ANNUAL REPORT 年度報告

2020

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hartono James *(Chairman)*
Ms. Wang Ying
Ms. Wang Hong *(Chief Financial Officer)*
Ms. Liao Changxing
(appointed on 2 November 2020)
Mr. Chan Chung Man *(Chief Operating Officer)*
(resigned on 2 November 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Ng Chit Sing

INDEPENDENT AUDITORS

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

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tuen Mun
New Territories
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN SHANGHAI

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LEGAL ADVISERS

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

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
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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 of directors (the "Board") of Yestar Healthcare Holdings Company Limited (the "Company" or "Yestar", and, together with its subsidiaries, the "Group"), I am pleased to present results for the year ended 31 December 2020 (the "Year") to our shareholders.

Proactive Approaches to Mitigate Risks while Contributing to COVID-19 Detection and Prevention in 1H20

Due to the outbreak of COVID-19 pandemic, 2020 represents an extremely challenging year to industries across the globe, causing disruptions to how businesses operate and how we go on with our everyday lives. Specifically in the case of China, there was various measures to contain the pandemic in the first half of the Year, such as regional lockdowns, travelling restrictions, social-distancing policies and the cut-down of non-emergency medical services.

Despite such constraints, we strived to maintain our normal yet essential operations by actively managing our staff rosters and providing them with sufficient protective equipment, which offered us the ingredients to keep our operations and cash flow floating. We also complemented our proactive planning with in-person machinery maintenance and 24/7 hotline assistance, in the hope of facilitating the smooth operation of hospitals.

Apart from providing professional services, we also assist the government in combating the COVID-19 pandemic. In the early stage, we supplied medical consumables for CT scan which largely supported the early identification of infected cases; and later in the prevention stage, we upgraded part of our existing plant in Guangxi in order to manufacture various disease prevention products under our house brands, such as 84 disinfectant, medical disposable mask and medical N95 mask. Since March, we have also started to export facemasks to USA, Japan, Singapore and Indonesia.

CHAIRMAN'S STATEMENT

As a listed company, we are delighted to play our part in the global healthcare crisis, and we are proud of our dedicated efforts in maintaining the necessary operations of our businesses. Nonetheless, it is inevitable that our revenue was affected by the decrease in demand for check-ups, as hospitals have been focusing on the treatment of COVID-19 patients and other emergencies. However, excluding the impairment loss on goodwill and other intangible assets, which are non-cash and non-operating items, we still maintained an adjusted profit attributable to owners of the parents, showing that Yestar remained resilience despite the COVID-19 pandemic.

Diversified Product Portfolio and Expanding Clientele in the Recovery during 2H20

Under the stringent rules and measures swiftly executed by the Chinese government, COVID-19 pandemic has largely become under control in the second half. As economic activities gradually resumed after the relaxation of travel restrictions, it opened up a window of opportunity for us to drive product expansion and network growth in compensation of a weakened first half.

In the first half of the Year, we have introduced two new brands (a domestic brand and a Japanese brand) into our medical distribution platform, but not until the second half of the Year, we were able to distribute their thrombus testing products across our network. We have also introduced the latest Roche cobas t511 and t711 coagulation analyzers during the period. Similar to cobas e801 modular analyzer that we promoted last year, the installation of new, highly automated close-end machines would induce demand of new reagents, increase hospital stickiness, and in turn, secure future volume of our IVD consumables. The new brands and new machineries have successfully worked in tandem, which enabled us with a comprehensive product offering suitable for a wider range of medical institutions, effectively expanding our target market.

To support our ambitious plan, we also need the support of the necessary value-added services. During the second half, we have upgraded our Eastern China logistics hub to a new training facility, as we believe better training and after sales services would cater the needs of various users and boost product adoption. The strategy was proved to be a success, we are delighted to have the centre approved and recognized as Roche's authorized training centre, and we were able to attract certain large scale national medical groups as new clients as a result of our improving services. We will continue to uphold the strategy and upgrade our Southern China logistics hub in the coming year to further expand our customer reach.

Favourable Policies to Paint a Better Future, but Value Chain Expansion Remains Key to Cementing Market Position

Although 2020 is a tough year, there remains favourable policies to support our development in the short term. A document released by the General Office of the State Council on 23 July 2020 provides more color to the key objectives for deepening reform of medicine and healthcare system《深化醫藥衛生體制改革2020年下半年重點工作任務》. It specifically emphasizing the reform and improvement of disease prevention and control system, which would encourage people to go for check-ups for early detection or intervention, driving the demand of IVD consumables.

In recent years, the Chinese government has also announced polices to support domestic brands development, such as the "Made in China 2025"《中國製造 2025》 and the hierarchical medical treatment system. Under the policies, subsidies are distributed to domestic enterprises and more resources are allocated to lower-tier medical institutions, which have a strong preference of domestic brand products due to their better price to performance ratio. Together, this gives an advantage to domestic brands such as Yestar, or its growing list of domestic clients, to grow and expand.

CHAIRMAN'S STATEMENT

On such backdrop, Yestar will continue to expand its product portfolio by introducing more brands to its distribution platform, especially domestic brands with high margins and a product offering that is complementary to Roche's existing product lines. We believe new, diversified product offerings would attract new clients, allowing us to potentially tap into different regional markets and tiers of cities/hospitals. We will also aggressively promote machines installation in various medical institutions at the same time, in order to drive future IVD product sales.

On a longer-term horizon, we believe it is important to play a larger role in value creation, and will seek upstream vertical integration opportunities to extend and solidify our market position along the value chain in China. Currently, Yestar has a plant in Guangxi capable of producing certain types medical consumables products. We believe there is a strong synergy on the production end, as a localized production can significantly decrease transportation costs and reduced delivery turnaround times of brand owners, while companies similar to Yestar can increase its client stickiness and improve margins through its one-stop shop services. Going forward, we will continue to explore collaborations with different IVD brands in order to provide manufacturing solutions.

There is always light at the end of the tunnel, with China recovering well from the pandemic and so does our businesses. We believe that, by adopting the aforementioned strategies, Yestar will stay competitive in the market and be able to deliver greater value to all stakeholders.

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

7 April 2021

COMPANY ACTIVITIES

1

In 2020, the two new logistics centers, of which each of Beijing Kaihongda and Yestar Jiangsu takes charge, of the Company focus their services on northern and eastern China respectively. The Northern China Logistics Center under Beijing Kaihongda is authorised by Roche as the designated training centre. The purposes of the establishment of the two new logistics centers are to enhance the value of the value-added services, such as after-sales services, warehousing, logistics and delivery, training etc. offered by the Group for its customers and provide assistance and additional support to medical organisations nationwide.

On 12 September 2020, Guangxi Technology kicked off the 11th "Yestar Cup" gas volleyball match with the goals of energising the company and experiencing the fun of gas volleyball. This gas volleyball match had not only brightened up the leisure time, built up stamina, promoted Yestar's culture, fostered teamwork and boosted the competitive spirit amongst the staff, but also motivated the staff to exercise, shared the joy of playing sports after a busy day of work, and facilitated interaction between different departments. It is hoped that the entire staff of Yestar can lead a healthy and strong life through doing sports and thereby playing hard and working hard at the same time.

2

3

On Christmas day in December 2020, Guangzhou Shengshiyuan conducted a hiking trip with the theme of "Beating the Highest Mountain and Walking for a Healthy Life" for the participants to lay back amidst stressful work, improve their strengths and regroup for the busy days at the end of the year.

COMPANY ACTIVITIES

4

In January 2020, Guangzhou Shengshiyuan invited Master Zhang Xinyu to give a training lecture on structural thinking and effective communication to the entire staff. Through such training, members of every department have effectively improved their communication skills as well as work efficiency.

5

Project Marketing Training Conference of Guangzhou Hongen in 2020

6

In 2021, Guangzhou Hongen organised an annual conference named "Dream a Dream and Set Sail Together, We are a Family". Due to the preventive measures implemented during the pandemic, the conference was conducted online. Although staff members could not meet in person, the conference was still electrifying with a wide array of online activities such as games, round table discussions and annual award presentation. All staff members shared their experience in 2020 and aspirations for 2021 in a joyful and safe manner.

7

Shen Guofang, the vice chancellor of Shanghai University of Medicine & Health Sciences, and Li Bin, the president of Anbaida, jointly unveiled the plaque of Anbaida Practical Teaching Base of Shanghai University of Medicine & Health Sciences.

COMPANY ACTIVITIES

Shanghai Emphasis Investment Management Consulting Co., Ltd. donated RMB300,000 to an education development foundation to establish the Anbaida Pandemic Fighter Award with the aim of rewarding alumni and healthcare workers of the hospital of Shanghai University of Medicine & Health Sciences who have made tremendous contribution to the society during the fight against COVID-19 in 2020.

8

9

Driven by its sense of responsibility and mission, Guangxi Yestar walked with the greatest fighters in the face of adversity during the prevention and control of COVID-19. From February to March 2020, Guangxi Yestar made humble contributions by donating over RMB1.5 million worth of medical devices to hospitals in, among other places, Baise, Hechi and Du'an. Being a hi-tech enterprise and corporate technological centre in Nanning, Guangxi Yestar resolutely took on its social responsibility and made all its efforts to support the combat against the pandemic that caused great hardship for the nation and the people. It delivered medical supplies to the front lines of COVID-19 prevention in support of pandemic control efforts in a methodical, orderly and unrelenting manner.

Amidst the prevention and control of COVID-19, all sorts of medical supplies were sold out and resources were in short supply across the country. Therefore, the delivery and procurement of protective equipment became more urgent and critical than ever. Guangxi Yestar established a task force to produce 84 Disinfectant. In early March 2020, Guangxi Yestar procured mask production lines and proactively switched its production to pandemic control supplies. By the end of March, Guangxi Yestar has completed 4 flat mask production lines with a daily production capacity of 300,000 pieces and donated some of its products to communities in Guangxi, thereby effectively easing the shortage of pandemic control supplies in the region. As of the end of March 2020, Guangxi Yestar has donated over 70 tonnes of 84 Disinfectant worth more than RMB700,000 to over 50 municipal and county governments as well as non-governmental organisations in the region, such as the Committee of Industry and Information Technology of Guangxi Zhuang Autonomous Region, the Red Cross Society in Guangxi and the affiliated hospital of Guangxi Medical University.

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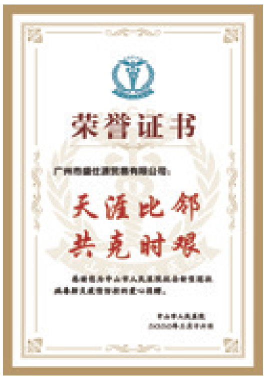
COMPANY ACTIVITIES

