



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

2021

INTERIM REPORT

中期報告



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hartono James
(Chairman and Chief Executive Officer)
Ms. Wang Ying
Ms. Wang Hong *(Chief Financial Officer)*
Ms. Liao Changxiang
Mr. Li Bin *(appointed on 18 June 2021)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming
Mr. Sutikno Liky
Mr. Zeng Jinsong *(appointed on 28 May 2021)*
Mr. Tirtamarta Karsono (Kwee Yoe Chiang)
(resigned on 28 May 2021)

AUDIT COMMITTEE

Dr. Hu Yiming *(Chairman)*
Mr. Sutikno Liky
Mr. Zeng Jinsong *(appointed on 28 May 2021)*
Mr. Tirtamarta Karsono (Kwee Yoe Chiang)
(resigned on 28 May 2021)

NOMINATION COMMITTEE

Mr. Sutikno Liky *(Chairman)*
Dr. Hu Yiming
Mr. Zeng Jinsong *(appointed on 28 May 2021)*
Mr. Tirtamarta Karsono (Kwee Yoe Chiang)
(resigned on 28 May 2021)

REMUNERATION COMMITTEE

Mr. Zeng Jinsong *(Chairman)*
(appointed on 28 May 2021)
Dr. Hu Yiming
Mr. Sutikno Liky
Mr. Tirtamarta Karsono (Kwee Yoe Chiang) *(Chairman)*
(resigned on 28 May 2021)

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Ng Chit Sing

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 802–804, 8/F
Kin Wing Commercial Building
24–30 Kin Wing Street
Tuen Mun
New Territories
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN SHANGHAI

Room 805, Block 2
No. 58 Shen Jian Dong Lu
Min Hang District
Shanghai
PRC



CORPORATE INFORMATION

LEGAL ADVISERS

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

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2393

COMPANY WEBSITE

<http://www.yestarcorp.com>

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT YESTAR

Yestar Healthcare Holdings Company Limited (“Yestar” or the “Company”, together with its subsidiaries, the “Group”), is one of the largest distributors and service providers of In Vitro Diagnostic (“IVD”) products in the Peoples Republic of China (the “PRC”). The Group principally engages in the distribution of IVD products in cities including Beijing, Shanghai, Guangzhou and Shenzhen, as well as in provinces including 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, while manufacturing, marketing and selling dental film and medical dry film products under the house brand “Yes!Star”.

MARKET OVERVIEW

Since the first half of 2020, a time when the COVID-19 pandemic hit, non-essential medical services in the PRC were forced to shut down as a tradeoff to pandemic control. Compounded by the regional lockdowns measures, that has led to a suppressed demand for IVD products, and many small-scaled medical distributors were unable to sustain the financial pressure from business suspension, and have since quitted the market.

However, during the first half of 2021 (“the Period”), supported by the mass vaccination program rolled out in the PRC, together with the effective pandemic control measures, people’s lives were slowly back to normal. Hospitals started to resume non-emergency services, and due to the increasing health awareness among the public, demand for IVD and other testing kits has since been on a rebound. Yestar, being one of the large-scale IVD distributors in the PRC, was again able to showcase its strength and resilience, and seized the opportunities to ride on the market recovery and reinforced its leading position.

Nonetheless, despite the growing optimism, the emergence of delta variant in Guangzhou and Shenzhen in late May 2021 has once again cast doubts into the economic recovery. Partial lockdowns were implemented in May 2021 to June 2021 in a bid to combat the virus, and as the pandemic situation continues to fluctuate, that could point to another round of tight pandemic control measures. In face of such adversity, medical distributors must try hard to maintain business operations and hence cash flow, in order to be well-positioned to the frequent yet unpredictable spike in demand.

BUSINESS OVERVIEW

Improving Cash Conversion Cycle and Active Go-to-market Strategy to Capture Market Recovery

Sufficient cash flow remains one of the keys to survival under such unpredictable adverse situations. The Group has always maintained an efficient use of working capital, while paying close attention on its inventory level, as well as account receivables and account payables turnover days. Leverage its long-term relationships with hospitals and IVD consumables suppliers, Yestar was able to achieve a 32.9% increase in account payables comparing to 31 December 2020, from RMB558.2 million to RMB742.1 million. Inventory also dropped to RMB580.7 million, representing a decrease of 1.8% compared with last year end date. These have together shortened the Group's cash conversion cycle to 113 days which is 73 days and 31 days faster when compared to that for the six months ended 30 June 2020 and for the year ended 31 December 2020, respectively, greatly reducing the Group's needs on working capital.

