of the medical consumable business of the Group. Mr. Chan was appointed as Chief Operating Officer of the Company in March 2018 and has been the legal representative of Yestar Shanghai since September 2018.

Mr. Chan has 19 years of overseas and the Chinese domestic market and distribution development and management experiences. With his extensive experience in merger and acquisitions, Mr. Chan has also assisted the Group to acquire and manage various medical consumable business companies acquired by the Group in the last few years. Mr. Chan is the director of Yestar Biotech (Jiangsu) Co., Ltd., which is a wholly-owned subsidiary of the Company. Besides, Mr. Chan is the supervisor of Shanghai Emphasis Investment Management Consulting Company Limited, Guangzhou Hongen Medical Diagnostic Tech Company Limited, Guangzhou Shengshiyuan Trading Company Limited, Shenzhen Derun Lijia Company Limited and Beijing Kai hongda Technology Company Limited, all are non-wholly owned subsidiaries of the Company.

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

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming, aged 56, joined the Company on 18 September 2013. She is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Dr. Hu has more than 26 years of experience in accounting. Dr. Hu has been a professor of accounting at the Department of Accounting of the Antai College of Economics & Management and the Supervisor of the Company Financial Research Centre of Antai College of Economics & Management at the Shanghai Jiao Tong University, China since January 2005. She has been a committee member of the Professional (Finance and Accounting) Committee of the Chinese Accounting Society (中國會計學會專業委員會(金融會計)) since February 2008. Dr. Hu was a supervisor of Ph.D. students of the School of Accountancy from January 2002 to January 2005 at the Shanghai University of Finance and Economics, China, an associate professor of the MBA Centre of the School of Management at Xiamen University, China from September 1997 to September 1999, a lecturer of the Accounting Department at the Xiamen University, China from April 1991 to September 1997, and a research assistant in the Computer Centre at Xiamen University, China from September 1988 to April 1991. Dr. Hu is also a member of the Accounting Committee of the Asia Pacific Management Accounting Association (亞太管理會計指導委員會).

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

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

Mr. Tirtamarta Karsono (Kwee Yoe Chiang), aged 72, joined the Company on 18 September 2013. He is the Chairman of our Remuneration committee and a member of our Audit committee and Nomination committee.

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

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

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

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

Mr. Sutikno Liky, aged 45, joined the Company on 18 September 2013. He is the chairman of our nomination committee and a member of our audit committee and remuneration committee.

Mr. Sutikno has over 15 years of experience in management and global supply chain services. He has been the chief operating officer of Seglian Manufacturing Group with responsibility to oversee its operation, primarily in Asia, since January 2004. He is also a legal representative and the chairman of the board of International Seglian (Shanghai) Ltd., overseeing its factories and joint ventures in the PRC. Seglian provides global supply chain services.

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

SENIOR MANAGEMENT

Ms. Liao Changxiang, aged 46, is the general manager of Yestar (Guangxi) Technology Co., Ltd., Joy Health Biotech (Guangxi) Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd. Ms. Liao joined us in 2007 and is primarily responsible for overseeing our finance, accounting and logistics of our operations in Guangxi.

Ms. Liao has over 20 years of experience in finance. Prior to joining our Group, Ms. Liao was the chief financial officer of Guangxi Runyu Business and Trade Group Corporation (廣西潤宇工貿集團有限公司) from January 2003 to May 2007 and from March 1999 to March 2002, worked in Nanning Yangda Tank Factory (南寧樣達水箱廠) which later merged with Nanning Eight Rhombus Motors Accessories Co., Ltd. (南寧八菱汽車配件有限公司), a subsidiary of Nanning Baling Technology Co., Ltd. (南寧八菱科技股份有限公司) (Stock Code: 002592), the shares of which are listed on the Shenzhen Stock Exchange.

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

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

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

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited consolidated financial statements (the "Financial Statements") of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

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

The business review and analysis of major financial performance indicators of the Group for the Year together the discussion on future business development are set out in the section headed "Management Discussion and Analysis" on pages 13 to 23 of this annual report. This discussion form part of the report of directors.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY'S BUSINESS

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

(a) Financial Management and Liquidity Risk

Yestar generates solid cash flows from its operations. However, cash conversion cycle has lengthened since 2017 with increase in inventory and account receivables turnover days, which weighed on operating cash flow of the Group. There would be increasing working capital required along with the expansion of our IVD business as payment terms with hospitals are longer than that with imaging customers. Payments (working capital, interest on issuance of senior notes, dividends and further acquisition) will keep its free cash flow in the negative for the next couple of years.

(b) Regulatory Risk

The implementation of 'two-invoice' system in medical devices distribution industry is in the early stage and the progress varies among provinces. The management note that the progress has been relatively slow so there is limited impact in the short term. However, regulatory change a medium term risk to the Group as the Group may lose some of its revenue from lower-tier distributors. This may only be partially offset by increasing direct sales to hospitals as lower-tier distributors exit the market.

(c) Supplier Concentration Risk

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

(d) Currency Risk

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

RELATIONSHIP WITH KEY PARTIES

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

Customers

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

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

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

Suppliers

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

Employees

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

Shareholders

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Discussion on the environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" on pages 58 to 76 in this report. This discussion forms part of the report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

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

REPORT OF THE DIRECTORS

RESULTS AND DIVIDEND

The results of the Group for the Year and the financial position of the Group as at 31 December 2019 are set out in the Financial Statements on pages 84 to 175.

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

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

The Board did not recommend the payment of any final cash dividend for the year ended 31 December 2019 (2018: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 176. This summary does not form part of the audited Financial Statements.

SHARE CAPITAL IN THE YEAR

Details of movement in share capital of the Company during the Year are set out in note 28 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

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

EQUITY-LINKED AGREEMENT

Other than the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

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

The Company was authorized by its shareholders at the annual general meeting held on 10 May 2019 (the "2019 AGM") to repurchase its shares not exceeding 10% of the issued shares of the Company at the date of the 2019 AGM until the conclusion of next annual general meeting or the revocation of the resolution for repurchase of shares, whichever is earlier. During the Year, the Company 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 Year are set out as follows:

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

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

RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB635.4 million (2018: approximately RMB773.9 million). Details of the movement in reserve of the Company during the Year are set out in note 29 to the Financial Statements.

Month/Year of repurchase	No. of repurchased shares	Consideration per share Highest	Consideration per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
January 2019	565,000	1.87	1.76	1,023,675
April 2019	1,145,000	1.87	1.69	2,088,030
May 2019	6,220,000	1.85	1.68	10,713,170
June 2019	8,250,000	1.70	1.39	12,690,500
July 2019	7,137,500	1.45	1.00	7,801,200
Aug 2019	185,000	1.43	1.13	244,500
Sept 2019	1,057,500	1.50	1.28	1,496,000
Oct 2019	2,290,000	1.50	1.34	3,062,800
Nov 2019	3,050,000	1.40	1.34	4,105,500
Dec 2019	3,427,520	1.40	1.31	4,637,500
	33,327,500			47,862,875

REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

During the Year, charitable and other donations made by the Group amounted to approximately RMB1.84 million (2018: RMB0.3 million).

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

— the largest supplier	48%
— five largest suppliers in aggregate	78%

Sales

— the largest customer	19%
— five largest customers in aggregate	39%

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

INTEREST-BEARING LOANS AND OTHER BORROWINGS

Particulars of interest-bearing loans and other borrowings of the Group as at 31 December 2019 are set out in note 24 to the Financial Statements. As at 31 December 2019, none of the Group's property, plant and equipment was pledged (2018: Nil). In addition, bank loans of approximately RMB48.5 million were secured by the pledge of 70% of equity interests for each of Shenzhen De Run Li Jia Company Ltd, and Beijing Kaihongda Technology Co. Ltd.. The shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited, two wholly-owned subsidiaries of the Company, were pledged to the holders of the Senior Notes.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Hartono James *(Chairman)*
Ms. Wang Ying
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Chan Chung Man *(Chief Operating Officer)*
Mr. Chan To Keung *(resigned on 30 October 2019)*

Independent Non-Executive Directors:

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

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 11 October 2019, which shall be terminated at any time by giving to the other not less than 3 months' written notice, subject to retirement by rotation and re-election at annual general meeting.

Each of the independent non-executive Directors has executed a letter of appointment with the Company for a term of three years commencing from 11 October 2019 unless otherwise terminated in accordance with the terms of the letter of appointment, subject to retirement by rotation and re-election at annual general meeting.

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. Accordingly, Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky shall retire from office at the forthcoming annual general meeting to be held on 15 May 2020 (Friday) (the "AGM").

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the related party transactions as disclosed in note 35 to the Financial Statements, no transaction, arrangement or contract (that is significant in relation to the business of the Company), to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest, subsisted as at 31 December 2019 or at any time during the Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

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

RELATED PARTY TRANSACTIONS

Details of the significant related-party transactions undertaken in the normal course of business are set out in note 35 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

NON-COMPETE UNDERTAKING

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

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

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

SHARE OPTION SCHEME

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

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

Participants under the Share Option Scheme include the following:

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

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

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

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

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

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

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

The share options are exercisable at any time during period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

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.

An offer must be made on a business day and shall remain open for acceptance by the participant to whom an offer is made for a period from the date of the offer to such date as our Board may determine and specify in the offer Letter (both days inclusive), provided that no such offer shall be open for acceptance after the 10th anniversary from the adoption date or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

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

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

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

As at the date of this annual report, the number of issued Shares of the Company is 2,370,022,500 Shares and total number of shares issued or to be issued under the Share Option Scheme of the Company is 237,002,250 Shares if all the options under the Share Option Scheme have been granted to and duly exercised by eligible persons.

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.

Any grant of options to a participant who is a director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors of our Company (excluding an independent non-executive director who is the Grantee).

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The grantee involved in such proposed grant of options, his associates and all core connected persons of our

Company must abstain from voting in such general meeting (except that any such persons may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

As at 31 December 2019, no option has been granted by the Company to subscribe for shares of the Company.

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

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

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to in Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Director	Interests in ordinary shares Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	Approximate percentage of the Company's issued share capital
Hartono James	598,662,500	—	20,000,000 (Note 1)	618,662,500	—	618,662,500 (Note 2)	26.04%

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 31 December 2019, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules relating to the required standard of dealings by the directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2018, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Hartono Jeane	Beneficial owner	391,870,000	16.50%
Hartono Rico	Beneficial owner	265,810,000	11.19%
FUJIFILM Corporation*	Beneficial owner	230,000,000	9.68%
Li Bin	Beneficial owner	164,600,600	6.93%

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2019.

UPDATE ON DIRECTORS' INFORMATION

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

The monthly salary of Mr. Hartono James, the Chairman and an executive Director of the Company, increased from RMB219,191 to RMB227,960 since 1 January 2020.

The monthly salary of Ms. Wang Ying, an executive Director, increased from RMB112,747 to RMB117,260 since 1 January 2020.

The monthly salary of Ms. Wang Hong, an executive Director, increased from RMB60,000 to RMB62,400 since 1 January 2020.

The monthly salary of Mr. Chan Chung Man, an executive Director, increased from RMB157,247 to RMB163,540 since 1 January 2020.

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

SUFFICIENCY OF PUBLIC FLOAT

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on 22 May 2020 (Friday). The notice of the AGM will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.yestarcorp.com. and sent to the shareholders of the Company, together with the Company's annual report, in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2020 (Tuesday) to 22 May 2020 (Friday) (both days inclusive), during which period no transfers of shares will be registered, for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong for registration not later than 4:30 p.m. on 18 May 2020 (Monday).