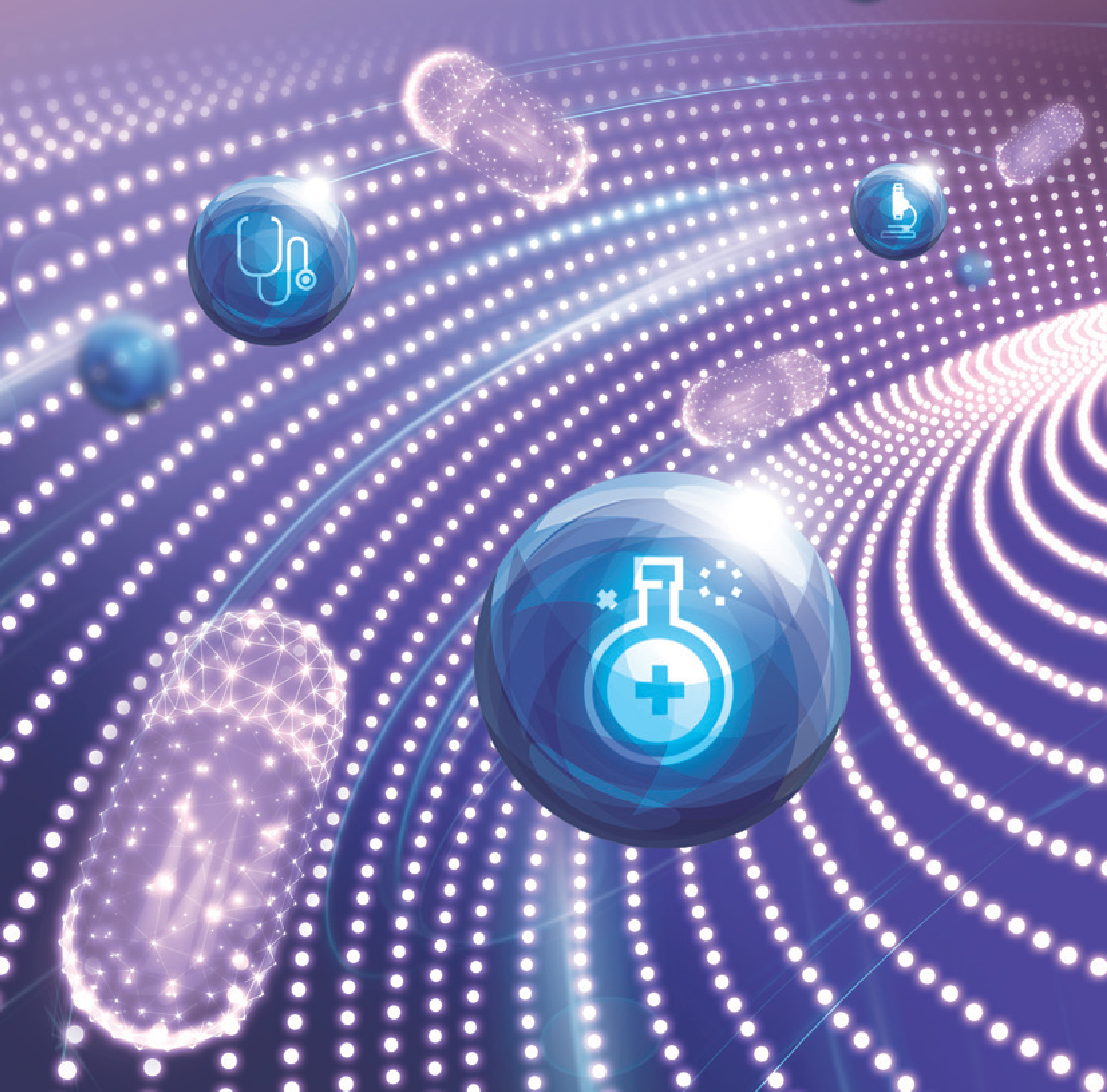


During the pandemic, Guangzhou Shengshiyuan actively assisted the control of the pandemic by giving donations of sanitiser, disposable medical masks and other supplies to Zhongshan People's Hospital.

POC Best Marketing Award 2020 granted to Guangzhou Hongen

Best Distributor (Immunological Regeant Project) 2020 — Professional and Molecular Diagnostic granted to Shanghai Anbaida

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT YESTAR

Yestar 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, Guangxi, 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

2020 was a year filled with challenges and progress. The sudden outbreak of Covid-19 in the first half of 2020 affected the operation and performance of many businesses in the PRC. 24 provinces and regions were placed under strict lockdown and travel restrictions during the period, including Beijing, Shanghai, Guangdong, Hunan, Zhejiang, Hubei and Anhui. Most hospital resources in these regions were spared for Covid-19 treatment. Outpatient clinics, special clinics and emergency services were limited to a minimum level. This led to a decrease in IVD testing, which resulted in a drastic decrease in demand of IVD reagents and related consumables.

Under a comprehensive and rigorous control, the PRC shortly recovered from Covid-19 and regained its momentum in the second half of the year. Hospital services gradually resumed normal operation. Health assessments also recommenced which led to a rebound in demand for regular check-ups and screening for chronical diseases. Meanwhile, the Chinese government remained on high vigilance with a series of enhanced preventative measures. On 23 July 2020, the General Office of the State Council issued a circular on health and medical reform, emphasizing the importance of prevention rather than treatment to shield the country from Covid-19 rebound. Improving the prevention and treatment of chronic, endemic and occupational diseases was also the highlights listed in the circular. These policies will boost the demand of IVD reagents and related consumables in the near future. As one of the largest distributors and service providers of IVD products, Yestar will certainly benefit from the resumption of hospital operation and the support of government policy.

BUSINESS OVERVIEW

Expanded Product Portfolio and Network Under the Hardship of Covid-19

In the first half of 2020, Yestar successfully introduced a domestic and a Japanese IVD brand to its existing product portfolio. The Group had been distributing their thrombus testing products in the second half of the Year across top-tier and lower-tier medical institutions. Both products contributed a satisfactory margin and the Group expects to see a more significant revenue contribution next year. Apart from new brand introduction, the Group also developed new house brand products to assist the combat of Covid-19 outbreak, including 84 disinfectant and medical disposable masks. Medical masks were exported to the United States, Japan, Singapore and Indonesia for Covid-19 presentation.

In the second half of the Year, Yestar has introduced Roche's newly launched cobas t711 and t511 coagulation analyzers to its product portfolio. They are capable of fully automated and scheduled reagent reconstitution, the ultimate enabler of continuous operation. Coagulation is a new area for Roche's development in the PRC and the new analyzers can be installed in laboratory with other series. With the diversified product offerings, the Group can extend its customer outreach and thus enhance future revenue stream.

In terms of network expansion, during the Year, the Group has successfully tapped into Guangxi and Anhui provinces by installing Fujifilm's automated dry chemistry analyzers, further increased its geographical coverage.

MANAGEMENT DISCUSSION AND ANALYSIS

Upgraded Eastern China logistics center into Training Center to Facilitate Customer Acquisition

Yestar has been dedicated in providing better after sales and logistics services. During the Year, the Group upgraded its Eastern China logistics center into a training center which fulfilled the standards of Roche's authorized training centre. It is equipped with upgraded facilitates, such as seminar room and laboratory, to help demonstrate Roche's highly automated equipment. The new center will also help strengthen Yestar's relationship with its customers, including hospital personnel, lab operators, distributors and others, by providing product education and after-sales services to them, promoting its latest products as well. According to track record, the Group's Northern Training Centre authorized by Roche had attract regional large-scale medical institution as new customer. With the new Eastern China Training Centre to be launch very soon in 2021, Yestar believes that it will help to increase customer loyalties as well as customer acquisition.

Maintained Stable Operating Cash Flow Despite the Covid-19 Pandemic

During the Year, the Group had implemented stringent cost control measures to ensure sufficient cash flow to encounter the adverse market situation caused by the Covid-19. Especially, the Group had continued to improve its inventory turnover, with inventory recording a decrease of 24.3% year-over-year ("yoy") to RMB591.5 million. Improvements were also seen in trade receivables, which decreased by 5.7%. Meanwhile, operating cash inflow recorded a growth of 55.3% compared to 2019.

Acquisition of the remaining interests in two non wholly-owned subsidiaries

To further develop and consolidate the medical consumable business of the Group, on 27 March 2020 and 7 August 2020, the Company has entered into share transfer agreements with respective vendors to acquire remaining 20% and 30% equity interests in Guangzhou Hongen Medical Diagnostic Technologies Company Limited and Shanghai Anbaida Group Companies respectively pursuant to the terms of the respective share transfer agreement. Please refer to the Company's announcements dated 27 March 2020 and 7 August 2020 respectively for details of the acquisitions.

Profit Guarantee in relation to Derunlijia

Reference is made to (i) the announcement of the Company dated 27 October 2016 in relation to, among others, the acquisition of 70% equity interest in Shenzhen De Run Li Jia Company Ltd ("Derunlijia"); (ii) the annual report of the Company for the year ended 31 December 2019; (iii) the announcements of the Company (the "Announcements") dated 27 March 2020, 24 April 2020 and 26 August 2020, respectively in relation to, among others, the non-fulfilment of the annual guarantee profit of Derunlijia for the year ended 31 December 2019 and the related Compensation Amount. Unless otherwise stated herein, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, as the actual net profit after taxation Derunlijia for the year ended 31 December 2019 was less than the annual guarantee profit, the Vendors of Derunlijia are obliged to compensate and settle the Compensation Amount of approximately RMB9.75 million to the purchaser pursuant to the share transfer agreement.

Taking into account the continuous negative business and financial impact of Derunlijia caused by the COVID-19, the Group has yet to declare and deduct any accumulated dividend payable or to be paid to the Vendors for the settlement of Compensation Amount partially or fully. As at the date of this report, the Group has not received any Compensation Amount from the Vendors. The Group will arrange for the settlement of Compensation Amount in full by deduction of accumulated dividend payable or to be paid to the Vendors once the business operation in Derunlijia resumes to normal with healthy cash flow maintained.

The Company will keep the shareholders and potential investors of the Company informed of any further significant development in relation to the progress of the payment of the Compensation Amount by the Vendors of Derunlijia as and when appropriate.

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

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2020, 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 following acquired subsidiaries in previous years:

— Yestar Biotech (Jiangsu) Co., Ltd.

— Shanghai Anbaida Group Companies

— Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd.

— Guangzhou Shengshiyuan Trading Co., Ltd.

— Beijing Kaihongda Technologies Co., Ltd.

— Shenzhen Derunlijia 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, for the year ended 31 December 2020, the Group recorded an impairment loss on goodwill in the above acquired companies for an amount of approximately RMB447.5 million (2019: RMB39.9 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 the above subsidiaries 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.

In addition, an impairment loss of other intangible assets (which included distribution rights and customer relationship) of RMB342.9 million (2019: Nil) was also recognised in the consolidated statement of profit or loss as other expense in 2020.

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.

As at 31 December 2020, the net proceeds from the allotment of the Subscription Shares have been fully applied and utilized as follows:

Intended use of net proceeds	Amount of net proceeds allocated HK$ million	Total remaining net proceeds available as at 1 January 2020 HK$ million	Actual amount utilized for the six months ended 30 June 2020 HK$ million	Actual amount utilized for the year ended 31 December 2020 HK$ million	Total remaining net proceeds for the year ended 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	—	—	—	—
General working capital	81.94	40.97	20.97	20.00	—
Total	409.70	204.85	20.97	183.88	—

The Directors confirmed that the actual use of the above net proceeds are same as planned as disclosed in the related announcement and are not aware of any material change to the planned use of proceeds from the allotment of the Subscription Shares.

FINANCIAL REVIEW

During the first half of the year, most hospital resources have been reserved to combat the Covid-19, which caused a plunge in demand of the IVD equipment installment reagent and related consumables. With the PRC recovering from the Covid-19, regular services in hospitals and medical clinics had resumed services, leading to a V-rebound in the demand of such products. This resulted in an overall decrease in revenue by 16.2% yoy to RMB4,106.9 million (2019: RMB4,903.3 million). As the economy recovered, the Group's sales performance in the second half of the year rebounded and recorded 56.3% growth compare to the first half.

	Sales Performance (RMB million)		
	1H2020	2H2020	Change
	1,602.3	2,504.6	56.3%

Gross profit was dropped by 36.2% to RMB806.9 million (2019: RMB1,265.3 million), with gross profit margin decreased by 6.2p.p. to 19.6% (2019: 25.8%). This was attributable to the decease of product market price as a result of medical reform and the change of direct and indirect sales channels contribution. As the group has been promoting close-end automated machines such as cobas e 801, lab automation installation in 2019, sales volume is relatively secure when hospital resumed their normal operation.

Marketing and travelling activities were on hold during the first half of 2020. Since the spread of Covid-19 were under control, Yestar were back on its machine installation goal in the second half of the Year. Selling and distribution expenses decreased by 3.5% yoy to RMB286.7 million (2019: RMB297.0 million). Administrative expenses and finance cost decreased slightly by 5.7% to RMB336.8 million and 6.8% to RMB124.1 million respectively (2019: RMB357.1 million and RMB133.2 million). An impairment loss on goodwill and other intangible assets of the Company, which are non-cash and non-operating items, amounted to RMB790.4 million were recorded for the year ended 31 December 2020. Thus, the Group recorded a loss attributable to owners of the parent of RMB590.5 million (2019: profit of RMB202.7 million). Impairment loss on goodwill amounted to RMB447.5 million (2019: RMB39.9 million) and impairment loss on other intangible assets amounted to RMB342.9 million (2019: Nil), representing impairment loss for a total amount of RMB790.4 million in 2020. Operating cash net inflow amounted to RMB670.7 million in 2020, representing an increase of RMB238.7 million from RMB432.0 million in 2019; while total liabilities amounted to RMB3,799.5 million in 2020, representing a decrease of RMB911.2 million from RMB4,710.7 million in 2019. Basic loss per share was amounted to RMB25.0 cents (2019: earnings per share of RMB8.5 cents). The board of directors (the "Board") has resolved not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Medical Business — 91.5% of Overall Revenue

During the Year, demands for IVD equipment and consumables decreased due to the impact of Covid-19. The Group recorded a segment revenue of RMB3,758.0 million (2019: RMB4,406.1 million), representing a drop of 14.7% yoy. Segment gross profit margin also decreased 6.7p.p. to approximately 20.2% as compared to that of approximately 26.9% of last year.