The improving cash conversion, in turn, has not only allowed the Group to stay in the market, but more importantly, providing the foundation for its professional sales team to drive IVD consumables sales once hospitals fully resumed their services. During the Period, the Group's sales team has proactively reached out to doctors via virtual meetings and hospital visits, as well as offered products samples and provided tailor-made solutions to raise service quality and hence sales. These sales initiatives, especially at a time when smaller medical distributors were unable to react, have prepared us well when market reopened, thus driving a year-on-year growth in revenue.

Satisfactory Growth from New Products despite COVID-19 Disruption

After comprehensive due diligence across various IVD brands, the Group has subsequently introduced a domestic and a Japanese IVD brands to its product portfolio, and commenced the product distribution last year. As the Group continued to promote the products during the Period, it has received positive market feedback, citing the products are efficient, with clear guidelines and simple operations. Such positive reviews gave the Group confidence that sustainable and repeated orders are likely, and would promote Yestar's business growth. The Group believes that the new addition of products would complement Roche's contribution well in the future. Riding on the success, the Group will also explore the possibility of introducing other quality brands going forward.

RESULTS OVERVIEW

As the PRC gradually recovered from the impact of COVID-19 pandemic, regular services at hospitals and medical clinics have resumed, which drove the overall demand of IVD reagents and consumables. The Group's overall revenue increased by 45.0% yoy to RMB2,322.7 million (six months ended 30 June 2020: RMB1,602.3 million). Gross profit increased by 55.4% yoy to RMB447.1 million (six months ended 30 June 2020: RMB287.7 million), and gross profit margin also rose by 1.2 p.p. yoy to 19.2% (six months ended 30 June 2020: 18.0%). This was attributable to the change in direct and indirect sales channel mix, in which direct sales channel has a higher profit margin by nature.

MANAGEMENT DISCUSSION AND ANALYSIS

In proportion to the increase in revenue, selling and distribution expenses increased by 20.9% yoy to RMB143.3 million (six months ended 30 June 2020: RMB118.5 million). Administrative expenses decreased by 6.4% yoy to RMB157.0 million (six months ended 30 June 2020: RMB167.7 million), as a result of less amortisation of other intangible assets during the Period, while finance cost decreased by 8.5% yoy to RMB59.0 million (six months ended 30 June 2020: RMB64.5 million). Other expenses decreased drastically by 99.5% to RMB3.4 million (six months ended 30 June 2020: RMB734.6 million), primarily attributable to the absence of one-off impairment loss on goodwill and other intangible assets. Meanwhile, share of profit of an associate amounted to RMB5.9 million (six months ended 30 June 2020: Nil), primarily attributable to the profitability achieved by Shanghai Zhongkerunda Medical Laboratory Testing Co. Ltd (the "Laboratory"), of which 39% was held by Shanghai Emphasis Investment Management Consulting Co., Ltd., a non wholly-owned subsidiary of the Company. This was driven by the increasing demand of nucleic acid tests due to the outbreak of COVID-19.

Thus, the Group recorded a profit attributable to owners of the parent of RMB111.9 million (six months ended 30 June 2020: loss of RMB640.3 million). Net profit margin was at 5.2% (six months ended 30 June 2020: net loss margin of 43.9%). Basic earnings per share amounted to RMB4.75 cents (six months ended 30 June 2020: basic loss per share of RMB27.05 cents). The board of directors has resolved not to declare any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Medical Business — 91.5% of Overall Revenue

During the Period, the Group observed an increasing demand for IVD consumables mainly due to the resumption of hospital services. Segment revenue reached RMB2,126.4 million (six months ended 30 June 2020: RMB1,477.2 million), representing an increase of 43.9% yoy. Segment gross profit margin also increased 2.1 p.p. to approximately 20.2% (six months ended 30 June 2020: approximately 18.1%), attributable to the change in direct and indirect sales contribution.

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 relatively stable demand, and has since generated stable cash flow for the Group in the previous years.

Benefited from the relaxed social distancing policy during the Period, more people were travelling across cities for non-essential purposes. Especially during the golden week in May 2021, there were a recovery of demand of photographic paper on a yoy basis. During the Period, revenue of non-medical businesses amounted to RMB196.3 million (six months ended 30 June 2020: RMB125.1 million), representing an increase of approximately 56.9% yoy. Segment gross profit margin decreased by 7.5 p.p to 8.9%.