AUDITORS

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

By order of the Board
YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED

Hartono James
Chairman, CEO and Executive Director

Shanghai, 27 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

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

Throughout the year ended 31 December 2019 (the "Year"), the Directors consider that the Company has complied with all corporate governance codes ("CG Code") as set out in Appendix 14 to the Listing Rules, save for the following:

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

THE BOARD OF DIRECTORS

Composition and Responsibilities

As at 31 December 2019, the Board comprises seven Directors, of which four are executive Directors, and three are independent non-executive Directors. The composition of the Board throughout the Year and up to the date of this report is as follows:

Executive Directors:

Mr. Hartono James
(Chairman & Chief Executive Officer)
Ms. Wang Ying
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Chan Chung Man *(Chief Operating Officer)*
Mr. Chan To Keung *(Resigned on 30 October 2019)*

Independent Non-executive Directors:

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

During the Year, Mr. Chan To Keung resigned as an executive Director of the Company due to his retirement. Save as disclosed, there was no change in the composition of the Board.

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

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

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The independent non-executive Directors contribute valuable views and proposals for the Board's deliberation and decisions.

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

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

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

PROCEDURE FOR SEEKING INDEPENDENT PROFESSIONAL ADVICE BY DIRECTORS

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

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

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business. For the Year, not less than four Board meetings were held.

Directors' Attendance at Board/Board Committee/General Meetings

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

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2019 Annual General Meeting
Total number of meeting held	6	2	2	1	1
	Number of Meetings Attended				
Executive Directors:					
Hartono James	5	N/A	N/A	N/A	1
Wang Ying	5	N/A	N/A	N/A	1
Chan To Keung	6	N/A	N/A	N/A	1
Wang Hong	6	N/A	N/A	N/A	1
Chan Chung Man	6	N/A	N/A	N/A	1
Independent non-executive Directors:					
Hu Yiming	4	2	2	1	1
Tirtamarta Karsono (Kwee Yoe Chiang)	2	2	2	1	1
Sutikno Liky	6	2	2	1	1

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

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

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

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

Appointment, Re-election and Removal

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

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

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

Confirmation of Independence

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

Code of Conduct for Securities Transactions by Directors

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

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

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company under the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Year after making reasonable enquiry.

Induction and Continuous Professional Trainings of Directors

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

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

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

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

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

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

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

BOARD COMMITTEES

Audit Committee

The Company established an audit committee on 18 September 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The latest written terms of reference of audit committee in compliance with the Listing Rules are available on the websites of the Company and the Stock Exchange.

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

The composition of the audit committee is as follows:

Independent non-executive Directors:

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

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

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

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

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

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

— reviewed and approved audit fee;

— reviewed the terms of engagement and recommended to the Board for the re-appointment of Ernst & Young as auditors, subject to the Shareholders' approval at the annual general meeting;

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

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

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

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

Remuneration Committee

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

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

The composition of the remuneration committee is as follows:

Independent non-executive Directors:

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

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

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

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

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

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

Nomination Committee

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

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

The composition of the nomination committee is as follows:

Independent non-executive Directors:

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

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

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

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

— reviewed the board diversity policy;

— reviewed the nomination policy;

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

— made recommendations on the re-election of the retiring Directors at the 2020 AGM of the Company with reference to the adopted nomination policy and diversity policy.

Board Nomination Policy

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

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

Nomination Process

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

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

Selection Criteria

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

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

Board Diversity Policy

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

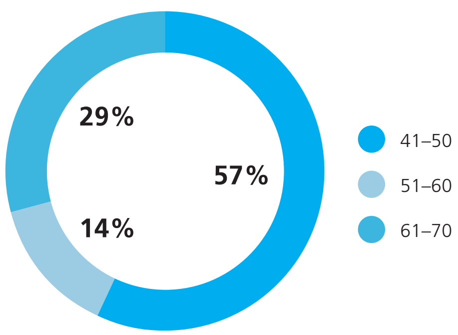
The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to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

Current composition of the Diversified Board

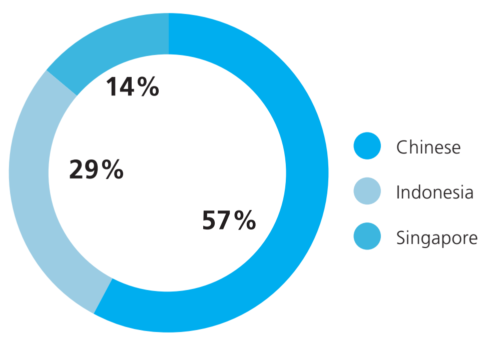
As at the date of this annual report, the Board comprises seven Directors, three of which are female. The following diagram and/or table further illustrate the composition and diversity of the Board in terms of gender, length of service with the Group, age, nationality, educational background and professional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

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

AGE



ETHNICITY



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

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

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

Corporate Governance Function

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

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

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

The statement by auditor about their reporting responsibilities is set out in the independent auditor's report on pages 77 to 83 of the Consolidated Financial Statements.

External Auditors' Remuneration

During the Year, the Company engaged Messrs. Ernst & Young as the external auditors. The fee in respect of audit services amounted to RMB4.05 million, while there is no fee in respect of non-audit services provided by Messrs. Ernst & Young for the Year.

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

The Board and the audit committee of the Company also authorized the management to conduct review on the risk management and internal controls systems of the Group. The current control status and possible improvement of the risk management systems were noted in the discussions with the core risk management departments and review of the systems, standards and relevant documents in order to mitigate related risks arising from the existing operation after evaluating its risk management and internal controls systems.

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

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

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

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

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

5) report the findings of the regular internal review and evaluation of the risk management and internal control systems conducted during the period, major risk factors and response to the audit committee by the management.

Effectiveness

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

Audit committee reported all findings and recommendations for the improvement of the risk management and internal control systems to the Board and the Board considered that all recommendations should be properly followed to ensure the sound and effectiveness of the risk management and internal control systems of the Group can be maintained on an ongoing basis.

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

Internal Audit

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

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

During the Year, audit committee has reviewed and approved the internal audit plan to ensure the adequacy of the scope of audit, the proposed follow-up actions which required necessary co-operation from the management has been addressed. In addition, the internal audit has the appropriate assistance and standing in the Company to discharge its duties effectively. As such, the Board including members of the audit committee is of the view that the internal audit function of the Company is independent, effectively and adequately monitoring our business operation for the Year.

It was also reported that there were no material deficiencies in relation to the Group's internal controls.

Inside Information

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

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

DELEGATION BY THE BOARD

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

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

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

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

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

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

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

COMPANY SECRETARY

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

The Procedures for Sending Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

Policy on Payment of Dividends

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

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

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

Shanghai, 27 March 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the fourth Environmental, Social and Governance Report ("Report") released by Yestar Healthcare Holdings Company Limited and its subsidiaries (collectively known as "Group" or "We") to outline our approaches, commitments and strategies in pursuit of sustainable development, as well as enhance stakeholders' understanding of the Group. This Report is prepared in accordance with the "Comply or Explain" provisions laid down in the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited. All the information in this Report reflects the performance of Yestar in environmental management and social responsibilities for the year ended 31 December 2019 (the "Reporting Period").

SCOPE OF THE REPORT

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

REPORTING PRINCIPLES ADOPTED

This Report is prepared by applying the four key principles, namely, materiality, consistency, quantitative and balance.

SUSTAINABILITY APPROACH

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

MATERIALITY ASSESSMENT

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

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

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

STAKEHOLDER ENGAGEMENT

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

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

A performance summary table is shown as below:

Employment and Development	
Total number of employees	604
By gender	
Female	261
Male	343
By age group	
Below 30	150
30 to 50	433
Over 50	21
Employee turnover rate	20.20%
By gender	
Female	18.39%
Male	21.57%
By age group	
Below 30	45.33%
30 to 50	12.47%
Over 50	0.00%
Training Hours	
The average training hours completed	
By gender	
Female	20.29
Male	26.19
By employee category	
Senior Management	29.74
Middle Management	35.71
General Employees	20.65
Health and Safety	
Number of work-related fatalities	0
Number of lost days due to work injury	0
Environment	
Air Emissions	
Particulate Matter (PM) (kg)	241.86
Nitrogen Oxides (NOx) (kg)	3,989.01
Sulphur Oxides (SOx) (kg)	5.71
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions and Scope 2 Indirect Emissions) (tonnes of CO_2e)	3,072.14
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions) (tonnes of CO_2e)	898.94
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions) (tonnes of CO_2e)	2,173.20
Total Energy Consumption (MegaWatt-hours)	4,076.29
Energy Consumption per Revenue (MegaWatt-hours/RMB$'000,000)	0.83
Total Non-Hazardous Waste (tonnes)[1]	134.97
Non-Hazardous Waste Produced per Revenue (tonnes/RMB$'000,000)	0.03
Total Hazardous Waste (tonnes)[2]	404.84
Hazardous Waste Produced per Revenue (tonnes/RMB$'000,000)	0.08
Total Water Consumption (cubic meters)	16,349.10
Water Consumption per Revenue (m^3/RMB$'000,000)	3.33
Total Packaging Materials (tonnes)	2,943.78

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

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

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

QUALITY

Prime importance is attached to quality. Ensuring top quality is vital, without tolerance for mediocrity. Clients' trusts are built on the quality, safety and performance of our products. The Group is fully committed to improving product and service quality from the clients' viewpoint and safety viewpoint in order to both maintain and enhance satisfaction, confidence and trust.

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

Quality Assurance

The Group manages chemical and medical consumable products, encountering the evolving regulatory requirements. With the cooperation of all departments, the Group endeavours at delivering quality products and strengthening customer confidence in every possible way. Quality Management System acts as one of the core components of the Group's strategy for sake of the continual improvement, ascertaining product compliance with quality standards and creating value for clients. The Quality Management System of the Group is audited and verified by independent certification bodies to prove conformity to the internal standards on a regular basis. The Group has operated in accordance with ISO 9001:2015[3], ISO 13485:2003[4], ISO 14971:2007[5] and applicable European Union Directives.

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

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

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

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

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

Additionally, Yestar (Guangxi) Medical System Co., Ltd. has been certified as meeting the requirements under the Annex V for the Dental X-ray Film, Directive 93/42/EEC[6] of the European Union, and awarded a valid EC type examination certificate according to Annex III. Under the Annex V EC Declaration of Conformity concerning production quality assurance, it laid down the requirements pertinent to quality system, surveillance as well as administrative provisions, while under the Annex III EC type-examination, it stipulates the procedure that a notified body certifies the production satisfying the requirements of the Directive 93/42/EEC, covering documentation conformity, performances of the product, methods of manufacture envisaged as well as technical test results.

The Group has devised and implemented a standardised procedure to satisfy the prescribed requirements pertaining the safety and efficacy of medical devices in accordance with Administrative Measures for Medical Device Recalls, Order of the China Food and Drug Administration No.29, and Regulation (EU) 2017/745.

Internally, the Group sets quality target and setup procedures for calibration. In order to evaluate the quality performance in a quantitative manner, the Group sets a clear target on the product passing rates, namely, 100% for Yestar (Guangxi) Technology Co., Ltd. and over 99% for Yestar (Guangxi) Medical System Co., Ltd. Owing to the continuous commitment on the quality assurance, there were no recall cases in 2019. The above measures show the quality objective achievement. Moreover, Management Practice for Measuring Instrument is established to ascertain measuring instrument function properly and correctly, consisting of inspection to the measuring instruction, calibration programme and maintenance.