Despite the decline, the Group continued to introduce new products during the Year, which expected to begin revenue contribution in 2021. On top of product expansion, the Group has newly penetrated into 20 tier-2 hospitals, driving a further growth in sales volume.

Numbers of Hospitals and Clinics Covered

For the year ended 31 December	2019	2020	YOY change
Provinces			
Anhui	70	**70**	0%
Fujian	71	**72**	1%
Guangdong	355	**355**	0%
Guangxi	—	**29**	—
Hainan	54	**59**	9%
Hebei	32	**39**	22%
Hunan	18	**20**	11%
Jiangsu	260	**260**	0%
Autonomous region			
Inner Mongolia	10	**10**	0%
Tier-1 cities			
Beijing	190	**201**	6%
Guangzhou	110	**110**	0%
Shanghai	315	**315**	0%
Shenzhen	69	**69**	0%
Overall	1,554	**1,609**	3.5%

Due to Covid-19, more resources has been allocated to 3rd and 4th-tier cities and its hospitals and the Group has captured this opportunity to expand its hospitals network.

Non-medical Business — 8.5% 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.

Suffered from the lockdown of cities, the demand of photographic paper dropped significantly. During the Year, revenue of non-medical businesses amounted to RMB348.9 million (2019: RMB497.2 million), decreased by approximately 29.8% yoy. Segment gross profit margin decreased by 1.8p.p to 13.9% (2019: 15.7%).

Liquidity and Financial Resources

The Group has cash and cash equivalents of approximately RMB572.3 million as at 31 December 2020 (2019: approximately RMB546.2 million). The slight increase in cash was due to the amount used to repurchase shares of the Company of HK$19.3 million in 2020, representing a decrease of HK$28.7 million as compared with that of HK$48.0 million in 2019.

As at 31 December 2020, the Group's gearing ratio was approximately 59% (2019: approximately 49%), calculated as the net debt which includes the interest-bearing bank loans and other borrowings less cash and cash equivalents dividend by equity attributable to owners of the parent plus net debt at the end of 31 December 2020.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2020 was approximately RMB1,646.4 million (2019: approximately RMB1,680.5 million). Except for the Senior Notes of USD200 million and secured bank loans of RMB9.5 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 2020 was approximately 0.86 (2019: approximately 1.15), based on current assets of approximately RMB2,824.3 million and current liabilities of approximately RMB3,288.4 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 3.5% from approximately RMB297.0 million in 2019 to approximately RMB286.7 million in 2020, and accounted for about 6.1% and about 7.0%, respectively, of the Group's revenue for the respective reporting years. Such decrease was attributable to the suspension of operating and distribution services for about 2 months due to the COVID-19, which caused the decrease in the related expenses.

Administrative Expenses

The Group's administrative expenses decreased by about 5.7% from approximately RMB357.1 million in 2019 to approximately RMB336.8 million in 2020, and accounted for about 7.3% and about 8.2%, respectively, of the Group's revenue for the respective reporting years. Such decrease was attributable to the effectiveness of our implementation of cost saving measures as well as the reduction of rental and expenses in central pension scheme.

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 RMB124.1 million (2019: approximately RMB133.2 million) for the Year.

For the Year, interest rates of the interest-bearing loans ranged from 3.60% to 7.43%, while those for the year ended 31 December 2019 ranged from 2.10% 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 purchase of US dollars, Senior Notes in US dollars and secured bank loans 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 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 2020, the Group had 1,060 (2019: 1,081) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB198.1 million for the Year as compared to approximately RMB225.7 million for the year ended 31 December 2019. 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 2020, 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.

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.

Guarantee Performance in relation to the Acquisitions

Save as disclosed above, the Group did not enter into any acquisition, which is required to be disclosed under the Listing Rules, that the party in contract required to commit or guarantee on the financial performance in any kinds for the year ended 31 December 2020.

Charges of assets

As at 31 December 2020, none of the Group's property, plant and equipment was pledged (2019: Nil). 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, the following was the pledge of assets as at 31 December 2020:

(i) the Group's bank loans of RMB54,000,000 were secured by the pledged deposits of RMB15,105,000 and accounts receivables of RMB20,238,000.

(ii) the Group's bank loans of RMB9,950,000 were secured by the pledge of the Group's patent rights.

(iii) the Group's bank loans of RMB199,681,000 were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

Contingent liabilities

During the Year, the Group had no material contingent liabilities as at 31 December 2020.

PROSPECT

The PRC's IVD market were growing steadily over the past few years, and is expected to grow by US$6.93 billion with a compound annual growth rate (CAGR) of 17%, during 2020 to 2024, according to a research published by Infiniti Research Limited in December 2020. The growth is mainly driven by the aging population which will result in a higher chronic and infectious diseases prevalence. The enhanced healthcare awareness among public also drives the increase in adoption of POCT testing, boosting the growth of the market.

Looking into the near future, the Group will continue to increase its market shares by expanding its distribution network, products and services offerings while exploring opportunities to enhance its position along the value chain.

Continue Product and Network Expansion

The Group will continue to diversify its product portfolio by actively exploring new and quality brands that are complementary to Roche's products to cater the needs in the market. Yestar will specifically target domestic brands and brands with higher margin as the Chinese government has been promoting domestic brands with policies such as "Made in China 2025"《中國製造2025》and the hierarchical medical treatment system. The addition of new brands will broaden the Group's product portfolio and hence extend its customer outreach to various tiers of hospitals. Yestar will carry on utilizing its solid distribution platform by introducing more quality products and ultimately driving its future revenue stream.

Continue to Strengthen Relationship with Strategic Partners

In the future, the Group will continue to drive machine installation and order volume by promoting Roche's and Fujifilm's products. Yestar will also actively discuss with its strategic partners on the latest market trends, and continue to explore and introduce more products that are suitable for the China market. This will help them to enhance market penetration and capture the market opportunities.

Further Solidify Yestar's Position Along the Value Chain Position In PRC

Along with expanding the business footprint for its strategic partners, Yestar will also continue to develop its own house brand products. Given the strong and agile research and manufacturing capability, the Group is dedicated in developing more house brand products to address the unmet market demands. The Group also plans to hire more talents to support the expansion of the manufacturing plant.

Yestar remains confident in the future growth opportunities despite the business slowdown caused by the Covid-19 during the Year. With hospital resumed regular operation and the support of government policy in improving the prevention of infectious and chronic disease, the Group believes that its business will grow in faster pace in 2021 to compensate for the stagnation during the Year. The Group will continue to strive its best in implementing the aforesaid strategies to ensure a healthy financial position while creating fruitful returns to its shareholders.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated annual financial statements for the year ended 31 December 2020:

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 2020, 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 (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

As set out in note 2.1 to the consolidated financial statements, as at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB464,150,000. The Group's current liabilities included the interest-bearing bank and other borrowings due within the next twelve months amounted to RMB1,646,390,000 of which USD200,000,000 (approximated to RMB1,300,289,000) consist of the senior notes due for repayment by 15 September 2021 as further set out in note 24 to the consolidated financial statements. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ACTION PLAN TO ADDRESS THE GOING CONCERN

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern (especially the repayment of USD200,000,000 senior notes ("Senior Notes")), the Company has already appointed financial adviser to address the restructuring of Senior Notes holder.

Appointment of Financial Adviser to Address the Senior Notes

As at the date of this report, the Company has appointed Admiralty Harbour Capital Limited ("Admiralty Harbour") as its financial adviser in connection with the upcoming maturity of the Senior Notes. In that role, Admiralty Harbour will work with the Company in evaluating its capital structure, assessing its liquidity position, and exploring options which may include, among other things, a scheme of arrangement, regarding the Senior Notes. Holders of the Senior Notes are encouraged to contact Admiralty Harbour (via email to yestar@ahfghk.com) to identify themselves and establish contact.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Hartono James, aged 45, 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 20 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 60, 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 36 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 45, 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 23 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.

Ms. Liao Changxiang, aged 47, joined the Group in June 2007 and is appointed as executive director in November 2020. Ms. Liao is primarily responsible for overseeing our finance, accounting and logistics of operations in subsidiary of the Company. She is also general manager of various indirect subsidiaries of the Company.

Ms. Liao has over 21 years of experience in finance. Prior to joining the 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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming, aged 57, 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 27 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 73, 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Sutikno Liky, aged 46, 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 16 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

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 2020 (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 12 to 22 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) Impact of COVID-19

The COVID-19 pandemic (the "Pandemic") had brought unprecedented challenges and added uncertainties to the global economy. To contain the spread of the virus, local governments had implemented cities lockdown measures during the Year. Business operations were negatively impacted. The sales and profitability of our products supplied to major hospitals are dependent on our IVD business performance. The lockdown measures has definitively affected our business performance, financial condition, results of operations and prospect.

(b) Repayment of Borrowings and Senior Notes

The Company issued US$200 million 6.9% senior notes due September 2021 in 2016. As at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB464,150,000. The Group's current liabilities included the interest-bearing bank and other borrowings due within the next twelve months amounted to RMB1,646,390,000 of which US$200 million (approximated to RMB1,300.3 million) consist of the senior notes due for repayment by 15 September 2021. Provided that the Group can successfully negotiate with financial institutions and senior notes holders to seek for the extension of due dates of the interest-bearing bank and other borrowings and the senior notes, the liquidity and operation of the Company will be adversely affected.

(c) Financial Management and Liquidity Risk

Yestar generates solid cash flows from its operations. However, cash conversion cycle has lengthened 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.

(d) 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.

(e) 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 57 to 72 in this report. This discussion forms part of the report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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 2020 are set out in the Financial Statements on pages 80 to 171.

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

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

The Board did not recommend the payment of any final cash dividend for the year ended 31 December 2020 (2019: 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 172. This summary does not form part of the audited Financial Statements.

SHARE CAPITAL IN THE YEAR

Details of movement in share capital of the Company during the Year are set out in note 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 2020 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") and 22 May 2020 (the "2020 AGM"), respectively, to repurchase its shares not exceeding 10% of the issued shares of the Company at the date of the 2019 AGM and the 2020 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:

Month/Year of repurchase	No. of repurchased shares	Consideration per share Highest	Consideration per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2020	1,850,000	1.50	1.46	2,757
March 2020	607,500	1.25	1.19	742
April 2020	2,477,500	1.30	1.20	3,135
May 2020	4,582,500	1.28	1.15	5,563
June 2020	4,962,500	1.26	1.10	5,846
July 2020	1,070,000	1.26	1.14	1,256
	15,550,000			19,299

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 2020, 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 RMB485.3 million (2019: approximately RMB639.5 million). Details of the movement in reserve of the Company during the Year are set out in note 38 to the Financial Statements.

CHARITABLE DONATIONS

During the Year, charitable and other donations made by the Group amounted to approximately RMB5.22 million (2019: RMB1.84 million).

REPORT OF THE DIRECTORS

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	34%
— five largest suppliers in aggregate	73%

Sales

— the largest customer	21%
— five largest customers in aggregate	38%

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 2020 are set out in note 24 to the Financial Statements. As at 31 December 2020, none of the Group's property, plant and equipment was pledged (2019: Nil). 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, the following was the pledge of assets as at 31 December 2020:

(i) the Group's bank loans of RMB54,000,000 were secured by the pledged deposits of RMB15,105,000 and accounts receivables of RMB20,238,000.

(ii) the Group's bank loans of RMB9,950,000 were secured by the pledge of the Group's patent rights.

(iii) the Group's bank loans of RMB199,681,000 were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

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)*
Ms. Liao Changxiang
(appointed on 2 November 2020)
Mr. Chan Chung Man *(Chief Operating Officer)*
(resigned on 2 November 2020)

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 a 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.