OUTLOOK

According to the report 'China In-Vitro Diagnostics Market 2020–2024' issued by TechNavio, the PRC's IVD market is forecasted to grow by US\$6.93 billion during 2020–2024 at a compound annual growth rate of 17%. The growth is driven by the expanding geriatric population, increasing prevalence of chronic and infectious diseases, and increasing adoption of point-of-care testing. As a result of the growing emphasis on healthcare after the COVID-19 pandemic, it is also expected that more IVD products and consumables will be needed in the future. Going forward, the Group will continue to raise its market penetration by further diversifying its product offerings, improving its service quality, and expanding its coverage across the medical value chain.

Enhance Product Penetration and Source New Domestic Products to Evolve into a Comprehensive Solutions Provider

The Group will continue to leverage its well-established network to distribute the newly-added products across more top-tier and lower-tier hospitals and medical institutions. Meanwhile, the Group will also look for more products that are complementary to Roche's existing offerings, specifically targeting domestic brands with higher margin, in order to further enrich its product portfolio. Riding on Roche's Tier-2 emerging market strategies, the Group is committed to becoming a comprehensive solutions provider which can cater the specific needs of different tiers hospitals, and in return, deriving additional revenue contributions to the Group.

Upgrade Southern China Logistics Centre into Training Centre

During the recent years, the Group has been progressively upgrading its logistics centres to provide better services to hospitals and medical institutions. In 2020, the Group completed the upgrade of the Eastern Centre, of which all facilities are in compliance of Roche's standard. The Group is currently waiting for the official approval of becoming a Roche's authorized training centre. Heading into the second half of 2021, the Group will upgrade its Southern China Logistics Centre into a multi-functional training centre, which will be renovated and equipped with upgraded facilities, including seminar rooms and laboratories. Leveraging the Group's new training centres, it aims to provide one-stop and comprehensive solutions to its customers on medical products, supported by quality after-sale services. Yestar believes these upgraded training centres would help attract more domestic national groups to join as new clients, eventually boosting its regional market penetration and broadening its revenue stream.

Actively Looking for Investment Opportunities in the Research and Development and Production of IVD Products

Apart from strengthening its service offerings, the Group will continue to extend and solidify its market position along the value chain. Leveraging its solid research and manufacturing capability, Yestar will seek opportunities to develop more house brand products to meet the needs of the underserved markets. In the longer term, the Group also plans to strengthen its presence in the upstream market, by investing in the research and development as well as production of IVD products that are complementary to its current products offerings.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the ongoing uncertainties surrounding the COVID-19 pandemic, the Group remains confident in its future prospects, and will strive for business growth by implementing the aforementioned strategies. With hospitals resuming operation along with the successful introduction of new brands, Yestar is dedicated to providing best-in-class solutions to its customers while bringing fruitful returns to its stakeholders.

FINANCIAL REVIEW

Liquidity and financial resources

As disclosed in the 2020 annual report of the Company, although there is an uncertainty which may cast doubt on the Group's ability to continue as a going concern, the directors 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 for the year 2021. Please refer to the headed "Proposed Offshore Debt Restructuring Plan" below for the implementation of measures to ease the liquidity risk and going concern issue of the Company.

During the Period, the Group finances its daily operation through a combination of net internally-generated funds from operation and borrowings. Riding on the improvement on its inventory turnover and strategic collection policy as well as account payables turnover, the Group maintained a strong and sound financial position during the Period. As at 30 June 2021, the Group had a cash and cash equivalents of approximately RMB503.0 million (31 December 2020: approximately RMB572.3 million). The decrease in cash and cash equivalents were mainly attributable to payment of consideration in relation to the acquisition of the remaining interest of Anbaida Group Companies, the repurchase of shares of the Company and the dividend paid to non-controlling shareholders.

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2021 was approximately RMB1,583.2 million (31 December 2020: approximately RMB1,646.4 million). Except for the Senior Notes and the secured bank loans of RMB10.4 million which are denominated in USD, all borrowings of the Group are principally dominated in Chinese Yuan (RMB), which is the presentation currency of the Group.

Current Ratio

As at 30 June 2021, the Group's current ratio was approximately 0.89 (31 December 2020: approximately 0.86), based on total current assets of approximately RMB2,871.6 million and total current liabilities of approximately RMB3,211.6 million.