Supply Chain Management

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

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

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

The Group establish supplier management control program to review and continuously improve the performance of our suppliers. The Group periodically monitors the performance of our suppliers through periodic performance and objectives discussions and reviews. Suppliers are evaluated by a standard form, covering workplace safety, hygiene and health conditions, and environmental protection. This could further enhance the environmental and social risk identification along the supply chain. Moreover, an internal audit team, which is formed by the representatives from the procurement department, the technical department and the quality assurance department, would evaluate the performance of the existing suppliers from a variety of aspects including quality and technical competency. The Group conducts statistics on the monthly performance of existing suppliers and evaluates their annual performance. Only qualified suppliers could stay in the supplier list. If the Group discovers that a supplier has breached or potentially breached our standards, we ensure that appropriate remedial action is taken. The unqualified supplier is limited to rectification within three months. Evaluation will be conducted after rectification to resume the status of qualified supplier upon meeting the prescribed requirements.

Client Service

The Group attaches great importance to the quality of our customer service, and always takes every complaint seriously. Resolving client complaints effectively and promptly is one of our ultimate responsibilities. Our staffs are required to follow a standard procedure to handle clients' complaints. Once we received any complaint, we will work with the clients and tackle the problem promptly. Where applicable, the Quality Assurance Department could conduct investigation, propose corrective and preventive actions, as well as document these actions.

The Group values the relationship with each customer. We provide free maintenance service to our customer during warranty period, and much effort has been devoted to providing support through multiple channels, such as customer service and maintenance hotline, mail box to deal with customer inquiries. Furthermore, customer satisfaction survey is conducted half a year, aspects covering product quality, delivery time and service quality. Results would be analyzed for continuous improvement.

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

TALENT

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

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

This section majorly comprises of the following four aspects.

Recruitment and Performance Review

Staff Welfare

Development and Training

Labour Standards

Recruitment and Performance Review

The Group is strive to offer competitive remuneration packages, comprising basic salary, performance-based incentives, subsidies, statutory insurance entitlements, discretionary rewards and central pension scheme. With the aim of attracting and retaining employees who are able to contribute long-term value to the Group and promote the financial growth, the Group offers a comprehensive compensation system to employees. The Group structures the performance-based compensation recompense those employees who have contributed to the Group in short-term or long-term strategic values through annual performance review. Each employee shall complete at least one annual performance review cycle for pay and benefits.

Staff Welfare

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

	Female	Male
Total Number of Employees	261	343

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

	Number of Employees
Below 30	150
30–50	433
50 or above	21

Development and Training

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

An e-learning platform is set up to promote continuous learning and maximise the cost efficiency of the training portfolio. Under the e-learning platform, a wide range of topics are offered, with three major categories, namely, professional, management and general. There are around 3,000 available training materials. All of the Group's staff have attended relevant training.

PROFESSIONAL KNOWLEDGE
• Occupational Health and Safety Regulations, Recruitment and Selection, Good Manufacturing Practice, Hazardous Waste Handling Practice, CE Certification, Custom Regulation, Efficient Warehouse Management Practice
MANAGEMENT KNOWLEDGE
• Managing an Enterprise by a Financial Mindset, Leadership Skill, Safety Management Staff Training
GENERAL KNOWLEDGE
• Accountability System of Safety Production, Communication Skill, Safety Management, Standard Operation Procedure Implementation, Effective Meeting Skill, Career Planning

Specific training parameters are defined for different employees according to their job responsibilities. To achieve effective learning, employees are required to carry assessment before and after attending the online courses.

In 2019, a training plan was established, defining the training topics as well as the training schedule. In addition, tuition reimbursement policy for employees seeking to complete external education or training is offered for the aim of personal development. In 2019, Yestar (Guangxi) Technology Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd. hosted the walking activity for 42 km for the management team to cultivate the spirit of overcoming insurmountable obstacles and collaborating during the hard time. In addition, the Group introduced the concept of learning by action to facilitate the staff development.

	Average Training Hours
Female	20.29
Male	26.19

	Average Training Hours
Senior Management	29.74
Middle Management	35.71
General Employees	20.65

Labour Standards

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

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

ENVIRONMENTAL

The Group understands that the health of the planet is linked to the health of people. With continuing pressure on natural resources and the predicted impacts of climate change, it is imperative that the Group continues to increase the resilience of our operations, explore opportunities for environmental improvements across our value chain and nurture the culture of environmental stewardship. For sake of compliance, the Group reviews applicable regulations including Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Environment Impact Assessment, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and so on, as well comprehend the relevant technical standards such as Integrated emission standard of air pollutants (GB16297–1996). The Group devises the Environmental Risk Management Plan by incorporating the principles stated in the ISO 31010:2009[7]. In addition, due to the escalating concerns over the climate change and the climate-related risks, the Group has worked out the steps to identify significant climate-related issues. The environmental issues are managed in the following scopes.

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

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

Air Emission

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

	Emissions (kg)
PM Emissions	241.86
NOx Emissions	3,989.01
SOx Emissions	5.71

The Group has engaged the external logistics service providers to incorporate environmental considerations to their operation, but the effectiveness is limited. Therefore, the Group would only disclose the emissions by the vehicles controlled by the Group.

Greenhouse Gas Emissions and Energy Consumption

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

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

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

Total Greenhouse Gas Emissions (Scope 1 Direct Emissions and Scope 2 Indirect Emissions) (tonnes of CO_2e)	3,072.14
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions)[8] (tonnes of CO_2e):	898.94
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions)[9] (tonnes of CO_2e):	2,173.20

The total energy consumption is 4,076.29 megawatt-hours and its intensity is 0.83 megawatt-hours per RMB million of revenue.

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

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

The Group strives to improve its energy efficiency through the operation and the production unit, without affecting the machine performance. To further enhance the energy efficiency and minimise the operational and production cost, the Group has replaced the lighting with LED. In addition, the air temperature and relative humidity of the production line and storage areas are being continuously monitored to minimize energy waste.

Waste Management

In terms of waste management, there are two types of waste that our Group generated, namely non-hazardous waste and hazardous waste. Non-hazardous waste is comprised of carton box paper, plastic, foam and film, while hazardous waste is generated from the uses of chemical solvent. Pursuant to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Group appointed third-party professional processing institute to properly dispose of photographic paper, film and fixer liquids which are in the National Hazardous Waste List. During the Reporting Period, total 134.97 tonnes of non-hazardous waste were generated and its intensity is 0.03 tonnes per RMB million of revenue. For hazardous waste, total 404.84 tonnes were generated and its intensity is 0.08 tonnes per RMB million of revenue.

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

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

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

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

Water Consumption

The Group strictly follows applicable regulations such as the Law on the Water Resources of the People's Republic of China and the Law on the Prevention and Control of Water Pollution in the People's Republic of China. During the reporting year, the total water consumption by the Group was 16,349.10 cubic meters (m3) and its intensity is 3.33 cubic meters (m3) per RMB million of revenue. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. The Group made every effort to maintain the same level of water usage as in the past and carried out measures of reduction in general water consumption. The Group has also educated the employees on water-saving measures and conducted studies with respect to the feasibility of effectiveness of introducing rain water recycling.

Packaging Materials

Packing materials in the production and transportation process is an essential part, which is also the last process to ensure the product quality. During the Reporting Period, the total packaging materials consumed is 2,943.78 tonnes. Reducing packaging material is beneficial to both environment and economy. The Group is devoted to adjust the design of the packaging such that it can deliver its goods in a safe condition and minimise the amount of packaging material.

The Environment and Natural Resources

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

The Group is committed to nurturing green education to the staff. Yestar (Guangxi) Technology Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd. have posters to promote the environmental protection awareness, for instance, elaborating the adverse impacts along the food chain and the prolonged biodegradation by the pen case, and the water consumption in terms of number of bottle water by showering. Furthermore, internal mail would be issued to particular staff if he or she has not obeyed the rules regarding environmental protection.

Climate Change

The impacts of climate change are increasingly recognized as a material financial risk to businesses. This is requiring a greater focus on issues like the management of supply chains and physical assets. The Group is committed to pursuing forward-looking management of climate-related risks and opportunities, empowering the Group to make more informed business risk decisions and implement more effective operational changes. Therefore, the Group is developing assessment on climate-related issues and consolidating relevant information so that material climate-related risks could be managed and the opportunities could be unlocked.

HEALTH AND SAFETY

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

Safety Production

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

With the promulgation of the Safe Production Law of the People's Republic of China, the Group is committed to enhance safety production. Meanwhile, relevant targets are set, with the following details.

DESCRIPTION	TARGET
Work-Related Fatality	0
Severe Incident	0
Minor Injury Incident	<= 3
Fire Accident	0

Additionally, Guangxi Yestar has introduced the Month of Safety Production in order to foster the safety production and enhance the awareness of the staff in this regard. Activities include inspection on equipment and safety training record, safety skill competition, seminar and so on.

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

Number of Work-Related Fatalities	0
Lost Days due to Work Injury	0

Safety Training

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

INTEGRITY

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

Anti-Corruption

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

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

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

All the employees shall strictly comply with the local laws and regulations when having business with customers. Guidelines are laid down when offering gifts and entertainment to customers, including prior approval for receipt of gifts, reimbursement with valid supporting documents, and so on. Particularly, the Procurement Department needs to sign the declaration about anti-corruption for procurement.

With the commitment to the anti-corruption, there were no concluded legal cases regarding the corruption in 2019.

Intellectual Property Rights

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

Consumer Data Protection

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

COMMUNITY INVESTMENT

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

By the virtue of acting for mutual benefit, collaborating for win-win situation, poverty fighting and environmental protection are important. Yestar (Guangxi) Technology Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd. have participated the volunteer planting organized by Nanning Forest Burea (南寧市林業局及園林局) for the Jiangnan Park, for environmental protection, as well as have supported the building of solar lighting in Longan county of Nanning, fostering green development.

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of Yestar Healthcare Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 175, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter

Valuation of goodwill and other intangible assets

The carrying values of goodwill and other intangible assets (which included distribution rights and customer relationship) in the consolidated financial statements amounted to RMB905.3 million and RMB1,462.7 million, respectively, as at 31 December 2019. The Group recorded an impairment loss on goodwill amounting to RMB39.9 million for the year ended 31 December 2019. Under IFRSs, the Group is required to annually test the amount of goodwill for impairment. In performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired as each of these acquired subsidiaries is a separate cash-generating unit. In addition, each year, the Group assesses whether there are any indications of impairment of other intangible assets and performs the impairment tests if the impairment indicators exist.

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

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

How our audit addressed the key audit matter

Our audit procedures included, among others, considering the appropriateness of the allocation of goodwill to the cash-generating units ("CGUs") and evaluating the key assumptions and methodologies used by the Group.