Ms. Liao Changxiang, a newly appointed executive Directors, has also entered into a service contract with the Company for a term of three years commencing from 2 November 2020, 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. Hartono James, Ms. Wang Hong, Ms. Liao Changxiang and Dr. Hu Yiming shall retire from office at the forthcoming annual general meeting to be held on 14 May 2021 (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 23 to 26 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.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the related party transactions as disclosed in note 33 to the Financial Statements, no transaction, arrangement or contract (that is significant in relation to the business of the Company), to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest, subsisted as at 31 December 2020 or at any time during the Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

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

RELATED PARTY TRANSACTIONS

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

NON-COMPETE UNDERTAKING

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

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

The 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.

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 2,356,322,500 Shares and total number of shares issued or to be issued under the Share Option Scheme of the Company is 186,750,000 representing about 7.9% of the existing issued 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 2020, 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 2020, 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)	26.25%

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 2020, 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 2020, 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	16.63%
Hartono Rico	Beneficial owner	265,810,000	11.28%
FUJIFILM Corporation*	Beneficial owner	230,000,000	9.76%
Li Bin	Beneficial owner	164,600,600	6.98%

* 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 2020, 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 2020.

UPDATE ON DIRECTORS' INFORMATION

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

The annual salary of Ms. Liao Changxiang, an executive Director, increased from RMB650,000 to RMB780,000 since 1 January 2021.

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 40 to 56 in this annual report.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on 28 May 2021 (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 25 May 2021 (Tuesday) to 28 May 2021 (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 24 May 2021 (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

7 April 2021

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 2020 (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 2020, 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)*
Ms. Liao Changxiang
(appointed on 2 November 2020)
Mr. Chan Chung Man *(Chief Operating Officer)*
(resigned on 2 November 2020)

Independent Non-executive Directors:

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

During the Year, Mr. Chan Chung Man resigned as an executive Director of the Company as he would like to devote more time to take care of his family members. 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 23 to 26.

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 with reference to the factors stated in the Listing Rules as at the date of this report pursuant 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	2020 Annual General Meeting
Total number of meeting held	4	2	2	1	1
			Number of Meetings Attended		
Executive Directors:					
Hartono James	3	N/A	N/A	N/A	1
Wang Ying	4	N/A	N/A	N/A	1
Wang Hong	4	N/A	N/A	N/A	1
Chan Chung Man (resigned on 2 November 2020)	4	N/A	N/A	N/A	1
Liao Changxiang (appointed on 2 November 2020)[note]	0	N/A	N/A	N/A	0
Independent non-executive Directors:					
Hu Yiming	4	2	2	2	1
Tirtamarta Karsono (Kwee Yoe Chiang)	4	2	2	2	1
Sutikno Liky	4	2	2	2	1

Note: No meeting was held since her appointment.

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 a 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;

— attended training provided by the legal advisor and professional party on the Listing Rules and related compliance issues; and

— updated by the Company Secretary on the 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:

— reviewed the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgments made by the external auditors so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

— 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 (including their independence) and remuneration;

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

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

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

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

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

— reviewed the policy and general framework of remuneration for the Board and the senior management for the establishment of a formal and transparent procedures for developing remuneration policy, and the specific remuneration packages.

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

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

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

— reviewed the board diversity policy;

- — reviewed and assess the new candidate for the Board;
- — 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 2021 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.

The process of electing Directors is as follows:

- — The nomination committee would assess the performance of each of the Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) and in accordance with the performance criteria set by the Board and consider the current needs of the Board;

— NC would review the size and composition of the Board, including the Board's policy to ensure an appropriate mix of members with complementary skills, core competencies, and experience for the Group, and diversity of skills, gender, experience and knowledge to the Company; and

— Subject to the satisfactory assessment of nomination committee, the nomination committee would recommend the proposed Director to the Board for its consideration and approval.

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.

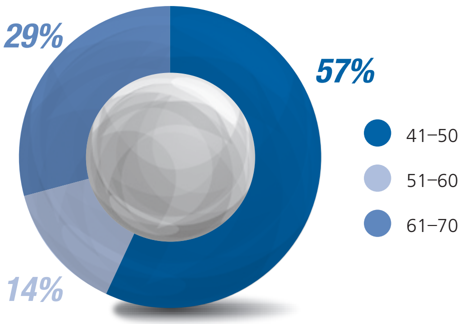
The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to 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

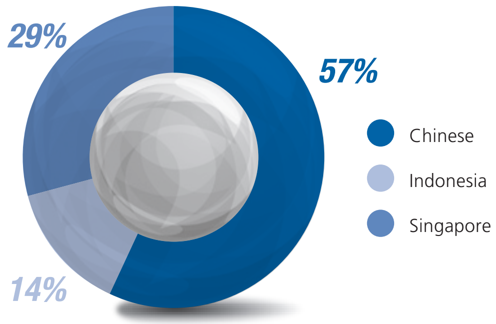
As at the date of this annual report, the Board comprises seven Directors, four of which are female. The following diagram and/or table further illustrate the composition and diversity of the Board in terms of age, nationality, educational background and professional experience as of the date of this 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	✓			✓		
Ms. Liao Changxiang	✓			✓		
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			✓		✓	
Ms. Liao Changxiang	✓					✓
Dr. Hu Yiming			✓		✓	
Mr. Karsono Tirtamarta				✓		✓
Mr. Sutikno Liky				✓		✓

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

Corporate Governance Function

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

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

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

External Auditors' Remuneration

During the Year, the Company engaged Messrs. Ernst & Young as the external auditors. The fee in respect of audit services amounted to RMB4.03 million, while there is no fee paid 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.

Material uncertainty related to going concern

As set out in note 2.1 to the consolidated financial statements, as at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB464,150,000. The Group's current liabilities included the interest-bearing bank and other borrowings due within the next twelve months amounted to RMB1,646,390,000 of which USD200,000,000 (approximated to RMB1,300,289,000) consist of the senior notes due for repayment by 15 September 2021 as further set out in note 24 to the consolidated financial statements. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

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 28 May 2021 (Friday). 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.

7 April 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the fifth Environmental, Social and Governance Report ("Report") released by Yestar Healthcare Holdings Company Limited and its subsidiaries (collectively known as "Group" or "We") to provide an overview of the Group's environmental, social and governance ("ESG") approaches, commitments, strategies and achievements. 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 Group's performance and initiatives in environmental management and social responsibilities for the year ended 31 December 2020 (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.

- Materiality: sustainability topics exerting significant and material impacts are identified through materiality assessment, and these topics are addressed in this Report.
- Consistency: this Report discloses information on a consistent basis for year-on-year comparison.
- Quantitative: applicable KPIs are disclosed in quantitative terms.
- Balance: the Report states the positive achievements and areas for improvement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 creating values for stakeholders, enhancing corporate values and strengthening the Group's operating foundation and edges:

Quality and Supply Chain Management
- Quality Assurance
- Supply Chain Management
- Client Services

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

Talent Development
- Development and Training
- Staff Welfare
- Recruitment and Performance Review
- Labour Standards

Health and Safety
- Safety Production
- Safety Training
- Response to COVID-19

Integrity
- Anti-corruption
- Intellectual Property Rights
- Data Protection

Community Investment

MATERIALITY ASSESSMENT

Materiality assessment is a process for understanding the expectations of stakeholders and identify any industry specific sustainability topics, so that the Group could prioritise initiatives and devise strategies to address these issues. This Report focuses on sustainability issues material to the Group's business and those issues of prime importance. We identify these issues by

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

To conduct the materiality assessment, potentially material issues and industry specific issues have been selected to compile a list. Key stakeholders were identified for engagement subsequently. Finally, the material and prioritised aspects were identified, associated with the areas in quality management, supplier chain management, employee development and compensation policy, as well as environmental management. With the surging demand and increasing concerns 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.

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	
o Total number of employees	587
o By gender	
Female	264
Male	323
o By employee category	
Senior Management	21
Middle Management	105
General Employees	461
o By age group	
Below 30	148
30 to 50	421
Over 50	18
o Employee turnover rate	16.01%
o By gender	
Female	14.04%
Male	17.63%
By age group	
Below 30	27.70%
30 to 50	12.11%
Over 50	11.11%
Training Hours	
o The average training hours completed	
o By gender	
Female	23.04
Male	18.60
o By employee category	
Senior Management	15.49
Middle Management	46.40
General Employees	15.32
Health and Safety	
o Number of work-related fatalities	0
o Number of lost days due to work injury	0
Environment	
o Air Emissions	
Particulate Matter (PM) (kg)	213.98
Nitrogen Oxides (NOx) (kg)	3,603.68
Sulphur Oxides (SOx) (kg)	5.04
o Total Greenhouse Gas Emissions (Scope 1 Direct Emissions and Scope 2 Indirect Emissions) (tonnes of CO_2e)	2,935.13
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions) (tonnes of CO_2e)	787.44
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions) (tonnes of CO_2e)	2,147.69
o Total Energy Consumption (MegaWatt-hours)	4,051.18
o Energy Consumption per Revenue (MegaWatt-hours/RMB$'000,000)	0.98
o Total Non-Hazardous Waste (tonnes)[1]	102.37
o Non-Hazardous Waste Produced per Revenue (tonnes/RMB$'000,000)	0.02
o Total Hazardous Waste (tonnes)[2]	330.24
o Hazardous Waste Produced per Revenue (tonnes/RMB$'000,000)	0.08
o Total Water Consumption (cubic meters)	19,624.19
o Water Consumption per Revenue (m^3/RMB$'000,000)	4.78
o Total Packaging Materials (tonnes)	2,193.50

1 The boundary of total non-hazardous waste was 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 was 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. Clients' trusts are built on the quality, safety and performance of our products. The Group is fully committed to providing high quality products and complying with the highest product quality and safety standards.

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 additional 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 13485:2016[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 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 13485:2016 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 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[6], covering documentation conformity, performances of the product, methods of manufacture envisaged as well as technical test results.

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. 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. During the Reporting Period, percentage of the recalled products was below 0.005%. Necessary actions have been taken to resolve it.

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. During the Reporting Period, there were 61 suppliers, all of them were situated in China.

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.

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 establishes 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, 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 Services

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 customers 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT

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 comprehends 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.

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	213.98
NOx Emissions	3,603.68
SOx Emissions	5.04

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.

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

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

Total Greenhouse Gas Emissions (Scope 1 Direct Emissions and Scope 2 Indirect Emissions) (tonnes of CO_2e)	2,935.13
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions)[8] (tonnes of CO_2e):	787.44
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions)[9] (tonnes of CO_2e):	2,147.69

The total energy consumption was 4,051.18 megawatt-hours and its intensity was 0.98 megawatt-hours per RMB million of revenue.

The Group strives to improve its energy efficiency through the operation and the production unit, without affecting the machine performance. To further enhance the energy efficiency and minimise the operational and production cost, the Group has replaced the lighting with LED. During the Reporting Period, automatic door closers were installed and environmental conditions including temperature and relative humidity were controlled, resulting to approximate 10% electricity reduction.

Packaging Materials and Waste Management

Waste issue is an environmental issue drawing immediate and continuous attentions. In terms of waste categories, there are mainly two types of waste, namely non-hazardous waste and hazardous waste. Non-hazardous waste is comprised of carton box paper, plastic, foam and film, and other packaging materials, while hazardous waste is generated from the uses of chemical solvent.

Packing materials in the production and transportation process is an essential part, which is also the last process to ensure the product quality. During the Reporting Period, the total packaging materials consumed was 2,193.50 tonnes.

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 102.37 tonnes of non-hazardous waste were generated and its intensity was 0.02 tonnes per RMB million of revenue. For hazardous waste, total 330.24 tonnes were generated and its intensity was 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.

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.

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 relevant guidelines. 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 and recycling, 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. 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 materials. Also, 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.

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.

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 Republic of China. During the reporting year, the total water consumption by the Group was 19,624.19 cubic meters (m^3) and its intensity is 4.78 cubic meters (m^3) per RMB million of revenue. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. The Group made every effort to maintain the same level of water usage as in the past and carried out measures of reduction in general water consumption. The Group has also educated the employees on water-saving measures and conducted studies with respect to the feasibility of effectiveness of introducing rain water recycling.

Climate Change

Climate change is one of the most pressing issues. The impacts of climate change are increasingly recognised as a material 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 identified.