Gearing Ratio

As at 30 June 2021, the Group's gearing ratio was approximately 56% (31 December 2020: approximately 59%), calculated as the net debt for an amount of RMB1,080.2 million (31 December 2020: RMB1,074.0 million) 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 for an aggregate amount of RMB1,946.0 million at the end of 30 June 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by about 20.9% from approximately RMB118.5 million for the six months ended 30 June 2020 to approximately RMB143.3 million for the Period, and accounted for approximately 7.4% and 6.2%, respectively, of the Group's revenue for the respective reporting periods. The increase in selling and distribution expenses were in line with the proportional increase in revenue during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The Group's administrative expenses decreased by about 6.4% from approximately RMB167.7 million for the six months ended 30 June 2020 to approximately RMB157.0 million for the Period, and accounted for approximately 10.5% and approximately 6.8%, respectively, of the Group's revenue for the respective reporting periods. Such decrease was due to the less amortisation of other intangible assets.

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 RMB59.0 million (six months ended 30 June 2020: approximately RMB64.5 million) for the Period.

For the Period, interest rates of the interest-bearing loans and Senior Notes ranged from 2.85% to 7.43%, while those for the six months ended 30 June 2020 ranged from 3.6% to 7.43%.

Foreign Exchange Exposure

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

In addition, there was a secured bank loans of RMB10.4 million which are denominated in USD during the Period.

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

Capital structure

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

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 1,054 employees (six months ended 30 June 2020: 1,066 employees), including Directors. Total staff costs (including Directors' emoluments) were approximately RMB113.9 million for the Period (six months ended 30 June 2020: approximately RMB94.5 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

Since the contribution to the pension schemes and for the six months ended 30 June 2021, there was no contributions forfeited by the Group (31 December 2020: Nil) on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions.

As at 30 June 2021, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments held

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

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 30 June 2021, 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 30 June 2021.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of assets

As at 30 June 2021, none of the Group's property, plant and equipment was pledged (31 December 2020: 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 30 June 2021:

- (i) the Group's bank loans of RMB9,950,000 were secured by the pledge of the Group's patent rights.
- (ii) the Group's bank loans of RMB292.4 million were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

Proposed Offshore Debt Restructuring Plan

Subsequent to the reporting period and on 20 July 2021, the Company had proposed an offshore debt restructuring plan to its noteholders (the "Proposed Restructuring") in respect of the US\$200 million 6.9% senior notes (the "Senior Notes") with a maturity date of 15 September 2021, which detailing the principal terms of the Proposed Restructuring. Please refer to the Company's announcement dated 20 July 2021 for details.

As at the date of this report, the Company is satisfied with the progress status and implementation stage in relation to the Proposed Restructuring. The Board is of the opinion that the Group would have sufficient working capital and appropriate measures to finance its operations and to defer or meet its financial obligations as and when they fall due within twelve months from 30 June 2021, including the extension of the due date of the Senior Notes. The Company will publish further announcement as and when appropriate in compliance with the Listing Rules if there is any material update on the Proposed Restructuring.

Save as disclosed above and up to the date of this report, there was no other significant event relevant to the business and financial performance of the Group that has come to the attention of the Directors after the Period.



OTHER INFORMATION

PROFIT GUARANTEE IN RELATION TO ACQUISITION OF 70% EQUITY INTEREST IN SHENZHEN DE RUN LI JIA COMPANY LTD (“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 years ended 31 December 2019 and 2020; and (iii) the announcements of the Company (collectively, the “Announcements”) dated 27 March 2020, 24 April 2020, 26 August 2020 and 7 April 2021, 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 achieved by 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 RMB9.76 million to the purchaser pursuant to the share transfer agreement.

The Compensation Amount had previously been mutually agreed to be settled 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.

However, as at the date of this report, the Vendors disagreed the above compensation option without providing alternatives for the settlement of Compensation Amount despite our repeated reminders through internal communication and meeting with the Vendors of Derunlijia. As such, the Group has not received any Compensation Amount from the Vendors till now.

The Group have already had an internal discussion and sought legal advice as to legal actions that can be taken towards the Vendors for the Compensation Amount, and an arbitration procedures will be commenced in mid of September 2021 in Court of International Arbitration.

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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2020: Nil).