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

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

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

Key audit matter	How our audit addressed the key audit matter
Expected credit loss of trade and bills receivables	
The balance of trade and bills receivables at 31 December 2019 was RMB1,560.6 million, which was material to the consolidated financial statements. The Group applies the simplified approach in calculating the expected credit loss for trade and bills receivables. Under the simplified approach, the Group recognises a loss allowance based on lifetime expected credit loss at each reporting date by establishing a provision matrix. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and expected credit loss allowance requires significant estimation by management. The Group's disclosures about the impairment of trade and bills receivables are included in note 2.4, note 3 and note 20 to the consolidated financial statements.	Our audit procedures included, among others, discussing with management on the estimation involved in determining the amount of expected credit loss allowance regarding the trade and bills receivables and assessing management's processes and controls relating to the estimation of the expected credit loss allowance. We tested the model of provision matrix prepared by management to calculate the expected credit loss and checked the information included in the provision matrix which is based on the Group's historical observed default rates. In order to evaluate the appropriateness of these judgements, we verified whether the ageing analysis including current and days past due records for groupings of various customer segments that had similar loss patterns, historical payment patterns and historical loss data was complete and accurate. We also obtained corroborative evidence to evaluate the appropriateness of management's reasonable and supportable forecasts about future economic conditions in the expected credit loss model. We also assessed the adequacy of the Group's disclosures about the expected credit loss allowance regarding trade and bills receivables in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Contingent liability arising from an orbitration claim	
As disclosed in note 32, a subsidiary of the Group, Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical") is engaged in an arbitration, which mainly relates to the request from Mr. Li Bin and Mr. Li Changgui ("Mr. Li"), the non-controlling shareholders of Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd., and Shanghai Dingpei Industrial Co., Ltd. (collectively referred as "Anbaida Group Companies") for the purchase of the remaining 30% equity interest in Anbaida Group Companies amounted to RMB675,000,000 and the interest on overdue payment, legal fees and arbitration fees arising thereon. The management's judgement regarding recognition and measurement of provisions for legal proceedings is inherently uncertain and required significant judgements by the management, based on the available information, and might change over time as the outcomes of the legal proceedings are dependent on the future court verdicts. Due to these uncertainties and involve significant judgements, we considered this matter as a key audit matter. The Group's disclosures about the contingent liability arose from arbitration matter are included in note 1, note 2.4, note 3, note 23, note 27 and note 32 to the consolidated financial statements.	Our audit procedures included, amongst others, discussing with the legal adviser of the Group and sent confirmation letters to, and obtained responses from the legal adviser. We analysed the management's judgement and the management's opinion on possible outcomes from this pending ruling arbitration. We also evaluated the appropriateness of the provision for liabilities made by the management. We also assessed the adequacy of the Group's disclosures about this contingent liability in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	4,903,268	4,446,954
Cost of sales		(3,637,961)	(3,248,123)
Gross profit		1,265,307	1,198,831
Other income and gains	5	39,275	32,576
Selling and distribution expenses		(296,962)	(231,658)
Administrative expenses		(357,145)	(316,861)
Impairment loss on financial assets		(9,469)	(9,356)
Other expenses		(47,791)	(23,268)
Finance costs	6	(133,156)	(131,657)
Share of profit and loss of an associate		(9,166)	(8,920)
PROFIT BEFORE TAX	7	450,893	509,687
Income tax expense	10	(149,639)	(160,152)
PROFIT FOR THE YEAR		301,254	349,535
Attributable to:			
Owners of the parent		202,673	251,746
Non-controlling interests		98,581	97,789
		301,254	349,535
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year	12	RMB8.5 cents	RMB11.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	301,254	349,535
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(22,137)	(73,454)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(22,137)	(73,454)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(22,137)	(73,454)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	279,117	276,081
Attributable to:		
Owners of the parent	180,536	178,292
Non-controlling interests	98,581	97,789
	279,117	276,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	144,670	127,816
Right-of-use assets	14(b)	273,529	—
Prepaid land lease payments	14(a)	—	13,971
Other intangible assets	15	1,463,778	1,594,363
Goodwill	16	905,338	945,276
Investment in an associate	17	—	9,166
Deferred tax assets	18	13,415	9,421
Total non-current assets		2,800,730	2,700,013
CURRENT ASSETS			
Inventories	19	781,423	876,432
Trade and bills receivables	20	1,560,585	1,377,280
Prepayments, other receivables and other assets	21	181,924	129,467
Financial assets at fair value through profit or loss	22	32,000	—
Pledged deposits	23	118,707	43,237
Cash and cash equivalents	23	546,186	721,325
Total current assets		3,220,825	3,147,741
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	296,948	304,221
Trade and bills payables	25	599,206	701,644
Contract liabilities	26	21,835	21,059
Other payables and accruals	27	1,644,959	877,877
Lease liabilities	14(c)	89,075	—
Tax payable		141,568	169,101
Total current liabilities		2,793,591	2,073,902
NET CURRENT ASSETS		427,234	1,073,839
TOTAL ASSETS LESS CURRENT LIABILITIES		3,227,964	3,773,852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	1,383,551	1,443,336
Lease liabilities	14(c)	131,284	—
Deferred tax liabilities	18	394,582	427,204
Other long term payables	27	7,700	814,370
Total non-current liabilities		1,917,117	2,684,910
NET ASSETS		1,310,847	1,088,942
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	47,519	48,179
Treasury shares	28	(4,166)	—
Reserves	29	1,129,319	1,029,483
		1,172,672	1,077,662
Non-controlling interests		138,175	11,280
TOTAL EQUITY		1,310,847	1,088,942

Hartono James
Director

Wang Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent										
	Share capital RMB'000 (note 28)	Share premium account RMB'000 (note 29)	Contributed surplus RMB'000 (note 29)	Put options written on non-controlling interests RMB'000	Statutory reserve fund 0RMB'000 (note 29)	Other reserve RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	43,116	587,104	84,991	(751,505)	87,487	(158,637)	720,867	59,357	672,780	10,871	683,651
Profit for the year	—	—	—	—	—	—	251,746	—	251,746	97,789	349,535
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(73,454)	(73,454)	—	(73,454)
Total comprehensive income for the year	—	—	—	—	—	—	251,746	(73,454)	178,292	97,789	276,081
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(30,000)	(30,000)
Final 2017 dividend declared	—	(96,758)	—	—	—	—	—	—	(96,758)	—	(96,758)
Issue of shares	5,063	357,455	—	—	—	—	—	—	362,518	—	362,518
Share issue expenses	—	(978)	—	—	—	—	—	—	(978)	—	(978)
Transfer from retained earnings	—	—	—	—	24,675	—	(24,675)	—	—	—	—
Put options in relation to non-controlling interests	—	—	—	(38,192)	—	—	—	—	(38,192)	(67,380)	(105,572)
At 31 December 2018	48,179	846,823*	84,991*	(789,697)*	112,162*	(158,637)*	947,938*	(14,097)*	1,077,662	11,280	1,088,942

		Attributable to owners of the parent											
	Note	Share capital RMB'000 (note 28)	Treasury shares RMB'000 (note 28)	Share premium account RMB'000 (note 29)	Contributed surplus RMB'000	Put-options written on non-controlling interests RMB'000	Statutory reserve fund RMB'000 (note 29)	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		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 year		—	—	—	—	—	—	—	202,673	—	202,673	98,581	301,254
Other comprehensive income for the year:													
Exchange differences related to foreign operations		—	—	—	—	—	—	—	—	(22,137)	(22,137)	—	(22,137)
Total comprehensive income for the year		—	—	—	—	—	—	—	202,673	(22,137)	180,536	98,581	279,117
Shares repurchased	28	(660)	(4,166)	(37,548)	—	—	—	—	—	—	(42,374)	—	(42,374)
Transfer from retained earnings		—	—	—	—	—	28,221	—	(28,221)	—	—	—	—
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	(57,000)	(57,000)
Put-options in relation to non-controlling interests		—	—	—	—	(43,152)	—	—	—	—	(43,152)	85,314	42,162
At 31 December 2019		47,519	(4,166)	809,275*	84,991*	(832,849)*	140,383*	(158,637)*	1,122,390*	(36,234)*	1,172,672	138,175	1,310,847

* These reserve accounts comprise the consolidated reserves of RMB1,129,319,000 (31 December 2018: RMB1,029,483,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		450,893	509,687
Adjustments for:			
Finance costs	6	133,156	131,657
Impairment of inventories	7	5,118	1,563
Impairment of financial assets	7	9,469	9,356
Impairment of goodwill	7	39,938	18,544
Exchange loss/(gain)		2,857	(4,632)
Interest income		(1,836)	—
Other interest income for financial assets	5	(705)	(1,493)
Share of loss of an associate		9,166	8,920
Recognition of deferred income		(189)	(189)
Depreciation of items of property, plant and equipment	7	24,694	21,626
Depreciation of right-of-use assets/recognition of prepaid land lease payments	7	93,953	327
Amortisation of other intangible assets	7	131,061	130,993
Gain on disposal of items of property, plant and equipment	7	(89)	(228)
		897,486	826,131
Increase in trade and bills receivables		(192,774)	(271,802)
Increase in prepayments, other receivables and other assets.		(26,308)	(28,813)
Decrease/(increase) in inventories		89,891	(102,591)
(Decrease)/increase in trade and bills payables		(102,438)	59,347
Increase/(decrease) in other payables and accruals		8,319	(104,382)
Increase in contract liabilities		776	21,059
Decrease in pledged deposits for issuance of bank acceptance notes		715	914
Increase in frozen funds for arbitration		(29,924)	—
		645,743	399,863
Income tax paid		(213,788)	(212,979)
NET CASH FLOWS FROM OPERATING ACTIVITIES		431,955	186,884

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property plant and equipment		(42,010)	(36,299)
Purchases of intangible assets		(421)	(239)
Proceeds from disposal of items of property, plant and equipment		496	738
Purchase of financial assets a fair value through profit and loss		(335,250)	(193,503)
Proceeds from disposal of financial assets at fair value through profit and loss		303,955	194,996
Purchase of financial assets at amortised cost		(56,507)	—
Acquisition of subsidiaries		—	(73,500)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(129,737)	(107,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of a non-controlling interest		(6,628)	(11,718)
Proceeds from issue of shares		—	361,540
New interest-bearing loans		462,743	282,328
Increase in pledged deposits for bank borrowings		(46,261)	(24,122)
Repayment of bank loans		(558,316)	(345,409)
Principle portion of lease payments		(100,958)	—
Repurchase of shares		(42,374)	—
Dividends paid		(57,000)	(126,758)
Interest paid		(132,083)	(131,132)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(480,877)	4,729
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(178,659)	83,806
Cash and cash equivalents at beginning of year		721,325	634,657
Effect of foreign exchange rate changes, net		3,520	2,862
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	546,186	721,325
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		546,186	720,395
Non-pledged time deposits with original maturity of less than three months when acquired		—	930
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION	23	546,186	721,325

1. CORPORATE AND GROUP INFORMATION

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

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

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the following principal activities:

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Yestar Asia Company Limited[1] ("Yestar BVI")	BVI 1 February 2012	—*	100	—	*Investment holding*
Yestar International (HK) Company Limited ("Yestar HK")	Hong Kong 29 February 2012	HKD10,000	—	100	*Investment holding*
Shanghai Yestar Healthcare Technology Co., Ltd.[2]/[3]/[8] ("Yestar Shanghai")	PRC/Mainland China 20 July 2000	USD231,000,000	—	100	*Marketing and sale of colour photographic paper, photo-related products, document printing equipment and consumables, industrial NDT x-ray films and dental films*
Yestar (Guangxi) Technology Co., Ltd.[2] ("Guangxi Technology")	PRC/Mainland China 23 July 2004	USD14,000,000	—	92.86	*Manufacture and sale of colour photographic paper and manufacture of industrial NDT x-ray films*
Yestar (Guangxi) Medical System Co., Ltd.[2]/[3] ("Yestar Medical")	PRC/Mainland China 24 December 2009	USD251,050,000	—	100	*Manufacture of dental films and manufacture and sale of medical dry films and medical wet films*
Yestar (Guangxi) Imaging Technology Co., Ltd.[2]/[3] ("Yestar Imaging")	PRC/Mainland China 23 November 2010	RMB18,000,000	—	100	*Manufacture of colour photographic paper and manufacture and sale of PWB films*
Joy Health Biotech (Guangxi) Co., Ltd[2]/[3] ("Joy Health")	PRC/Mainland China 3 November 2017	RMB5,000,000	—	100	*Development of biotechnology and sale of medical equipment*
Yestar Biotech (Jiangsu) Company Limited[5]/[7] ("Yestar Biotech")	PRC/Mainland China 5 December 2011	RMB26,000,000	—	100	*Sale of medical equipment and reagents*
Shanghai Emphasis Investment Management Consulting Co., Ltd[4]/** ("Shanghai Emphasis Investment")	PRC/Mainland China 4 April 2005	RMB29,880,000	—	70	*Sale of medical equipment and reagents*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name of company	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Jianchu Medical Instrument Co., Ltd.(4)/** ("Shanghai Jianchu Medical")	PRC/Mainland China 26 August 2011	RMB8,880,000	—	70	*Sale of medical equipment and reagents*
Shanghai Chaolian Trading Co., Ltd.(4)/** ("Shanghai Chaolian Trading")	PRC/Mainland China 26 February 2002	RMB500,000	—	70	*Sale of medical equipment and reagents*
Shanghai Haole Industrial Co., Ltd.(4)/** ("Shanghai Haole Industrial")	PRC/Mainland China 1 June 2010	RMB11,952,000	—	70	*Sale of medical equipment and reagents*
Shanghai Dingpei Industrial Co., Ltd.(4)/** ("Shanghai Dingpei Industrial")	PRC/Mainland China 4 April 2014	RMB500,000	—	70	*Sale of medical equipment and reagents*
Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd.(6) ("Hongen")	PRC/Mainland China 6 September 2015	RMB20,000,000	—	70	*Sale of medical equipment and reagents*
Shenzhen De Run Li Jia Co., Ltd.(6) ("Derunlijia")	PRC/Mainland China 18 October 2013	RMB36,000,000	—	70	*Sale of medical equipment and reagents*
Guangzhou Shengshiyuan Trading Co., Ltd.(6) ("Shengshiyuan")	PRC/Mainland China 9 April 2010	RMB40,000,000	—	70	*Sale of medical equipment and reagents*
Beijing Kaihongda Technologies Co., Ltd.(6) ("Kaihongda")	PRC/Mainland China 11 May 2011	RMB10,000,000	—	70	*Sale of medical equipment and reagents*
Guangxi Simai Biotech Co., Ltd.(2) ("Guangxi Simai Biotech")	PRC/Mainland China 10 August 2017	RMB5,000,000	—	100	*Development of biotechnology and sale of medical equipment*
Nanjing Weien Biotech Co., Ltd.(2) ("Nanjing Weien Biotech")	PRC/Mainland China 16 May 2017	RMB10,000,000	—	100	*Development of biotechnology and sale of medical equipment*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name of company	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Jiangsu Baike Supply Chain Management Co., Ltd.[(2)] ("Jiangsu Baike Supply Chain")	PRC/Mainland China 16 May 2017	RMB10,000,000	—	100	*Management of supply chain and service of freight transportation*
Anhui Peilin Biotech Co., Ltd.[(2)] ("Anhui Peilin Biotech")	PRC/Mainland China 19 April 2018	RMB10,000,000	—	100	*Sale of medical equipment and reagents*
Shanghai Tianhong Co., Ltd.[(2)] ("Shanghai Tianhong Biotech")	PRC/Mainland China 10 April 2018	RMB5,000,000	—	100	*Sale of medical equipment and reagents*

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

** The Yestar Medical's investments in Anbaida Group Companies was frozen by Shanghai Jinshan District People's Court as of the report date. Further details are included in note 32 to the financial statement.

Notes:

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

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

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

(4) Anbaida Group Companies consists of these companies.

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

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

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

(8) Formerly known as Yestar (Shanghai) Co., Ltd.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power on the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 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 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, amendments to IAS 19 and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases — Incentives and SIC 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has 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 has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (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 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 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.

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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognises 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition (continued)

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.
- Electing to use the transition practical expedient allowing the standard to apply only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	232,275
Decrease in prepaid land lease payments	(13,971)
Decrease in prepayments, other receivables and other assets	(32,194)
Increase in total assets	186,110
Liabilities	
Increase in lease liabilities	186,110
Increase in total liabilities	186,110
Decrease in retained profits	—
Decrease in non-controlling interests	—

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Financial impact at 1 January 2019 (continued)

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

	RMB'000
Operating lease commitments as at 31 December 2018:	208,845
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	11,968
Weighted average incremental borrowing rate as at 1 January 2019	5.79%
Discounted operating lease commitments as at 1 January 2019	186,110
Lease liabilities as at 1 January 2019	186,110

(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 associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

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 impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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

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

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

Business combinations and goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Put options in relation to non-controlling interests

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Software copyrights

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

Distribution rights and customer relationship

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

Research and development costs

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

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

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

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Plant and machinery	2–9 years
Other equipment	5–8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) *Lease liabilities (continued)*

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.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Leases (applicable before 1 January 2019)

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

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

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

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

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

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

(a) Sale of goods

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

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

(b) Rendering of maintenance services

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

Other income

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries in Mainland China for the year ended 31 December 2019 was RMB28,874,000 (31 December 2018: RMB28,874,000). Further details are contained in note 18 to the financial statements.

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB905,338,000 (2018: RMB945,276,000). Further details are given in note 16 of the financial statements.

Impairment of non-financial assets (other than goodwill)

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

Provision for expected credit losses on trade and bills receivables

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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

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

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Useful lives of property, plant and equipment

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

Useful lives of intangible assets

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

Net realisable value of inventories

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There were no deferred tax assets relating to recognised tax losses at 31 December 2019 (2018: Nil). The amount of unrecognised tax losses at 31 December 2019 was RMB9,566,000 (2018: RMB4,004,000). Further details are contained in note 18 to the financial statements.

Contingent liability

A subsidiary of the Group is engaged in an arbitration, details of which are set out in note 32 to the financial statements. The contingent liability resulting from the arbitration requires management to exercise significant judgment on the possible outcomes of the case which is pending ruling and the possible impact on the financial statements. As at the report date, the arbitration has yet to be resolved. The directors, based on the advice from the Group's legal adviser, believe that Yestar Medical has a valid defense against the arbitration claims for the overdue interest expenses and, the possibility of paying the overdue interest expenses and the possibility of paying full amount of lawyer fee is low. Accordingly, as at 31 December 2019, no provision was made for such overdue interest expenses and the Group has accrued the purchase consideration of RMB675,000,000 and the certain amount of legal fee in other payables and accruals.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue: (note 5)			
Sales to external customers	497,173	4,406,095	4,903,268
Segment results	14,959	466,860	481,819
Reconciliation:			
Corporate and other unallocated expenses			(30,926)
Profit before tax			450,893
Segment assets	375,192	5,473,495	5,848,687
Reconciliation:			
Corporate and other unallocated assets			172,868
Total assets			6,021,555
Segment liabilities	217,613	4,119,097	4,336,710
Reconciliation:			
Corporate and other unallocated liabilities			373,998
Total liabilities			4,710,708
Other segment information:			
Depreciation of items of property, plant and equipment	7,161	17,533	24,694
Depreciation of items of right-of-use assets/ recognition of prepaid land lease payments	2,456	91,497	93,953
Amortisation of intangible assets	299	130,762	131,061
Share of loss of an associate	—	9,166	9,166
Impairment loss recognised in the statement of profit or loss, net	3,119	51,406	54,525
Loss/(Gain) on disposal of items of property, plant and equipment	34	(123)	(89)
Capital expenditure*	939	41,492	42,431

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue: (note 5)			
Sales to external customers	581,489	3,865,465	4,446,954
Segment results	31,495	501,791	533,286
Reconciliation:			
Corporate and other unallocated expenses			(23,599)
Profit before tax			509,687
Segment assets	381,385	5,146,829	5,528,214
Reconciliation:			
Corporate and other unallocated assets			319,540
Total assets			5,847,754
Segment liabilities	158,836	4,253,951	4,412,787
Reconciliation:			
Corporate and other unallocated liabilities			346,025
Total liabilities			4,758,812
Other segment information:			
Depreciation of items of property, plant and equipment	7,820	13,806	21,626
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	370	130,623	130,993
Share of loss of an associate	—	8,920	8,920
Impairment loss recognised in the statement of profit or loss, net	293	29,170	29,463
Gain on disposal of items of property, plant and equipment	(228)	—	(228)
Operating lease rentals	8,425	16,105	24,530
Capital expenditure*	7,338	29,200	36,538

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the year ended 31 December 2019, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB931,874,000 (2018: RMB987,765,000) which accounted for more than 19% (2018: more than 22%) of the Group's total revenue during the year.

Details of the concentration of credit risk arising from the customers are set out in note 38 to the financial statements.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
Sale of goods	4,859,194	4,411,263
Rendering of services	44,074	35,691
	4,903,268	4,446,954

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 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	497,173	4,362,021	4,859,194
Services transferred over time	—	44,074	44,074
Total revenue from contracts with customers	497,173	4,406,095	4,903,268

For the year ended 31 December 2018

Segments

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

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	497,173	4,406,095	4,903,268
Intersegment sales	330,670	790,981	1,121,651
	827,843	5,197,076	6,024,919
Intersegment adjustments and eliminations	(330,670)	(790,981)	(1,121,651)
Total revenue from contracts with customers	497,173	4,406,095	4,903,268

For the year ended 31 December 2018

Segments

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	13,205	19,749
Rendering of services	7,854	14,540
	21,059	34,289
Revenue recognised from performance obligations satisfied in previous periods	—	—

(ii) Performance obligations

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

Sale of goods

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

Rendering of services

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

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

	2019 RMB'000	2018 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	21,835	21,059

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

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

	2019 RMB'000	2018 RMB'000
Other income and gains		
Government grants (note)	32,323	28,430
Interest income	5,837	2,178
Net gain on financial assets at fair value through profit or loss	705	1,493
Net gain on disposal of fixed assets	89	—
Others	321	475
	39,275	32,576

Note:

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Finance costs		
Interest on bank loans, overdrafts and other borrowings	120,256	123,039
Cash discount	—	8,026
Interest on lease liabilities	10,474	—
Interest arising from discounted bills	2,426	592
	133,156	131,657

7. PROFIT BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Cost of inventories sold and services provided (including the related deprecation and amortisation)	3,637,961	3,248,123
Depreciation of property, plant and equipment (note 13)	24,694	21,626
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	93,953	327
Amortisation of other intangible assets (note 15)	131,061	130,993
Research and development costs	463	357
Minimum lease payments under operating leases	—	24,530
Lease payments not included in the measurement of lease liabilities	29,645	—
Auditors' remuneration	3,000	3,000
Employee benefit expense (including directors' remuneration as set out in note 8):		
Wages and salaries	210,279	155,441
Pension scheme contributions	15,378	13,274
	225,657	168,715
Foreign exchange differences, net	3,239	3,319
Impairment of inventories (note 19)	5,118	1,563
Impairment of trade receivables, net (note 20)	9,469	9,356
Impairment of goodwill* (note 16)	39,938	18,544
Gain on disposal of items of property, plant and equipment	(89)	(228)

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2019 RMB'000	2018 RMB'000
Fees	612	612
Other emoluments:		
Salaries, allowances and benefits in kind	8,507	8,222
Discretionary bonuses	1,839	3,208
Compensation for loss of office	314	—
Pension scheme contributions	134	102
	10,794	11,532
	11,406	12,144

(a) Independent non-executive directors

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

	2019 RMB'000	2018 RMB'000
Mr. Karsono Tirtamarta	204	204
Dr. Hu Yiming	204	204
Mr. Sutikno Liky	204	204
	612	612

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

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

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Compensation for loss of office RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019					
Mr. James Hartono*	3,302	420	—	—	3,722
Mrs. Wang Ying	1,401	325	—	49	1,775
Mr. Chan To Cheung	1,185	228	314	—	1,727
Mr. Chan Chung Man	1,899	756	—	36	2,691
Mrs. Wang Hong	720	110	—	49	879
	8,507	1,839	314	134	10,794
2018					
Mr. James Hartono*	3,201	1,171	—	—	4,372
Mrs. Wang Ying	1,349	602	—	51	2,002
Mr. Chan To Cheung	1,367	527	—	—	1,894
Mr. Chan Chung Man	1,645	631	—	—	2,276
Mrs. Wang Hong	660	277	—	51	988
	8,222	3,208	—	102	11,532

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2018: five) directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

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

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

Hong Kong profits tax is to be provided at the rate of 16.5% (2018:16.5%) on the estimated assessable profits arising in Hong Kong.