TALENT DEVELOPMENT

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.

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

	Average Training Hours
Female	23.04
Male	18.60

	Average Training Hours
Senior Management	15.49
Middle Management	46.40
General Employees	15.32

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. The Group also provides medical and dental insurance, holiday gifts, free shuttles, education subsidy to employees' children and so on.

	Female	Male
Total Number of Employees	264	323

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
Senior Management	21
Middle Management	105
General Employees	461

	Number of Employees
Below 30	148
30–50	421
50 or above	18

Recruitment and Performance Review

The Group is dedicated 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.

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.

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 safe working environment. Careless use of machinery and equipment may pose a harm or risk towards accident. Yestar (Guangxi) Imaging Technology obtained the ISO 45001:2018[10] certification to ensure the occupational health and safety system was well established and implemented.

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.

10 ISO 45001, published by International Organisation for Standardisation (ISO), provides a framework to enhance safety and well-being, minimize workplace risks.

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.

Response to COVID-19

Confronting the unprecedented challenges from COVID-19, a set of precautionary measures and guidelines have been setup to ensure the health and safety of the employees and the hygienic conditions of the workplaces. The Group provided health protection and personal hygiene guidelines to our workers, monitored their physical condition while they were working in the factories and checked any employees staying at the inflection case region for further precautionary actions. Moreover, daily sanitisation was conducted and ventilation was enhanced to ensure the high hygienic conditions of the working environment.

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. 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. 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 corruption 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.

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. Additionally, employees have attended anti-corruption training with content encompassing awareness, risk identification, management and implementation. With the commitment to the anti-corruption, there were no concluded legal cases regarding the corruption in 2020.

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.

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.

Also, data security measures have been enhanced by introducing standardized data backup and system restoration procedures and regular testing.

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. The Group donated face masks to Gaoxin Primary School. In addition, Yestar (Guangxi) Medical System Co., Ltd. has donated the solar street light to Guangxi Primary School to foster environmental protection and renewable energy.

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of Yestar Healthcare Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 171, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 (the "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.

Material Uncertainty Related to Going Concern

As set out in note 2.1 to the consolidated financial statements, as at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB464,150,000. The Group's current liabilities included the interest-bearing bank and other borrowings due within the next twelve months amounted to RMB1,646,390,000 of which USD200,000,000 (approximated to RMB1,300,289,000) consist of the senior notes due for repayment by 15 September 2021 as further set out in note 24 to the consolidated financial statements. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

In addition to the matters described in the *Material Uncertainty Related to Going Concern* section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

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	How our audit addressed the 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 RMB420.1 million and RMB956.2 million, respectively, as at 31 December 2020. The Group recorded impairment losses on goodwill amounting to RMB447.5 million and other intangible assets amounting to RMB342.9 million for the year ended 31 December 2020. 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.	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. 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 had 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 2020 was RMB1,471.9 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.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("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.

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, actions taken to eliminate threats or safeguards applied.

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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

7 April 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	4,106,938	4,903,268
Cost of sales		(3,300,058)	(3,637,961)
Gross profit		806,880	1,265,307
Other income and gains	5	70,894	39,275
Selling and distribution expenses		(286,699)	(296,962)
Administrative expenses		(336,763)	(357,145)
Impairment loss on financial assets		(25,279)	(9,469)
Other expenses		(802,794)	(47,791)
Finance costs	6	(124,081)	(133,156)
Share of profit and loss of an associate		5,247	(9,166)
(LOSS)/PROFIT BEFORE TAX	7	(692,595)	450,893
Income tax credit/(expense)	10	47,297	(149,639)
(LOSS)/PROFIT FOR THE YEAR		(645,298)	301,254
Attributable to:			
Owners of the parent		(590,485)	202,673
Non-controlling interests		(54,813)	98,581
		(645,298)	301,254
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For (loss)/profit for the year	12	RMB(25.0) cents	RMB8.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
(LOSS)/PROFIT FOR THE YEAR	(645,298)	301,254
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	79,064	(22,137)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	79,064	(22,137)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	79,064	(22,137)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(566,234)	279,117
Attributable to:		
Owners of the parent	(511,421)	180,536
Non-controlling interests	(54,813)	98,581
	(566,234)	279,117

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	181,428	144,670
Right-of-use assets	14(a)	247,078	273,529
Other intangible assets	15	956,842	1,463,778
Goodwill	16	420,067	905,338
Investment in an associate	17	5,247	—
Deferred tax assets	18	20,336	13,415
Total non-current assets		1,830,998	2,800,730
CURRENT ASSETS			
Inventories	19	591,523	781,423
Trade and bills receivables	20	1,471,872	1,560,585
Prepayments, other receivables and other assets	21	173,409	181,924
Financial assets at fair value through profit or loss	22	—	32,000
Pledged deposits	23	15,105	118,707
Cash and cash equivalents	23	572,348	546,186
Total current assets		2,824,257	3,220,825
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	1,646,390	296,948
Trade and bills payables	25	558,241	599,206
Contract liabilities	26	37,461	21,835
Other payables and accruals	27	835,986	1,644,959
Lease liabilities	14(b)	79,449	89,075
Tax payable		130,880	141,568
Total current liabilities		3,288,407	2,793,591
NET CURRENT (LIABILITIES)/ASSETS		(464,150)	427,234
TOTAL ASSETS LESS CURRENT LIABILITIES		1,366,848	3,227,964

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	—	1,383,551
Lease liabilities	14(b)	115,371	131,284
Deferred tax liabilities	18	267,961	394,582
Other long term payables	27	127,760	7,700
Total non-current liabilities		511,092	1,917,117
NET ASSETS		855,756	1,310,847
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	47,088	47,519
Treasury shares	28	—	(4,166)
Reserves	29	709,950	1,129,319
		757,038	1,172,672
Non-controlling interests		98,718	138,175
TOTAL EQUITY		855,756	1,310,847

Hartono James
Director

Wang Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Note	Attributable to owners of the parent											
		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 profits 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 on translation of 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 profits		—	—	—	—	—	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

	Note	Attributable to owners of the parent											
		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 profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020		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
Loss for the year		—	—	—	—	—	—	—	(590,485)	—	(590,485)	(54,813)	(645,298)
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	—	79,064	79,064	—	79,064
Total comprehensive loss for the year		—	—	—	—	—	—	—	(590,485)	79,064	(511,421)	(54,813)	(566,234)
Shares repurchased	28	(431)	4,166	(21,328)	—	—	—	—	—	—	(17,593)	—	(17,593)
Transfer from retained profits		—	—	—	—	—	47,434	—	(47,434)	—	—	—	—
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	(162,166)	(162,166)
Change in the share of ownership of a subsidiary		—	—	—	—	188,557	—	(69,295)	—	—	119,262	59,227	178,489
Payables to non-controlling interests		—	—	—	—	(5,882)	—	—	—	—	(5,882)	118,295	112,413
At 31 December 2020		47,088	—	787,947*	84,991*	(650,174)*	187,817*	(227,932)*	484,471*	42,830*	757,038	98,718	855,756

* These reserve accounts comprise the consolidated reserves of RMB709,950,000 (31 December 2019: RMB1,129,319,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(692,595)	450,893
Adjustments for:			
Finance costs	6	124,081	133,156
Impairment of inventories	7	2,057	5,118
Impairment of financial assets	7	25,279	9,469
Impairment of goodwill	7	447,450	39,938
Impairment of property, plant and equipment	7	941	—
Impairment of other intangible assets	7	342,857	—
Exchange loss		2,080	2,857
Interest income		(3,222)	(1,836)
Net gain on financial assets at fair value through profit or loss	5	(331)	(705)
Share of profit and loss of an associate		(5,247)	9,166
Depreciation of items of property, plant and equipment	7	32,110	24,694
Depreciation of right-of-use assets	7	102,507	93,953
Amortisation of other intangible assets	7	116,634	131,061
Loss/(gain) on disposal of items of property, plant and equipment	7	620	(89)
Gain on disposal of items of right-of-use assets	7	(357)	—
Gain on disposal of items of other intangible assets	7	(17,189)	—
		477,675	897,675
Decrease/(increase) in trade and bills receivables		63,434	(192,774)
Decrease/(increase) in prepayments, other receivables and other assets.		7,826	(26,308)
Decrease in inventories		187,843	89,891
Decrease in trade and bills payables		(40,965)	(102,438)
Increase in other payables and accruals		26,298	8,130
Increase in contract liabilities		15,626	776
Decrease in pledged deposits for issuance of bank acceptance notes		—	715
Decrease/(increase) in frozen funds for arbitration		29,924	(29,924)
Cash generated from operations		767,661	645,743
Income tax paid		(96,933)	(213,788)
NET CASH FLOWS FROM OPERATING ACTIVITIES		670,728	431,955

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,836	—
Purchases of items of property, plant and equipment		(78,808)	(42,010)
Addition to other intangible assets		(945)	(421)
Proceeds from disposal of items of property, plant and equipment		8,379	496
Purchase of financial assets at fair value through profit and loss		(111,300)	(335,250)
Proceeds from disposal of financial assets at fair value through profit and loss		143,631	303,955
Purchase of financial assets at amortised cost		—	(56,507)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(37,207)	(129,737)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of a non-controlling interest		(405,000)	(6,628)
New bank loans		599,685	462,743
Decrease/(increase) in pledged deposits for bank borrowings		73,678	(46,261)
Repayment of bank loans		(550,532)	(558,316)
Principle portion of lease payments		(102,830)	(100,958)
Repurchase of shares		(17,593)	(42,374)
Dividends paid		(75,400)	(57,000)
Interest paid		(126,747)	(132,083)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(604,739)	(480,877)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		28,782	(178,659)
Cash and cash equivalents at beginning of year		546,186	721,325
Effect of foreign exchange rate changes, net		(2,620)	3,520
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	572,348	546,186
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		587,453	664,893
Less: Pledged deposits		(15,105)	(118,707)
	23	572,348	546,186

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 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.

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 ("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. (1)/(6) ("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. ("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*

31 December 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name of company	Place and date of incorporation/registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Yestar (Guangxi) Medical System Co., Ltd. (1) ("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. (1) ("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. (1) ("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 (1)/(3)/(5) ("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. (2)/(8) ("Shanghai Emphasis Investment")	PRC/Mainland China 4 April 2005	RMB29,880,000	—	79	*Sale of medical equipment and reagents*
Shanghai Jianchu Medical Instrument Co., Ltd. (2)/(8) ("Shanghai Jianchu Medical")	PRC/Mainland China 26 August 2011	RMB8,880,000	—	79	*Sale of medical equipment and reagents*
Shanghai Chaolian Trading Co., Ltd. (2)/(8) ("Shanghai Chaolian Trading")	PRC/Mainland China 26 February 2002	RMB500,000	—	79	*Sale of medical equipment and reagents*
Shanghai Haole Industrial Co., Ltd. (2)/(8) ("Shanghai Haole Industrial")	PRC/Mainland China 1 June 2010	RMB11,952,000	—	79	*Sale of medical equipment and reagents*
Shanghai Dingpei Industrial Co., Ltd. (2)/(8) ("Shanghai Dingpei Industrial")	PRC/Mainland China 4 April 2014	RMB500,000	—	79	*Sale of medical equipment and reagents*
Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd. (4)/(7) ("Hongen")	PRC/Mainland China 6 September 2015	RMB20,000,000	—	90	*Sale of medical equipment and reagents*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name of company	Place and date of incorporation/registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shenzhen De Run Li Jia Co., Ltd. (4) ("Derunlijia")	PRC/Mainland China 18 October 2013	RMB36,000,000	—	70	*Sale of medical equipment and reagents*
Guangzhou Shengshiyuan Trading Co., Ltd. (4) ("Shengshiyuan")	PRC/Mainland China 9 April 2010	RMB40,000,000	—	70	*Sale of medical equipment and reagents*
Beijing Kaihongda Technologies Co., Ltd. (4) ("Kaihongda")	PRC/Mainland China 11 May 2011	RMB10,000,000	—	70	*Sale of medical equipment and reagents*
Guangxi Simai Biotech Co., Ltd. (1) ("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. (1) ("Nanjing Weien Biotech")	PRC/Mainland China 16 May 2017	RMB10,000,000	—	100	*Development of biotechnology and sale of medical equipment*
Jiangsu Baike Supply Chain Management Co., Ltd. (1) ("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. (1) ("Anhui Peilin Biotech")	PRC/Mainland China 19 April 2018	RMB10,000,000	—	100	*Sale of medical equipment and reagents*
Shanghai Tianhong Co., Ltd. (1) ("Shanghai Tianhong Biotech")	PRC/Mainland China 10 April 2018	RMB5,000,000	—	100	*Sale of medical equipment and reagents*
Yestar (Guangxi) High-tech Imaging Co., Ltd. (1) ("Guangxi High-tech Imaging")	PRC/Mainland China 18 December 2019	RMB5,000,000	—	100	*Development of imaging technology and biotechnology sale of films and medical equipment*

* 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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Notes:

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

(2) Anbaida Group Companies consists of these companies.