SHARE OPTION SCHEME

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

OTHER INFORMATION

Purpose of the Scheme Option Scheme

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

Participants under the Share Option Scheme

Participants under the Share Option Scheme include the following:

- 2.1 any director, chief executive or employee (whether full-time or part-time) of each member of our Group;
- 2.2 any discretionary objects of a discretionary trust established by any director, chief executive or employee (whether full time or part time) of each member of our Group;
- 2.3 a company beneficially owned by any director, chief executive or employee (whether full time or part time) of each member of our Group;
- 2.4 any consultant, professional and other adviser to each member of our Group (including their employees, partners, directors or executives or any persons, firms or companies proposed to be appointed for providing such services); and
- 2.5 any director, chief executive or employee (whether full-time or part-time) of Capital Group Pte. Ltd. and its subsidiaries from time to time.

Principal terms of the Share Option Scheme

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

The 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.



OTHER INFORMATION

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

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

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

As at the date of this report, the number of issued Shares of the Company is 2,347,645,000 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 7.95% 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.

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).

OTHER INFORMATION

As at 30 June 2021, no option has been granted by the Company to subscribe for shares of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in note 14 to the financial statements, there is no transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Period or at any time during the Period.

RELATED-PARTY TRANSACTIONS

Details of the significant related-party transactions undertaken in the normal course of business are set out in note 14 to the financial statements, and none of which constitutes a discloseable "connected transaction" or "continuing connected transactions" as defined under the Listing Rules.

CONNECTED TRANSACTION/CONTINUING CONNECTED TRANSACTION

During the six months ended 30 June 2021, the Company has certain exempted continuing connected transactions which are fully exempted and are not subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

COMPETITION AND CONFLICT OF INTERESTS

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

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the

Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of director	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	Approximate percentage of shareholding in the Company
	Personal interests	Family interests	Corporate interests				
Hartono James	598,662,500	—	20,000,000 (Note 1)	618,662,500	—	618,662,500 (Note 2)	26.35%
Li Bin	164,600,600	—	—	164,600,600	—	164,600,600	7.01%

Notes:

- 20,000,000 shares were beneficially owned by Amrosia Investments Limited, a company wholly-owned by Mr. Hartono James.
- Out of 618,662,500 shares, 217,520,000 shares are beneficially owned by Mr. Hartono James and had been pledged to a financial institution as pledgee to secure a loan granted to Mr. Hartono James.

Save as disclosed above, as at 30 June 2021, 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.

OTHER INFORMATION

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

So far as is known to the Directors, as at 30 June 2021, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the

Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of any class of issued voting shares carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Hartono Jeane	Beneficial owner	391,870,000	16.69%
Hartono Rico	Beneficial owner	265,810,000	11.32%
FUJIFILM Corporation*	Beneficial owner	230,000,000	9.79%

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

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Substantial shareholders' interests and/or short position in shares and underlying shares of the Company" which is discloseable under Divisions 2 and 3 of Part XV of the SFO above, as at 30 June 2021, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

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

The Company was authorized by its shareholders at the annual general meeting held on 22 May 2020 (the "2020 AGM") and held on 28 May 2021 (the "2021 AGM") to repurchase its shares not exceeding 10% of the issued shares of the Company at the date of the 2020 AGM and 2021 AGM respectively until the conclusion of next annual general meeting or the revocation of the resolution for repurchase of shares, whichever is earlier.

OTHER INFORMATION

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

Details of the share repurchased of the Company on the Stock Exchange during the Period are set out as follows:

Month/Year of repurchase	No. of repurchased shares	Consideration per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2021	3,720,000	1.21	1.13	4,313
May 2021	3,727,500	1.18	1.12	4,324
June 2021	3,187,500	1.15	1.11	3,632
	10,635,000			12,269