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

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

	2019 RMB'000	2018 RMB'000
Current — PRC		
Charge for the year	186,255	211,476
Deferred (note 18)	(36,616)	(51,324)
Total tax charge for the year	149,639	160,152

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

	2019		2018	
	RMB'000	%	RMB'000	%
Profit before tax	450,893		509,687	
Tax at applicable tax rates	112,723	25%	127,421	25%
Lower tax rate for certain entities in different jurisdictions	19,366	4.3%	23,790	4.7%
Adjustments to current tax of previous periods	(498)	(0.1%)	(221)	(0.0%)
Expenses not deductible for tax	14,984	3.3%	5,958	1.2%
Tax losses not recognised	1,363	0.3%	974	0.2%
Loss attributable to an associate	2,291	0.5%	2,230	0.4%
Income not subject to tax	(590)	(0.1%)	—	—
Tax charge at the effective rates	149,639	33.2%	160,152	31.4%

The share of tax attributable to an associate amounting to RMB9,166,000 (2018: RMB8,920,000) is included in "Share of profits and losses of an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

There was no proposed final dividend for the year ended 31 December 2019 (2018: Nil) which would be subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,390,627,000 in issue during the year ended 31 December 2019 (2018: 2,182,562,000).

The calculation of basic earnings per share is based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	202,673	251,746
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	2,390,627	2,182,562
Basic earnings per share (RMB cents)	8.5	11.5

The diluted earnings per share amounts were equal to the basic earnings per share amounts for the years ended 31 December 2019 and 2018, as there were no diluting events during the years ended 31 December 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2018	62,458	25,674	87,987	32,905	35,747	579	245,350
Additions	—	288	2,206	26,656	7,057	92	36,299
Transfers	—	—	425	20	—	(445)	—
Disposals	(183)	(1,408)	(95)	(441)	(1,270)	—	(3,397)
At 31 December 2018 and 1 January 2019	62,275	24,554	90,523	59,140	41,534	226	278,252
Additions	17	11	2,880	31,998	6,789	315	42,010
Transfers	—	—	—	—	—	(55)	(55)
Disposals	—	—	(44)	(1,041)	—	—	(1,085)
At 31 December 2019	62,292	24,565	93,359	90,097	48,323	486	319,122
Accumulated depreciation:							
At 1 January 2018	11,920	20,113	63,065	11,666	24,933	—	131,697
Charge for the year (note 7)	3,627	908	4,362	8,126	4,603	—	21,626
Disposals	(130)	(1,408)	(52)	(155)	(1,142)	—	(2,887)
At 31 December 2018 and 1 January 2019	15,417	19,613	67,375	19,637	28,394	—	150,436
Charge for the year (note 7)	3,462	183	4,688	12,531	3,830	—	24,694
Disposals	—	—	(23)	(655)	—	—	(678)
At 31 December 2019	18,879	19,796	72,040	31,513	32,224	—	174,452
Net book value:							
At 31 December 2019	43,413	4,769	21,319	58,584	16,099	486	144,670
At 31 December 2018	46,858	4,941	23,148	39,503	13,140	226	127,816

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

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 2 and 9 years, while other equipment generally has lease terms between 5 and 8 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include variable lease payments, which are further discussed below.

(a) *Prepaid land lease payments (before 1 January 2019)*

	2018 RMB'000
Carrying amount at 1 January 2018	14,298
Recognised in profit or loss during the year	(327)
Carrying amount at 31 December 2018	13,971

(b) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	Plant and machinery RMB'000	Other equipment RMB'000	Total RMB'000
As at 1 January 2019	13,971	31,824	186,480	232,275
Additions	—	35,611	99,596	135,207
Depreciation charge	(327)	(25,294)	(68,332)	(93,953)
As at 31 December 2019	13,644	42,141	217,744	273,529

(c) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) Lease liabilities (continued)

	2019 RMB'000
Carrying amount at 1 January 2019	186,110
New leases	135,207
Accretion of interest recognised during the year	10,474
Payments	(111,432)
Carrying amount at 31 December 2019	220,359
Analysed into:	
Current portion	89,075
Non-current portion	131,284

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	10,474
Depreciation charge of right-of-use assets	93,953
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales and administrative expenses)	13,688
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	15,957
Total amount recognised in profit or loss	134,072

(e) Variable lease payments

The Group leased a number of equipment which contains variable lease payment terms that are related to the maintaining services provided for the equipment. The amount of the variable lease payments recognised in profit or loss for the current year for these leases was RMB15,957,000.

(f) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 14(c) and 31, respectively, to the financial statements.

15. OTHER INTANGIBLE ASSETS

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2018	611,038	1,346,300	9,593	1,966,931
Additions	—	—	239	239
At 31 December 2018 and 1 January 2019	611,038	1,346,300	9,832	1,967,170
Additions	—	—	476	476
At 31 December 2019	611,038	1,346,300	10,308	1,967,646
Accumulated amortisation and impairment:				
At 1 January 2018	77,152	156,483	8,179	241,814
Charge for the year (note 7)	40,736	89,753	504	130,993
At 31 December 2018 and 1 January 2019	117,888	246,236	8,683	372,807
Charge for the year (note 7)	40,736	89,753	572	131,061
At 31 December 2019	158,624	335,989	9,255	503,868
Net carrying amount:				
At 31 December 2018	493,150	1,100,064	1,149	1,594,363
At 31 December 2019	452,414	1,010,311	1,053	1,463,778

16. GOODWILL

	RMB'000
Cost:	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	963,820
Accumulated impairment:	
At 1 January 2018, 31 December 2018, and 1 January 2019	18,544
Impairment during the year	39,938
At 31 December 2019	58,482
Net carrying amount:	
At 31 December 2018	945,276
At 31 December 2019	905,338

Impairment testing of goodwill

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

— sale of medical equipment and reagents of Yestar Biotech

— sale of medical equipment and reagents of Anbaida Group Companies

— sale of medical equipment and reagents of Hongen

— sale of medical equipment and reagents of Derunlijia

— sale of medical equipment and reagents of Shengshiyuan

— sale of medical equipment and reagents of Kaihongda

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections were 21.5% (2018: 21.5%) for Yestar Biotech, 21.2% (2018: 21.2%) for Anbaida Group Companies, 21.3% for Hongen (2018: 20.9%), 21.3% for Derunlijia (2018: 21.0%), 21.2% for Shengshiyuan (2018: 21.0%) and 21.2% for Kaihongda (2018: 20.9%). The growth rate used to extrapolate the cash flows of the above cash-generating units beyond the five-year is 3% (2018: 3%). Senior management of the CGU believes that this growth rate is justified, given it is same as the estimate of the rate of inflation.

16. GOODWILL (CONTINUED)

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

	Carrying amount of goodwill	
	2019 RMB'000	2018 RMB'000
Yestar Biotech	87,315	87,315
Anbaida Group Companies	394,403	394,403
Hongen	173,618	173,618
Derunlijia	154,139	194,077
Shengshiyuan	62,353	62,353
Kaihongda	33,510	33,510
Total	905,338	945,276

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

During the year, an impairment loss of RMB39,938,000 was recognised in the consolidated statement of profit or loss as other expense, in respect of the goodwill resulted from the acquisition of a subsidiary of the Group, Derunlijia. During the impairment test, Derunlijia was considered as a separate cash-generating unit ("Derunlijia CGU"). The impairment charges are driven by the lower recoverable amounts of Derunlijia CGU resulting in the directors' reassessment that the estimated future business performance of Derunlijia CGU might not achieve the expectation of management taking the budgeted gross margin and estimated growth rate of different product mixture into consideration.

16. GOODWILL (CONTINUED)

The recoverable amounts of Derunlijia have been determined based on a value-in-use calculation, which is based on certain key assumptions including discount rate, long-term growth rate and budgeted gross margin. The carrying amount of Derunlijia CGU was determined to be higher than its recoverable amount of RMB514,682,000 and an impairment loss of RMB39,938,000 (2018: RMB18,544,000) was recognised. The impairment loss was solely allocated to goodwill, as a result, the carrying amount of goodwill was reduced. The key assumptions used in value-in-use calculation include a discount rate of 16.0%, long-term growth rate of 3% and budgeted margin which are consistent with market average level and external information sources.

The following table illustrates the breakdown points of each key assumption as at 31 December 2019 and 2018, with all other variables held constant, whether the recoverable amounts of the CGUs excluding Derunlijia CGU would have been approximately equal to the carrying amounts. Any reasonably possible change in other key assumptions on with management has based its determination of all CGUs' recoverable amounts excluding Derunlijia CGU would cause all CGU's carrying amounts to exceed their recoverable amounts.

	Pre-tax discount rate		Growth rate beyond the five-year period	
	2018	2019	2018	2019
Yestar Biotech	22.5%	22.3%	0.55%	1.2%
Anbaida Group Companies	21.7%	22.0%	2.19%	1.7%
Hongen	23.5%	22.6%	(1.17%)	1.0%
Shengshiyuan	22.8%	22.1%	(0.13%)	1.5%
Kaihongda	23.4%	21.5%	(1.54%)	2.4%

17. INVESTMENT IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Share of net assets	—	9,166

Particulars of the Group's associate is as follows:

Company name	Place of registration and business	Nominal value of registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
上海中科潤達精準醫學檢驗有限公司	PRC/Mainland China	RMB47,500	—	41%	Medical examination and scientific researches

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

	2019 RMB'000	2018 RMB'000
Share of the associate's loss for the year	9,166	8,920
Share of the associate's total comprehensive loss	9,166	8,920
Aggregate carrying amount of the Group's investment in the associate	—	9,166

18. DEFERRED TAX

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

Deferred tax assets

	Elimination of unrealised profits RMB'000	Accruals and provisions RMB'000	Lease liabilities RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2018	1,812	4,907	—	6,719
Deferred tax credited to the statement of profit or loss during the year (note 10)	148	2,554	—	2,702
Gross deferred tax assets at 31 December 2018 and 1 January 2019	1,960	7,461	—	9,421
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(751)	3,576	1,169	3,994
At 31 December 2019	1,209	11,037	1,169	13,415

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2018	430,952	44,874	475,826
Deferred tax credited to the statement of profit or loss during the year (note 10)	(32,622)	(16,000)	(48,622)
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	398,330	28,874	427,204
Deferred tax credited to the statement of profit or loss during the year (note 10)	(32,622)	—	(32,622)
At 31 December 2019	365,708	28,874	394,582

18. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Mainland China of RMB9,566,000 (2018: RMB4,004,000) that will expire in five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding tax rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

For the year ended 31 December 2019, no income tax expected from deferred tax liability was recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute the earnings for the year ended 31 December 2019 in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB41,813,000 (2018: RMB20,121,000) at 31 December 2019.

19. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	41,169	50,444
Finished goods	749,589	830,205
	790,758	880,649
Less: Provision for inventories	9,335	4,217
	781,423	876,432

19. INVENTORIES (CONTINUED)

The movements in inventory provision are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	4,217	2,654
Impairment provision recognised (note 7)	5,118	1,563
	9,335	4,217

20. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	1,565,120	1,367,828
Bills receivable	22,450	26,968
Impairment	(26,985)	(17,516)
	1,560,585	1,377,280

The Group grants different credit periods to customers. The Group generally requires its customers to make payments at various stages of a sale transaction. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Certain customers are required to make partial payments before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019 RMB'000	2018 RMB'000
Within 90 days	978,265	840,067
91 to 180 days	339,484	321,194
181 to 365 days	166,842	168,620
1 to 2 years	48,113	17,752
2 to 3 years	5,431	2,679
	1,538,135	1,350,312

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	17,516	8,160
Impairment losses, net (note 7)	9,469	9,356
At end of year	26,985	17,516

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
	Not past due	Less than 6 month	7 to 12 months	Over 12 months	Total
Expected credit loss rate	0.41%	1.12%	7.37%	28.71%	1.72%
Gross carrying amount	1,002,983	446,784	71,362	43,991	1,565,120
Expected credit losses	4,075	5,018	5,260	12,632	26,985

As at 31 December 2018

		Past due			
	Not past due	Less than 6 month	7 to 12 months	Over 12 months	Total
Expected credit loss rate	0.55%	0.97%	10.21%	36.71%	1.33%
Gross carrying amount	946,300	378,741	26,748	16,039	1,367,828
Expected credit losses	5,204	3,692	2,732	5,888	17,516

The expected credit loss for bills receivables, which are all bank acceptance notes, is approximate to zero. Those banks who issue bank acceptance notes are creditworthy banks with no recent history of default.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments	61,689	86,190
Value added tax input	6,899	1,660
Deposits and other receivables	56,829	41,617
Financial assets measured at amortised cost	56,507	—
	181,924	129,467

Deposits and other receivables mainly represent rental deposits and deposits with suppliers.

Financial assets measured at amortised cost were entrusted investments due within one year, and the contractual cash flows were solely collection of principal and interest with fixed annual interest rate of 6%.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Other unlisted investments, at fair value	32,000	—

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	664,893	763,632
Time deposits	—	930
	664,893	764,562
Less: Pledged deposits		
Pledged for issuance of bank acceptance notes	—	(715)
Frozen deposits*	(29,924)	—
Pledged for a short term loan (note 24)	(88,783)	(42,522)
Cash and cash equivalents	546,186	721,325

* The relevant amount of cash and bank balances in Yestar Medical has been frozen by Shanghai Jinshan District People's Court as of the report date. Further details are included in note 32 to the financial statement.

At the end of the reporting period, the cash and bank balances of the Group denominated in the United States dollar ("USD") and HKD amounted to RMB49,240,000 (2018: RMB325,111,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short- term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	4.35–4.79	2020	10,500	3.60–4.79	2019	49,828
Bank loans — secured	2.10–6.31	2020	217,948	4.79–5.44	2019	134,993
Current portion of long term bank loans — unsecured	4.75	2020	20,000	4.75	2019	20,000
Current portion of long term bank loans — secured	5.70–5.95	2020	48,500	5.70–5.95	2019	99,400
			296,948			304,221
Non-current						
Other unsecured bank loans	—	—	—	4.75	2020	20,000
Other secured bank loans	—	—	—	5.70–5.95	2020	68,300
Senior notes (note (3))	7.43	2021	1,383,551	7.43	2021	1,355,036
			1,383,551			1,443,336
			1,680,499			1,747,557
Analysed into:						
Bank loans repayable:						
Within one year or on demand			296,948			304,221
In the second year			1,383,551			88,300
In the third year to fifth years, inclusive			—			1,355,036
			1,680,499			1,747,557

24. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(1) Certain of the Group's bank loans are secured by 70% of equity interests in Derunlijia and 70% of equity interests in Kaihongda.

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

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

(3) Except for the Notes which are denominated in United States dollars, all the other borrowings are in RMB.

(4) Certain of the Group's bank loans are secured by the pledge of certain of the Group's deposits amounting to RMB88,783,000 (2018: RMB42,522,000).

(5) Certain of the Group's bank loans are secured by the pledge of the Group's patent rights amounting to RMB30,000,000 (2018: Nil).

25. TRADE AND BILLS PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	571,453	652,547
Bills payable	27,753	49,097
	599,206	701,644

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

	2019 RMB'000	2018 RMB'000
Within 90 days	545,706	585,052
91 to 180 days	12,284	60,858
181 to 365 days	11,235	1,077
1 to 2 years	2,151	5,301
Over 2 years	77	259
	571,453	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.

26. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers			
Sale of goods	11,434	13,205	19,749
Rendering of maintenance services	10,401	7,854	14,540
Total contract liabilities	21,835	21,059	34,289

Contract liabilities include short-term advances received to deliver goods and render maintenance services. The increase and decrease in contract liabilities in 2019 and 2018 were mainly due to the increase and decrease in short-term advances received from customers in relation to the sales of goods and rendering of maintenance service at the end of each of the years.

27. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Current portion:		
Other payables	100,913	103,898
Value added tax payable	49,394	50,425
Payroll and welfare payable	26,097	20,391
Interest payable	29,236	28,163
Payables for acquisitions of non-controlling interests (note)	1,439,319	675,000
	1,644,959	877,877
Non-current portion:		
Deferred government grant	7,700	7,889
Put options in relation to non-controlling interests (note)	—	806,481
	7,700	814,370

27. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note:

Payables for acquisitions of non-controlling interest represent the Group has contractual obligations to acquire the remaining 30% interesting in each of Anbaida Group Companies, Hongen, Shengshiyuan and Kaihongda as at the end of the reporting period.

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 Hongen, Derunlijia, Shengshiyuan and Kaihongda to the Group.

The details 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 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB675 million. Since Anbaida Group Companies has met the annual guarantee profit targets for the years from 2015 to 2017, Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as of the report date. Further details are included in note 32 to the financial statements.

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 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB270 million. Since Hongen has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Ma to purchase the relevant equity interest and a share purchase agreement was signed on 27 March 2020. Further information is included in note 39 to the financial statements.

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

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

   Since Derunlijia has not met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical do not have contractual obligation to purchase the remaining 30% equity interest.

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 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB120 million. Since Shengshiyuan has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as of the report date.

27. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note: (Continued)

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 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB71.28 million. Since Kaihongda has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Pang to purchase the remaining 30% equity interest. No agreement was reached as of the report date.

28. SHARE CAPITAL AND TREASURY SHARES

Shares

	2019 RMB'000	2018 RMB'000
Authorised:		
ordinary shares of HKD0.025 each (2018: HKD0.025 each)	100,000	100,000
Issued and fully paid:		
2,371,872,500 (2018: 2,405,200,000) ordinary shares of HKD0.025 each	47,442	48,179
Treasury shares:		
3,427,500 (31 December 2018: Nil) ordinary shares of HKD0.025 each	77	—
	47,519	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
1 January 2018	2,175,200	43,116
Placing of shares (note)	230,000	5,063
At 31 December 2018 and 1 January 2019	2,405,200	48,179
Repurchase and cancellation of shares (note)	(29,900)	(660)
At 31 December 2019	2,375,300	47,519

Note:

The Group repurchased 33,327,500 shares on the Hong Kong Stock Exchange at a total consideration of HK$47,863,000 in accordance with section 257 of the Hong Kong Companies Ordinance, among which 29,900,000 shares were cancelled and 3,427,500 shares are treasury shares.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 88 of the financial statements.

Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands. Under the constitutional documents and the Companies Law (Revised) of the Cayman Islands, the share premium is distributable as a dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of shares of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefor.

Put options written on non-controlling interests reserve

The put options written on non-controlling interests reserve represents the difference between the non-controlling interests that the non-controlling shareholders hold at each financial year end but have the right to dispose of the equity interests to the Group and the present value of the amount payable by the Group to the non-controlling shareholders at the time of acquiring the corresponding equity interests.

Statutory reserve fund

In accordance with the relevant regulations in Mainland China applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") to the statutory reserve fund (the "SRF") until the reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant regulations in Mainland China, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in Mainland China as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of this reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

29. RESERVES (CONTINUED)

Distributable reserves

For dividend purposes, the amounts which the companies in Mainland China can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in these financial statements which are prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profit after tax of the companies in Mainland China can be distributed as dividends after the appropriation to the SRF as set out above.

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019 RMB'000	2018 RMB'000
Percentage of equity interest held by non-controlling interests:		
Anbaida Group Companies	30%	30%
Hongen	30%	30%
Derunlijia	30%	30%

	2019 RMB'000	2018 RMB'000
Profit for the year allocated to non-controlling interests:		
Anbaida Group Companies	43,458	56,678
Hongen	20,334	14,570
Derunlijia	20,663	14,929
Dividends paid to non-controlling interests of		
Anbaida Group Companies	30,000	30,000
Hongen	15,000	—
Derunlijia	12,000	—
Accumulated balances of non-controlling interests at the reporting date (note):		
Anbaida Group Companies	399,928	386,470
Hongen	99,931	94,597
Derunlijia	126,921	118,258

Note:

The accumulated balances were reclassified to payables for acquisitions of non-controlling interest in the account of other payables and accruals as set out in note 27.

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2019	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,557,768	537,446	310,000
Current assets	1,324,097	224,230	233,757
Non-current assets	212,540	29,233	10,696
Current liabilities	552,805	75,049	38,217
Net cash flows from operating activities	290,786	91,801	39,049
Net cash flows (used in)/from investing activities	(13,212)	(74)	517
Net cash flows used in financing activities	(164,156)	(61,319)	(43,564)
Net increase/(decrease) in cash and cash equivalents	113,418	30,408	(3,998)

2018	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,359,585	448,997	210,549
Current assets	1,209,708	203,333	188,598
Non-current assets	47,673	1,112	930
Current liabilities	443,253	72,553	34,069
Net cash flows from/(used in) operating activities	54,927	13,927	(13,253)
Net cash flows used in investing activities	(22,207)	(186)	(655)
Net cash flows from financing activities	(41,033)	—	—
Net increase/(decrease) in cash and cash equivalents	(8,313)	13,741	(13,908)

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB135,207,000 and RMB135,207,000, respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2019

	Interest-bearing bank RMB'000	Senior notes RMB'000	Interest payable RMB'000	Lease liabilities RMB'000
At 31 December 2018	392,521	1,355,036	28,163	—
Effect of adoption of IFRS 16	—	—	—	186,110
At 1 January 2019 (restated)	392,521	1,355,036	28,163	186,110
Changes from financing cash flows	(95,573)	—	(121,609)	(111,432)
New leases	—	—	—	135,207
Foreign exchange movement	—	28,515	—	—
Interest expense	—	—	122,682	10,474
At 31 December 2019	296,948	1,383,551	29,236	220,359

2018

	Interest-bearing bank RMB'000	Senior notes RMB'000	Interest payable RMB'000
At 1 January 2018	455,602	1,284,677	26,313
Changes from financing cash flows	(63,081)	—	(131,132)
Foreign exchange movement	—	70,359	1,325
Interest expense	—	—	131,657
At 31 December 2018	392,521	1,355,036	28,163

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	27,594
Within financing activities	111,432
	139,026

32. CONTINGENT LIABILITIES

On 31 October 2019, Mr. Li Bin and Mr. Li Changgui ("Mr. Li") filed an arbitration to Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) against Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a subsidiary of the Group, with the following arbitration claims: (i) Yestar Medical should acquire remaining 30% equity interest in Anbaida Group Companies with the purchase consideration of RMB675,000,000 in cash based on previously signed share purchase agreement. (ii) Yestar Medical should pay interest expenses on overdue payment calculated using the following formula; principal amount (RMB675,000,000)*annualised interest rate (long-term bank lending rates at 4.75% per annum*1.5)*periods (since 15 March 2018 up to the final settlement day of the purchase consideration). (iii) Yestar Medical should pay legal fee incurred by Mr. Li amounting to RMB9,757,000 and, (iv) Yestar Medical should bear all legal fees incurred in connection with the arbitration proceeding.