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

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

(5) 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.

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

(7) During the year, the Group acquired 20% of the non-controlling interests in Hongen.

(8) During the year, the Group signed a share purchase agreement to acquire 30% of non-controlling interests in Anbaida Group Companies. As at 31 December 2020, the Group completed the acquisition of 9% of the non-controlling interests, and the acquisition of the remaining 21% of the non-controlling interests will be completed in 2021.

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.

Going concern basis

As at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB464,150,000. The Group's current liabilities included the interest-bearing bank and other borrowings due within the next twelve months amounted to RMB1,646,390,000 of which USD200,000,000 (approximated to RMB1,300,289,000) consist of the senior notes due for repayment by 15 September 2021. The status of the Group's interest-bearing bank and other borrowings including the senior notes as at 31 December 2020 was further detailed in note 24 to the consolidated financial statements. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including the extension of the due date of the senior notes and additional financing facilities within next twelve months.

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

All of the conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the circumstances and conditions mentioned above, the directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented, or is in the process of implementing, the following key plans and measures:

(i) The Group is actively negotiating with financial institutions and senior notes holders to seek for extension of due dates of the interest-bearing bank and other borrowings and the senior notes;

(ii) The Group is actively negotiating with its non-controlling shareholders for extension of the payables to non-controlling interests amounted to RMB599,935,000 due in 2021; and

(iii) The Group is actively negotiating with financial institutions to seek for new financing facilities.

The directors of the Company, including members of the audit committee, have reviewed the Group's cash flow projections prepared by management, covering a period of not less than twelve months from 31 December 2020. Although there is an uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, the directors, after taking into account the above-mentioned plans and measures, are of the opinion that, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the directors believe that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financial and operating cash flows through the following:

(i) Successfully negotiating with financial institutions and senior notes holders to seek for the extension of due dates of the interest-bearing bank and other borrowings and the senior notes;

(ii) Successfully negotiating with its non-controlling shareholders for extension of the payables to non-controlling interests amounted to RMB599,935,000 due in 2021; and

(iii) Successfully obtaining additional financing facilities within next twelve months.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power on the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB586,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) 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, or both. The amendments did not have any significant impact on the financial position and 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	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[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*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is 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, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The Group had no interest-bearing bank borrowings on any Interbank Offered Rates as at 31 December 2020. The amendments did not have any impact on the financial position and performance of the Group.

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 previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new 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 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 1 *Disclosure of Accounting Policies* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement to disclose significant accounting policies with a requirement to disclose material accounting policies. In assessing the materiality of accounting policy information, both quantitative and qualitative aspects need to be considered. Entity-specific accounting policy information is more useful for users of financial statements than the standardised information. The amendments also add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments explain how entities use measurement techniques and inputs to develop accounting estimates and state that these can include estimation and valuation techniques. The amendments clarify that not all estimates will meet the definition of an accounting estimate, but rather may refer to inputs used in developing accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 to 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.

Computer software

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

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 (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 to 9 years
Other equipment	5 to 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 lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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, for 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.

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 with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

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

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

(b) Rendering of maintenance services

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

Other income

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

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

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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 2020 was RMB28,874,000 (31 December 2019: 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 the lease (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.

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 2020 was RMB420,067,000 (2019: RMB905,338,000). Further details are given in note 16 of the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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. For the year ended 31 December 2020, impairment losses of other intangible assets in the amount of RMB342,857,000 (2019: Nil) have been recognised as set out in note 15 to the financial statements.

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.

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).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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.

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 2020 (2019: Nil). The amount of unrecognised tax losses at 31 December 2020 was RMB31,449,000 (2019: RMB9,566,000). Further details are contained in note 18 to the financial statements.

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 2020

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue: (note 5)			
Sales to external customers	348,908	3,758,030	4,106,938
Intersegment sales	487,790	1,295,359	1,783,149
Reconciliation:			
Elimination of intersegment sales			(1,783,149)
Revenue			4,106,938
Segment results	(1,870)	(679,527)	(681,397)
Reconciliation:			
Corporate and other unallocated expenses			(11,198)
Loss before tax			(692,595)
Segment assets	326,402	4,237,299	4,563,701
Reconciliation:			
Corporate and other unallocated assets			91,554
Total assets			4,655,255
Segment liabilities	113,637	3,396,767	3,510,404
Reconciliation:			
Corporate and other unallocated liabilities			289,095
Total liabilities			3,799,499
Other segment information:			
Depreciation of items of property, plant and equipment	6,193	25,917	32,110
Depreciation of items of right-of-use assets	2,286	100,221	102,507
Amortisation of intangible assets	1,203	115,431	116,634
Share of profit of an associate	—	(5,247)	(5,247)
Impairment loss recognised in the statement of profit or loss, net	930	817,654	818,584
Loss/(Gain) on disposal of items of property, plant and equipment	628	(8)	620
Gain on disposal of other intangible assets	—	(17,189)	(17,189)
Gain on disposal of right-of-use assets	(23)	(334)	(357)
Capital expenditure*	3,049	76,704	79,753

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

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
Intersegment sales	330,670	790,981	1,121,651
Reconciliation:			
Elimination of intersegment sales			(1,121,651)
Revenue			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 other intangible assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the year ended 31 December 2020, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB850,478,000 (2019: RMB931,874,000) which accounted for more than 20% (2019: more than 19%) of the Group's total revenue during the year.

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

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	4,106,938	4,903,268

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	348,908	3,685,683	4,034,591
Rendering of services	—	72,347	72,347
Total revenue from contracts with customers	348,908	3,758,030	4,106,938
Timing of revenue recognition			
Goods transferred at a point time	348,908	3,685,683	4,034,591
Services transferred over time	—	72,347	72,347
Total revenue from contracts with customers	348,908	3,758,030	4,106,938

For the year ended 31 December 2019

Segments

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	497,173	4,362,021	4,859,194
Rendering of services	—	44,074	44,074
Total revenue from contracts with customers	497,173	4,406,095	4,903,268
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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the year ended 31 December 2020

Segments

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	348,908	3,758,030	4,106,938
Intersegment sales	487,790	1,295,359	1,783,149
	836,698	5,053,389	5,890,087
Intersegment adjustments and eliminations	(487,790)	(1,295,359)	(1,783,149)
Total revenue from contracts with customers	348,908	3,758,030	4,106,938

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Segments (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:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	11,434	13,205
Rendering of services	10,401	7,854
	21,835	21,059
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.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Rendering of services (continued)

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

	2020 RMB'000	2019 RMB'000
Amount expected to be recognised as revenue:		
Within one year	37,461	21,835

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.

	2020 RMB'000	2019 RMB'000
Other income and gains		
Government grants (note)	29,345	32,323
Net gain on disposal of other intangible assets	17,189	—
Foreign exchange differences, net	11,432	—
Interest income	11,352	5,837
Gain on disposal of right-of-use assets	357	—
Net gain on financial assets at fair value through profit or loss	331	705
Net gain on disposal of items of property, plant and equipment	—	89
Others	888	321
	70,894	39,275

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:

	2020 RMB'000	2019 RMB'000
Finance costs		
Interest on bank loans, overdrafts and other borrowings	113,201	120,256
Interest on lease liabilities	9,935	10,474
Interest arising from discounted bills	945	2,426
	124,081	133,156

7. (LOSS)/PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold and services provided (including the related depreciation and amortisation)	3,300,058	3,637,961
Depreciation of property, plant and equipment (note 13)	32,110	24,694
Depreciation of right-of-use assets (note 14)	102,507	93,953
Amortisation of other intangible assets (note 15)	116,634	131,061
Research and development costs	648	463
Lease payments not included in the measurement of lease liabilities (note 14)	37,861	29,645
Auditors' remuneration	4,030	3,000
Employee benefit expense (including directors' remuneration as set out in note 8):		
Wages and salaries	194,531	210,279
Pension scheme contributions	3,617	15,378
	198,148	225,657
Foreign exchange differences, net	(11,432)	3,239
Impairment of inventories (note 19)	2,057	5,118
Impairment of trade receivables, net (note 20)	25,279	9,469
Impairment of goodwill* (note 16)	447,450	39,938
Impairment of other intangible assets* (note 15)	342,857	—
Impairment of property, plant and equipment (note 13)	941	—
Gain on disposal of other intangible assets (note 5)	(17,189)	—
Gain on disposal of right-of-use assets (note 5)	(357)	—
Loss/(gain) on disposal of items of property, plant and equipment	620	(89)

* The impairment of goodwill and other intangible assets 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	
	2020 RMB'000	2019 RMB'000
Fees	612	612
Other emoluments:		
Salaries, allowances and benefits in kind	8,272	8,507
Discretionary bonuses	1,795	1,839
Compensation for loss of office	—	314
Pension scheme contributions	15	134
	10,082	10,794
	10,694	11,406

(a) Independent non-executive directors

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

	2020 RMB'000	2019 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 (2019: 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
2020					
Mr. James Hartono*	3,408	420	—	—	3,828
Mrs. Wang Ying	1,455	325	—	4	1,784
Mr. Chan Chung Man	1,974	786	—	4	2,764
Mrs. Wang Hong	749	120	—	4	873
Mrs. Liao Changxiang	686	144	—	3	833
	8,272	1,795	—	15	10,082
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

* 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 (2019: 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% (2019: 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 (credit)/charge for the year are as follows:

	2020 RMB'000	2019 RMB'000
Current — PRC		
Charge for the year	86,245	186,255
Deferred (note 18)	(133,542)	(36,616)
Total tax (credit)/charge for the year	(47,297)	149,639

10. INCOME TAX (CONTINUED)

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

	2020		2019	
	RMB'000	%	RMB'000	%
(Loss)/profit before tax	(692,595)	—	450,893	—
Tax at applicable tax rate	(173,149)	25.0%	112,723	25.0%
Lower tax rate for certain entities in different jurisdictions	8,956	(1.3%)	19,366	4.3%
Expenses not deductible for tax	124,348	(18.0%)	14,984	3.3%
Tax losses not recognised	5,867	(0.8%)	1,363	0.3%
Tax incentives on eligible expenditures	(5,062)	0.7%	—	—
Adjustments to current tax of previous periods	(6,571)	0.9%	(498)	(0.1%)
(Profit)/loss attributable to an associate	(1,312)	0.2%	2,291	0.5%
Income not subject to tax	(374)	0.1%	(590)	(0.1%)
Tax (credit)/charge at the effective rates	(47,297)	6.8%	149,639	33.2%

The share of tax attributable to an associate amounting to RMB5,247,000 (2019: RMB9,166,000) is included in "Share of profit and loss 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 2020 (2019: Nil) which would be subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,361,760,000 in issue during the year ended 31 December 2020 (2019: 2,390,627,000).

The calculation of basic (loss)/earnings per share is based on:

	2020 RMB'000	2019 RMB'000
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent used in the basic (loss)/earnings per share calculation	(590,485)	202,673
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation (thousands)	2,361,760	2,390,627
Basic (loss)/earnings per share (RMB cents)	(25.0)	8.5

The diluted (loss)/earnings per share amounts were equal to the basic (loss)/earnings per share amounts for the years ended 31 December 2020 and 2019, as there were no diluting events during the years ended 31 December 2020 and 2019.