On 27 November 2019, Shanghai Jinshan District People's Court has issued a court order to freeze the bank deposit or any other assets of Yestar Medical with the equivalent value of RMB769,428,408. As disclosed in note 1 and note 23, Yestar Medical's investments in Anbaida Group Companies amounted to RMB910,000,000 and Yestar Medical's bank deposits amounted to RMB29,924,000 were frozen by Shanghai Jinshan District People's Court as at 31 December 2019.

As at the report date, the arbitration has yet to be resolved. The directors, based on the advice from the Group's legal adviser, believe that Yestar Medical has a valid defense against the arbitration claims for the overdue interest expenses, and the possibility of paying the overdue interest expenses and the possibility of paying full amount of lawyer fee is low. Accordingly, as at 31 December 2019, no provision was made for such overdue interest expenses and the Group has accrued the purchase consideration of RMB675,000,000 and the certain amount of legal fee in other payables and accruals.

33. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, and senior notes, which are secured by the assets of the Group, are included in notes 23 and 24, respectively, to the financial statements.

34. COMMITMENTS

(a) Operating lease commitments as at 31 December 2018

The Group leased certain of its office equipment under operating lease arrangements. Leases for office equipment were negotiated for terms ranging from one to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within a year	71,425
In the second to fifth years, inclusive	137,420
	208,845

35. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Basic salaries and other benefits	9,199	8,861
Discretionary bonuses	1,983	3,487
Compensation for loss of office	314	—
Pension scheme contributions	166	135
	11,662	12,483

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

36. 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:

2019

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	—	1,560,585	1,560,585
Financial assets included in prepayments, other receivables and other assets	—	113,336	113,336
Financial assets at fair value through profit or loss	32,000	—	32,000
Pledged deposits	—	118,707	118,707
Cash and cash equivalents	—	546,186	546,186
	32,000	2,338,814	2,370,814

Financial liabilities

	Financial liabilities at fair value designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	599,206	599,206
Financial liabilities included in other payables and accruals (note 27)	—	1,569,468	1,569,468
Lease liabilities	—	220,359	220,359
Interest-bearing bank and other borrowings (note 24)	—	1,680,499	1,680,499
	—	4,069,532	4,069,532

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2018

Financial assets

	Financial assets at amortised cost RMB'000
Trade and bills receivables	1,377,280
Financial assets included in prepayments, other receivables and other assets	41,617
Pledged deposits	43,237
Cash and cash equivalents	721,325
	2,183,459

Financial liabilities

	Financial liabilities at fair value designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	701,644	701,644
Financial liabilities included in other payables and accruals (note 27)	—	807,061	807,061
Other long-term payables (note 27)	806,481	—	806,481
Interest-bearing bank and other borrowings (note 24)	—	1,747,557	1,747,557
	806,481	3,256,262	4,062,743

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	32,000	—	32,000	—

	Carrying amounts		Fair values	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (non-current portion)	1,383,551	1,443,336	1,006,317	1,215,600
Put options in relation to non-controlling interests	—	806,481	—	806,481
	1,383,551	2,249,817	1,006,317	2,022,081

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, 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, the current portion of lease liabilities 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:

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

The fair values of the non-current portion of financial liabilities including other long term payables, non-current portion of lease liabilities and the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of senior notes is based on the quoted market price. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of financial liabilities including other long-term payables, non-current portion of lease liabilities and the non-current portion of interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The fair value of the investments is based on quoted market prices.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 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
Financial assets at fair value through profit or loss	32,000	—	—	32,000

The Group did not have any financial assets measured at fair value as at 31 December 2018.

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2019.

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

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

Fair value hierarchy (continued)

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

	2019 RMB'000	2018 RMB'000
Amounts included in the non-current portion of put options in relation to non-controlling interests		
At 1 January	806,481	700,909
Decrease	(806,481)	—
Remeasurement recognised in equity	—	105,572
At 31 December	—	806,481

Liabilities for which fair values are disclosed:

As at 31 December 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	1,006,317	—	—	1,006,317

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, financial assets at fair value through profit or loss, financial assets included in prepayments, other receivables and other assets and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and bills receivables and trade and bills payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to market risk of changes in interest rates relates primarily to its interest-bearing loans and other borrowings with floating rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2019, the total interest-bearing bank borrowings of RMB77,500,000 (31 December 2018: RMB302,700,000) of the Group were denominated in RMB with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings:

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis points %	Increase/ (decrease) in profit after tax RMB'000
2019		
RMB	1	(581)
RMB	(1)	581

The Group does not use derivative financial instruments to hedge its interest rate risk.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in USD and HKD, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of the exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit before tax HKD'000
Year ended 31 December 2019		
If USD weakens against HKD	1	14,948
If USD strengthens against HKD	(1)	(14,948)
Year ended 31 December 2018		
If USD weakens against HKD	1	15,936
If USD strengthens against HKD	(1)	(15,936)
		RMB'000
Year ended 31 December 2019		
If USD weakens against RMB	5	6,095
If USD strengthens against RMB	(5)	(6,095)
Year ended 31 December 2018		
If USD weakens against RMB	5	7,963
If USD strengthens against RMB	(5)	(7,963)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	1,560,585	1,560,585
Financial assets included in prepayments, other receivables and other assets					
— Normal**	113,336	—	—	—	113,336
Pledged deposits					
— Not yet past due	118,707	—	—	—	118,707
Cash and cash equivalents					
— Not yet past due	546,186	—	—	—	546,186
	778,229	—	—	1,560,585	2,338,814

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	1,377,280	1,377,280
Financial assets included in prepayments, other receivables and other assets					
— Normal**	41,617	—	—	—	41,617
Pledged deposits					
— Not yet past due	43,237	—	—	—	43,237
Cash and cash equivalents					
— Not yet past due	721,325	—	—	—	721,325
	806,179	—	—	1,377,280	2,183,459

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables), and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2019	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing loans	—	138,641	158,887	—	297,528
Lease liabilities	—	28,222	70,852	142,016	241,090
Trade and bills payables	25,747	573,459	—	—	599,206
Other payables and accruals	100,913	29,236	—	—	130,149
Senior notes	—	48,136	48,136	1,491,512	1,587,784
Payables for acquisitions of non-controlling interest	1,439,319	—	—	—	1,439,319
	1,565,979	817,694	277,875	1,633,528	4,295,076

31 December 2018	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing loans	—	174,100	145,073	88,389	407,562
Trade and bills payables	67,495	634,149	—	—	701,644
Other payables and accruals	103,898	28,163	—	—	132,061
Senior notes	—	47,356	47,356	1,562,064	1,656,776
Put options in relation to non-controlling interests	675,000	—	—	920,322	1,595,322
	846,393	883,768	192,429	2,570,775	4,493,365

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2019 RMB'000	2018 RMB'000
Interest-bearing bank and other borrowings (note 24)	1,680,499	1,747,557
Less: Cash and cash equivalents	(546,186)	(721,325)
Net debt	1,134,313	1,026,232
Adjusted capital	1,172,672	1,077,662
Capital and net debt	2,306,985	2,103,894
Gearing ratio	49%	49%

39. EVENTS AFTER THE REPORTING PERIOD

(a) Effect assessment of the Novel Coronavirus disease outbreak

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures are carried out throughout the whole country. The epidemic will impact business operations of certain industries as well as the overall economy. Therefore, the Group's operations and revenue may be affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies.

The Group will closely monitor the situation and assess its impacts on the Group's financial position and operating results. As of the date of this report, the directors considered that the outbreak of COVID-19 does not have a material adverse impact on the Group's continuing business operations and sustainability.

(b) Acquisition of 20% equity interests in Guangzhou Hongen Medical Diagnostic Technologies Company Limited

On 27 March 2020, Guangxi Yestar Medical Equipment Co., Ltd, a wholly-owned subsidiary of the Company ("the Purchaser"), Mr. Wang Kaijun, Mr. Zhang Shuqiang, Ms. Song Yalin and Mr. Ma Boming ("the Vendors") and Hongen ("the Target Company") entered into a share transfer agreement (the "Share Transfer Agreement"), pursuant to which the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell 20% equity interests in the Target Company. Upon signing the Share Transfer Agreement, the obligation to acquire the remaining 30% equity interest of Hongen as stated in the previous share purchase agreement dated 13 October 2016 shall release. The consideration of the acquisition is that the Target Company shall transfer to Bolang Health Industry (Guangzhou) Company limited, whose ultimate beneficial and legal owner is Mr. Ma Boming, its entire existing business of the distribution of the diagnostics products of Roche Diagnostic (Shanghai) Ltd. in the Guangdong province in the PRC to the Vendors.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	30,232	29,572
Total non-current assets	30,232	29,572
CURRENT ASSETS		
Amounts due from subsidiaries	1,994,803	1,856,651
Financial assets measured at amortised cost	56,507	—
Prepayments, other receivables and other assets	1,836	—
Cash and cash equivalents	11,187	319,533
Total current assets	2,064,333	2,176,184
CURRENT LIABILITIES		
Other payables and accruals	28,132	28,649
Total current liabilities	28,132	28,649
NET CURRENT ASSETS	2,036,201	2,147,535
TOTAL ASSETS LESS CURRENT LIABILITIES	2,066,433	2,177,107
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,383,551	1,355,036
Total non-current liabilities	1,383,551	1,355,036
NET ASSETS	682,882	822,071
EQUITY		
Issued capital	47,519	48,179
Treasury shares (note)	(4,166)	—
Reserves (note)	639,529	773,892
TOTAL EQUITY	682,882	822,071

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium account RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
Balance at 1 January 2018	—	587,104	(143,236)	55,492	499,360
Total comprehensive income for the year	—	—	1,296	13,517	14,813
Issue of new shares	—	357,455	—	—	357,455
Share issue expenses	—	(978)	—	—	(978)
Final 2017 dividend declared	—	(96,758)	—	—	(96,758)
At 31 December 2018 and 1 January 2019	—	846,823	(141,940)	69,009	773,892
Total comprehensive income for the year	—	—	(116,180)	19,365	(96,815)
Shares repurchased	(4,166)	(37,548)	—	—	(41,714)
At 31 December 2019	(4,166)	809,275	(258,120)	88,374	635,363

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
RESULTS					
Revenue	4,903,268	4,446,954	3,926,877	3,021,831	2,454,684
Profit for the year	301,254	349,535	350,575	269,928	198,513
Profit for the year attributable to:					
Owners of parent	202,673	251,746	249,968	201,031	162,756
Non-controlling interests	98,581	97,789	100,607	68,897	35,757
ASSETS AND LIABILITIES					
Total assets	6,021,555	5,847,754	5,487,271	4,456,417	3,163,509
Total Liabilities	4,710,708	4,758,812	4,803,620	3,504,189	2,246,112
Net assets	1,310,847	1,088,942	683,651	952,228	917,397

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