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
31 December 2020							
At 1 January 2020							
Cost	62,292	24,565	93,359	90,097	48,323	486	319,122
Accumulated depreciation	(18,879)	(19,796)	(72,040)	(31,513)	(32,224)	—	(174,452)
Net carrying amount	43,413	4,769	21,319	58,584	16,099	486	144,670
At 1 January 2020, net of accumulated depreciation	43,413	4,769	21,319	58,584	16,099	486	144,670
Additions	53,500	—	8,356	14,615	2,039	298	78,808
Depreciation provided during the year	(3,251)	(155)	(5,223)	(19,455)	(4,026)	—	(32,110)
Impairment	—	—	(941)	—	—	—	(941)
Transfers	—	—	753	—	—	(753)	—
Disposals	—	—	(2,215)	(6,076)	(708)	—	(8,999)
At 31 December 2020, net of accumulated depreciation and impairment	93,662	4,614	22,049	47,668	13,404	31	181,428
At 31 December 2020							
Cost	115,792	24,565	96,442	96,371	42,821	31	376,022
Accumulated depreciation	(22,130)	(19,951)	(73,452)	(48,703)	(29,417)	—	(193,653)
Impairment	—	—	(941)	—	—	—	(941)
Net carrying amount	93,662	4,614	22,049	47,668	13,404	31	181,428
31 December 2019							
At 1 January 2019							
Cost	62,275	24,554	90,523	59,140	41,534	226	278,252
Accumulated depreciation	(15,417)	(19,613)	(67,375)	(19,637)	(28,394)	—	(150,436)
Net carrying amount	46,858	4,941	23,148	39,503	13,140	226	127,816
At 1 January 2019, net of accumulated depreciation	46,858	4,941	23,148	39,503	13,140	226	127,816
Additions	17	11	2,880	31,998	6,789	315	42,010
Depreciation provided during the year	(3,462)	(183)	(4,688)	(12,531)	(3,830)	—	(24,694)
Transfers	—	—	—	—	—	(55)	(55)
Disposals	—	—	(21)	(386)	—	—	(407)
At 31 December 2019, net of accumulated depreciation	43,413	4,769	21,319	58,584	16,099	486	144,670
At 31 December 2019							
Cost	62,292	24,565	93,359	90,097	48,323	486	319,122
Accumulated depreciation	(18,879)	(19,796)	(72,040)	(31,513)	(32,224)	—	(174,452)
Net carrying amount	43,413	4,769	21,319	58,584	16,099	486	144,670

As at 31 December 2020, none of the Group's property, plant and equipment was pledged (2019: 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) Right-of-use assets

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

	Leasehold land 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 and 1 January 2020	13,644	42,141	217,744	273,529
Additions	—	18,439	70,150	88,589
Disposal	—	(1,796)	(10,737)	(12,533)
Depreciation charge	(327)	(25,166)	(77,014)	(102,507)
As at 31 December 2020	13,317	33,618	200,143	247,078

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	220,359	186,110
New leases	90,767	135,207
Disposal	(12,890)	—
Accretion of interest recognised during the year	9,935	10,474
Covid-19-related rent concessions from lessors	(586)	—
Payments	(112,765)	(111,432)
Carrying amount at 31 December	194,820	220,359
Analysed into:		
Current portion	79,449	89,075
Non-current portion	115,371	131,284

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	9,935	10,474
Depreciation charge of right-of-use assets	102,507	93,953
Gain on disposal of items of right-of-use assets	(357)	—
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)	11,783	13,688
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	26,078	15,957
Covid-19-related rent concessions from lessors	(586)	—
Total amount recognised in profit or loss	149,360	134,072

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(d) Variable lease payments

The Group leased a number of equipment which contains variable lease payment terms that are related to the maintenance 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 RMB26,078,000 (2019: RMB15,957,000).

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 31 to the financial statements.

15. OTHER INTANGIBLE ASSETS

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation	452,414	1,010,311	1,053	1,463,778
Additions	—	—	945	945
Amortisation provided during the year	(36,382)	(78,858)	(1,394)	(116,634)
Impairment during the year	(101,471)	(241,386)	—	(342,857)
Disposals	(12,732)	(35,658)	—	(48,390)
At 31 December 2020	301,829	654,409	604	956,842
At 31 December 2020				
Cost	594,900	1,301,100	11,253	1,907,253
Accumulated amortisation	(191,600)	(405,305)	(10,649)	(607,554)
Impairment	(101,471)	(241,386)	—	(342,857)
Net carrying amount	301,829	654,409	604	956,842

15. OTHER INTANGIBLE ASSETS (CONTINUED)

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
31 December 2019				
At 1 January 2019				
Cost	611,038	1,346,300	9,832	1,967,170
Accumulated amortisation	(117,888)	(246,236)	(8,683)	(372,807)
Net carrying amount	493,150	1,100,064	1,149	1,594,363
Cost at 1 January 2019, net of accumulated amortisation	493,150	1,100,064	1,149	1,594,363
Additions	—	—	421	421
Transfers	—	—	55	55
Amortisation provided during the year	(40,736)	(89,753)	(572)	(131,061)
At 31 December 2019	452,414	1,010,311	1,053	1,463,778
At 31 December 2019				
Cost	611,038	1,346,300	10,308	1,967,646
Accumulated amortisation	(158,624)	(335,989)	(9,255)	(503,868)
Net carrying amount	452,414	1,010,311	1,053	1,463,778

16. GOODWILL

	RMB'000
At 1 January 2019:	
Cost	963,820
Accumulated impairment	(18,544)
Net carrying amount	945,276
Cost at 1 January 2019, net of accumulated impairment	945,276
Impairment during the year	(39,938)
At 31 December 2019	905,338
At 31 December 2019:	
Cost	963,820
Accumulated impairment	(58,482)
Net carrying amount	905,338
Cost at 1 January 2020, net of accumulated impairment	905,338
Disposal of other intangible assets	(37,821)
Impairment during the year	(447,450)
At 31 December 2020	420,067
At 31 December 2020	
Cost	925,999
Accumulated impairment	(505,932)
Net carrying amount	420,067

16. GOODWILL (CONTINUED)

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 22.1% (2019: 21.5%) for Yestar Biotech, 21.1% (2019: 21.2%) for Anbaida Group Companies, 20.7% (2019: 21.3%) for Hongen, 21.5% (2019: 21.3%) for Derunlijia, 21.2% (2019: 21.2%) for Shengshiyuan and 21.8% (2019: 21.2%) for Kaihongda. The growth rate used to extrapolate the cash flows of the above cash-generating units beyond the five-year is 3% (2019: 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.

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

	Carrying amount of goodwill	
	2020 RMB'000	2019 RMB'000
Yestar Biotech	—	87,315
Anbaida Group Companies	317,978	394,403
Hongen	100,650	173,618
Derunlijia	—	154,139
Shengshiyuan	1,439	62,353
Kaihongda	—	33,510
Total	420,067	905,338

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

During the year, an impairment loss of RMB447,450,000 (2019: 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 subsidiaries of the Group. During the impairment test, Yestar Biotech, Anbaida Group Companies, Hongen, Shengshiyuan, Kaihongda and Derunlijia were considered as separate cash-generating units. The impairment charges are driven by the lower recoverable amounts of all CGUs resulting in the directors' reassessment that the estimated future business performance of all CGUs might not achieve the expectation of management, taking the budgeted gross margin and estimated growth rate of different product mixture into consideration.

The recoverable amounts of Yestar Biotech, Anbaida Group Companies, Hongen, Shengshiyuan, Kaihongda and 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 all CGUs was determined to be higher than its recoverable amount of RMB1,921,603,000 and an impairment loss of RMB447,450,000 (2019: RMB39,938,000) was recognised. The impairment loss was allocated to goodwill and the carrying amount of goodwill was reduced as a result. The key assumptions used in value-in-use calculation include discount rates between 20.7% and 22.1%, long-term growth rate of 3% and budgeted margin which are consistent with market average level and external information sources.

17. INVESTMENT IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Share of net assets	5,247	—

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	RMB50,000 (RMB47,500 before 15 June 2020)	—	39% (41% before 15 June 2020)	Medical examination and scientific researches

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

	2020 RMB'000	2019 RMB'000
Share of the associate's profit/(loss) for the year	5,247	(9,166)
Share of the associate's total comprehensive income/(loss)	5,247	(9,166)
Aggregate carrying amount of the Group's investment in the associate	5,247	—

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
At 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
Gross deferred tax assets at 31 December 2019 and 1 January 2020	1,209	11,037	1,169	13,415
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(395)	6,757	559	6,921
Gross deferred tax assets at 31 December 2020	814	17,794	1,728	20,336

18. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
At 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)
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	365,708	28,874	394,582
Deferred tax credited to the statement of profit or loss during the year (note 10)	(126,621)	—	(126,621)
Gross deferred tax liabilities at 31 December 2020	239,087	28,874	267,961

The Group has tax losses arising in Mainland China of RMB31,449,000 (2019: RMB9,566,000) 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 2020, 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 2020 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 RMB65,301,000 (2019: RMB41,813,000) at 31 December 2020.

19. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	54,863	41,169
Finished goods	548,052	749,589
	602,915	790,758
Less: Provision for inventories	11,392	9,335
	591,523	781,423

The movements in inventory provision are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	9,335	4,217
Impairment provision recognised (note 7)	2,057	5,118
At end of year	11,392	9,335

20. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	1,507,831	1,565,120
Bills receivable	15,989	22,450
Impairment	(51,948)	(26,985)
	1,471,872	1,560,585

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.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

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:

	2020 RMB'000	2019 RMB'000
Within 90 days	843,616	978,265
91 to 180 days	373,835	339,484
181 to 365 days	125,140	166,842
1 to 2 years	97,945	48,113
2 to 3 years	15,347	5,431
	1,455,883	1,538,135

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	26,985	17,516
Impairment losses, net (note 7)	25,279	9,469
Amount written off as uncollectable	(316)	—
At end of year	51,948	26,985

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.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 2020

		Past due			
	Not past due	Less than 6 month	7 to 12 months	Over 12 months	Total
Expected credit loss rate	0.32%	0.58%	13.58%	27.48%	3.45%
Gross carrying amount	872,693	427,560	74,571	133,007	1,507,831
Expected credit losses	2,785	2,486	10,127	36,550	51,948

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

The expected credit loss for bills receivable, 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

	2020 RMB'000	2019 RMB'000
Prepayments	50,168	61,689
Value added tax input	8,458	6,899
Deposits and other receivables	61,931	56,829
Financial assets measured at amortised cost	52,852	56,507
	173,409	181,924

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%.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

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 2020 and 2019, the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 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 were not solely payments of principal and interest. The Group disposed of the unlisted investments during the year ended 31 December 2020.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	587,453	664,893
Less: Pledged deposits		
Frozen deposits	—	(29,924)
Pledged for a short term loan (note 24)	(15,105)	(88,783)
Cash and cash equivalents	572,348	546,186

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 RMB33,101,000 (2019: RMB49,240,000).

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

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	3.6–4.79	2021	82,470	4.35–4.79	2020	10,500
Bank loans — secured (note (2))	4.05–5.50	2021	263,631	2.10–6.31	2020	217,948
Current portion of long term bank loans — unsecured	—	—	—	4.75	2020	20,000
Current portion of long term bank loans — secured	—	—	—	5.70–5.95	2020	48,500
Senior notes (note (1))	7.43	2021	1,300,289	—	—	—
			1,646,390			296,948
Non-current						
Senior notes (note (1))	—	—	—	7.43	2021	1,383,551
			1,646,390			1,680,499
Analysed into:						
Bank loans repayable:						
Within one year or on demand			1,646,390			296,948
In the second year			—			1,383,551
			1,646,390			1,680,499

Notes:

(1) 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 maturity date of the Notes is 15 September 2021.

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

(2) As at 31 December 2020, the Group's bank loans of RMB54,000,000 were secured by the pledged deposits of RMB15,105,000 and trade receivables of RMB20,238,000

As at 31 December 2020, the Group's bank loans of RMB9,950,000 were secured by the pledge of the Group's patent rights.

As at 31 December 2020, the Group's bank loans of RMB199,681,000 were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

Except for the Notes and secured bank loans of RMB9,470,000 which are denominated in USD, all the other borrowings are in RMB.

25. TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	527,885	571,453
Bills payable	30,356	27,753
	558,241	599,206

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

	2020 RMB'000	2019 RMB'000
Within 90 days	467,790	545,706
91 to 180 days	49,661	12,284
181 to 365 days	6,270	11,235
1 to 2 years	2,474	2,151
Over 2 years	1,690	77
	527,885	571,453

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 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Short-term advances received from customers			
Sale of goods	17,438	11,434	13,205
Rendering of maintenance services	20,023	10,401	7,854
Total contract liabilities	37,461	21,835	21,059

Contract liabilities include short-term advances received to deliver goods and render maintenance services. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase 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

	2020 RMB'000	2019 RMB'000
Current portion:		
Other payables	127,332	100,913
Value added tax payable	61,479	49,394
Payroll and welfare payable	20,670	26,097
Interest payable	26,570	29,236
Payables to non-controlling interests (note)	599,935	1,439,319
	835,986	1,644,959
Non-current portion:		
Deferred government grant	7,511	7,700
Payables to non-controlling interests (note)	120,249	—
	127,760	7,700

Notes:

Payables to non-controlling interests represent the contractual obligations of the Group to acquire the remaining 30% interests in each of Anbaida Group Companies, Hongen, Shengshiyuan and Kaihongda as at the end of the reporting period.

The details during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Hongen, 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 interests 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 have met the annual guarantee profit targets for the years from 2015 to 2017, the Group is obligated to acquire the remaining 30% equity interest in Anbaida Group Companies. Yestar Medical reached a new separate share transfer agreement on 7 August 2020 with Mr. Li to acquire the remaining 30% equity interest in Anbaida Group Companies. Yestar Medical shall purchase the remaining 30% equity interest in each of Anbaida Group Companies in 3 phases by 31 August 2021 at a consideration of RMB675 million. As at 31 December 2020, the Company completed the acquisition of a 9% equity interest and paid RMB405,000,000 to Mr. Li Bin and Mr. Li Changgui.

27. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note: (continued)

(a) (continued)

As at 31 December 2020, the carrying amount of RMB120,249,000 related to dividend payable to Mr. Li Bin and Mr. Li Changgui from 2022 to 2025.

(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 obligated to acquire the remaining 30% equity interest in Hongen. Yestar Medical signed a share purchase agreement on 27 March 2020 to purchase the remaining 20% equity interest at the consideration of Hongen's entire existing tissue diagnostic business of the distribution of Roche Diagnostic Products in the Guangdong province in the PRC and then the Group did not have contractual obligation to purchase the remaining 10% equity interest.

(c) 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.

(d) 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

	2020 RMB'000	2019 RMB'000
Authorised: ordinary shares of HKD0.025 each (2019: HKD0.025 each)	100,000	100,000
Issued and fully paid: 2,356,322,500 (2019: 2,371,872,500) ordinary shares of HKD0.025 each	47,088	47,442
Treasury shares: Nil (31 December 2019: 3,427,500) ordinary shares of HKD0.025 each	—	77
	47,088	47,519

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

	Number of shares in issue ('000)	Share capital RMB'000
At 1 January 2019	2,405,200	48,179
Repurchase and cancellation of shares (note)	(29,900)	(660)
At 31 December 2019 and 1 January 2020	2,375,300	47,519
Repurchase and cancellation of shares (note)	(18,978)	(431)
At 31 December 2020	2,356,322	47,088

Note:

The Group repurchased and cancelled 18,977,500 shares on the Hong Kong Stock Exchange at a total consideration of HK$23,965,000 in accordance with section 257 of the Hong Kong Companies Ordinance, among which 15,550,000 shares were repurchased and cancelled in 2020 and 3,427,500 shares were repurchased in 2019 and cancelled in 2020.

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 84 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:

	2020	2019
Percentage of equity interest held by non-controlling interests:		
Anbaida Group Companies	21%	30%
Hongen	10%	30%
Derunlijia	30%	30%

	2020 RMB'000	2019 RMB'000
Profit for the year allocated to non-controlling interests:		
Anbaida Group Companies	15,138	43,458
Hongen	(3,567)	20,334
Derunlijia	(51,259)	20,663
Dividends paid to non-controlling interests of		
Anbaida Group Companies	102,000	30,000
Hongen	43,786	15,000
Derunlijia	—	12,000
Accumulated balances of non-controlling interests at the reporting date (note):		
Anbaida Group Companies	313,067	399,928
Hongen	11,873	99,931
Derunlijia	75,663	126,921

Note:

The accumulated balances were reclassified to payables to non-controlling interests 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:

2020	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,322,924	343,871	106,316
Current assets	1,107,364	160,068	199,294
Non-current assets	206,220	19,056	17,043
Current liabilities	566,876	174,498	17,179
Net cash flows from operating activities	344,209	92,468	45,473
Net cash flows used in investing activities	(9,764)	(1,754)	(1,787)
Net cash flows used in financing activities	(357,273)	(57,727)	(4,176)
Net (decrease)/increase in cash and cash equivalents	(22,828)	32,987	39,510

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)

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 RMB88,589,000 (2019: RMB135,207,000) and RMB90,767,000 (2019: RMB135,207,000), respectively, in respect of lease arrangements for plant and equipment.

The Group had a non-cash transaction, which was the purchase of the remaining 20% equity interest at the consideration of Hongen's entire existing tissue diagnostic business of the distribution of Roche Diagnostic Products in the Guangdong province in the PRC, amounting to RMB110,000,000 as at 31 December 2020.

(b) Changes in liabilities arising from financing activities

2020

	Interest-bearing bank RMB'000	Senior notes RMB'000	Interest payable RMB'000	Lease liabilities RMB'000
At 1 January 2020	296,948	1,383,551	29,236	220,359
Changes from financing cash flows	49,153	—	(126,747)	(112,765)
New leases	—	—	—	90,767
Foreign exchange movement	—	(83,262)	—	—
Interest expense	—	—	124,081	9,935
Covid-19-related rent concessions from lessors	—	—	—	(586)
Disposal of expired leases	—	—	—	(12,890)
At 31 December 2020	346,101	1,300,289	26,570	194,820

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

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

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	37,855	27,594
Within financing activities	112,765	111,432
	150,620	139,026

32. 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.

33. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Basic salaries and other benefits	8,272	9,199
Discretionary bonuses	1,795	1,983
Compensation for loss of office	—	314
Pension scheme contributions	15	166
	10,082	11,662

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

2020

Financial assets

	Financial assets at amortised cost RMB'000
Trade and bills receivables	1,471,872
Financial assets included in prepayments, other receivables and other assets	114,783
Pledged deposits	15,105
Cash and cash equivalents	572,348
	2,174,108

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	558,241
Financial liabilities included in other payables and accruals (note 27)	753,837
Other long term payables (note 27)	120,249
Lease liabilities	194,820
Interest-bearing bank and other borrowings (note 24)	1,646,390
	3,273,537

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

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	599,206
Financial liabilities included in other payables and accruals (note 27)	1,569,468
Lease liabilities	220,359
Interest-bearing bank and other borrowings (note 24)	1,680,499
	4,069,532

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	—	32,000	—	32,000

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (the Notes)	1,300,289	1,383,551	508,942	1,006,317

Management has assessed that the fair values of cash and cash equivalents, 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 (except the Notes) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

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

The fair values of the non-current portion of financial liabilities including other long term payables and non-current portion of lease liabilities 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 the 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 and non-current portion of lease liabilities as at 31 December 2020 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:

The Group did not have any financial assets measured at fair value as at 31 December 2020.

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

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 31 December 2019.

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

	2020 RMB'000	2019 RMB'000
Amounts included in the non-current portion of put options in relation to non-controlling interests		
At 1 January	—	806,481
Decrease	—	(806,481)
At 31 December	—	—

Liabilities for which fair values are disclosed:

As at 31 December 2020

	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	508,942	—	—	508,942

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

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

36. 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 2020, the total interest-bearing bank borrowings of RMB90,000,000 (31 December 2019: RMB77,500,000) of the Group were denominated in RMB with floating interest rates.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rate, with all other variables held constant, of the Group's loss after tax through the impact on floating rate borrowings:

Increase/(decrease) in the Group's loss after tax

	Increase/ (decrease) in basis points %	Increase/ (decrease) in loss after tax RMB'000
2020		
RMB	1	(675)
RMB	(1)	675

The Group does not use derivative financial instruments to hedge its interest rate risk.

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 loss before tax HKD'000
Year ended 31 December 2020		
If USD weakens against HKD	1	15,182
If USD strengthens against HKD	(1)	(15,182)
Year ended 31 December 2019		
If USD weakens against HKD	1	14,948
If USD strengthens against HKD	(1)	(14,948)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2020		
If USD weakens against RMB	5	4,606
If USD strengthens against RMB	(5)	(4,606)
Year ended 31 December 2019		
If USD weakens against RMB	5	6,095
If USD strengthens against RMB	(5)	(6,095)

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 2020. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	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 receivables*	—	—	—	1,471,872	1,471,872
Financial assets included in prepayments, other receivables and other assets					
— Normal**	114,783	—	—	—	114,783
Pledged deposits					
— Not yet past due	15,105	—	—	—	15,105
Cash and cash equivalents					
— Not yet past due	572,348	—	—	—	572,348
	702,236	—	—	1,471,872	2,174,108

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

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 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

* 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.

36. 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 2020	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	—	98,468	258,509	—	356,977
Lease liabilities	—	14,017	74,572	123,360	211,949
Trade and bills payables	60,095	498,146	—	—	558,241
Other payables and accruals	127,332	26,570	—	—	153,902
Senior notes	—	45,022	1,350,002	—	1,395,024
Payables to non-controlling interests	296,220	—	305,316	141,265	742,801
	483,647	682,223	1,988,399	264,625	3,418,894

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 to non-controlling interests	1,439,319	—	—	—	1,439,319
	1,565,979	817,694	277,875	1,633,528	4,295,076

36. 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 2020 and 31 December 2019.

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:

	2020 RMB'000	2019 RMB'000
Interest-bearing bank and other borrowings (note 24)	1,646,390	1,680,499
Less: Cash and cash equivalents	(572,348)	(546,186)
Net debt	1,074,042	1,134,313
Adjusted capital	757,038	1,172,672
Capital and net debt	1,831,080	2,306,985
Gearing ratio	59%	49%

37. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	28,405	30,232
Total non-current assets	28,405	30,232
CURRENT ASSETS		
Amounts due from subsidiaries	1,771,525	1,994,803
Financial assets measured at amortised cost	52,852	56,507
Prepayments, other receivables and other assets	4,882	1,836
Cash and cash equivalents	27,260	11,187
Total current assets	1,856,519	2,064,333
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,300,289	—
Amounts due to subsidiaries	25,995	—
Other payables and accruals	26,300	28,132
Total current liabilities	1,352,584	28,132
NET CURRENT ASSETS	503,935	2,036,201
TOTAL ASSETS LESS CURRENT LIABILITIES	532,340	2,066,433
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	—	1,383,551
Total non-current liabilities	—	1,383,551
NET ASSETS	532,340	682,882
EQUITY		
Issued capital	47,088	47,519
Treasury shares (note)	—	(4,166)
Reserves (note)	485,252	639,529
TOTAL EQUITY	532,340	682,882

38. 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 2019	—	846,823	(141,940)	69,009	773,892
Total comprehensive loss for the year	—	—	(116,180)	19,365	(96,815)
Shares repurchased	(4,166)	(37,548)	—	—	(41,714)
At 31 December 2019 and 1 January 2020	(4,166)	809,275	(258,120)	88,374	635,363
Total comprehensive loss for the year	—	—	(96,032)	(36,917)	(132,949)
Shares repurchased	4,166	(21,328)	—	—	(17,162)
At 31 December 2020	—	787,947	(354,152)	51,457	485,252

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 April 2021.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
RESULTS					
Revenue	4,106,938	4,903,268	4,446,954	3,926,877	3,021,831
(Loss)/Profit for the year	(645,298)	301,254	349,535	350,575	269,928
(Loss)/Profit for the year attributable to:					
Owners of parent	(590,485)	202,673	251,746	249,968	201,031
Non-controlling interests	(54,813)	98,581	97,789	100,607	68,897
ASSETS AND LIABILITIES					
Total assets	4,655,255	6,021,555	5,847,754	5,487,271	4,456,417
Total Liabilities	3,799,499	4,710,708	4,758,812	4,803,620	3,504,189
Net assets	855,756	1,310,847	1,088,942	683,651	952,228

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