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE PRACTICES

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

OTHER INFORMATION

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

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

UPDATE ON DIRECTOR’S INFORMATION

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

AUDIT COMMITTEE

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

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

The audit committee comprises three independent non-executive Directors, namely Dr. Hu Yiming (Chairman of the audit committee), Mr. Zeng Jinsong and Mr. Sutikno Liky.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	2,322,702	1,602,278
Cost of sales		(1,875,636)	(1,314,593)
Gross profit		447,066	287,685
Other income and gains		70,004	37,668
Selling and distribution expenses		(143,290)	(118,472)
Administrative expenses		(157,000)	(167,698)
Impairment losses on financial assets		(6,542)	(7,511)
Other expenses		(3,363)	(734,633)
Finance costs		(59,045)	(64,485)
Share of profit of an associate		5,894	—
PROFIT/(LOSS) BEFORE TAX	5	153,724	(767,446)
Income tax (expense)/credit	6	(32,847)	64,599
PROFIT/(LOSS) FOR THE PERIOD		120,877	(702,847)
Attributable to:			
Owners of the parent		111,905	(640,253)
Non-controlling interests		8,972	(62,594)
		120,877	(702,847)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit/(loss) for the period	8	RMB4.75 cents	RMB(27.05) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	120,877	(702,847)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	14,352	(24,807)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	14,352	(24,807)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	14,352	(24,807)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	135,229	(727,654)
Attributable to:		
Owners of the parent	126,257	(665,060)
Non-controlling interests	8,972	(62,594)
	135,229	(727,654)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS		
9	194,329	181,428
Property, plant and equipment		
	251,781	247,078
Right-of-use assets		
	420,067	420,067
Goodwill		
	909,329	956,842
Other intangible assets		
	11,141	5,247
Investment in an associate		
	25,788	20,336
Deferred tax assets		
Total non-current assets	1,812,435	1,830,998
CURRENT ASSETS		
	580,747	591,523
Inventories		
	1,544,939	1,471,872
Trade and bills receivables	10	
	241,023	173,409
Prepayments, other receivables and other assets		
	1,904	15,105
Pledged deposits		
Cash and cash equivalents	502,977	572,348
Total current assets	2,871,590	2,824,257
CURRENT LIABILITIES		
	742,112	558,241
Trade and bills payables	11	
	641,261	835,986
Other payables and accruals	12	
	1,583,161	1,646,390
Interest-bearing bank and other borrowings		
	76,887	79,449
Lease liabilities		
	41,108	37,461
Contract liabilities		
Tax payable	127,054	130,880
Total current liabilities	3,211,583	3,288,407
NET CURRENT LIABILITIES	(339,993)	(464,150)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,472,442	1,366,848

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		122,562	115,371
Deferred tax liabilities		251,052	267,961
Other long term payables	12	132,449	127,760
Total non-current liabilities		506,063	511,092
Net assets		966,379	855,756
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	46,908	47,088
Treasury shares		(1,849)	—
Reserves		820,726	709,950
		865,785	757,038
Non-controlling interests		100,594	98,718
Total equity		966,379	855,756

James Hartono
Director

Wang Hong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent											
	Share capital	Treasury shares	Share premium account	Contributed surplus	Put-options written on non-controlling interests	Statutory reserve fund	Other reserve	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	47,088	—	787,947	84,991	(650,174)	187,817	(227,932)	484,471	42,830	757,038	98,718	855,756
Profit for the period	—	—	—	—	—	—	—	111,905	—	111,905	8,972	120,877
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	14,352	14,352	—	14,352
Total comprehensive income for the period	—	—	—	—	—	—	—	111,905	14,352	126,257	8,972	135,229
Shares repurchased	(180)	(1,849)	(8,177)	—	—	—	—	—	—	(10,206)	—	(10,206)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	(14,400)	(14,400)
Payables to non-controlling interests	—	—	—	—	(7,304)	—	—	—	—	(7,304)	7,304	—
At 30 June 2021 (unaudited)	46,908	(1,849)	779,770	84,991	(657,478)	187,817	(227,932)	596,376	57,182	865,785	100,594	966,379

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent											
	Share capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Put-options written on non-controlling interests RMB'000	Statutory reserve fund RMB'000	Other reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	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 period	—	—	—	—	—	—	—	(640,253)	—	(640,253)	(62,594)	(702,847)
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(24,807)	(24,807)	—	(24,807)
Total comprehensive loss for the period	—	—	—	—	—	—	—	(640,253)	(24,807)	(665,060)	(62,594)	(727,654)
Change in the share of ownership of subsidiary	—	—	—	—	188,557	—	(65,992)	—	—	122,565	55,924	178,489
Shares repurchased	(293)	(1,213)	(14,956)	—	—	—	—	—	—	(16,462)	—	(16,462)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	(25,500)	(25,500)
Payables to non-controlling interests	—	—	—	—	(22,368)	—	—	—	—	(22,368)	15,037	(7,331)
At 30 June 2020 (unaudited)	47,226	(5,379)	794,319	84,991	(666,660)	140,383	(224,629)	482,137	(61,041)	591,347	121,042	712,389

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	153,724	(767,446)
Adjustments for:		
Finance costs	59,045	64,485
Impairment of inventories	9,465	123
Impairment of financial assets	5 6,542	7,511
Impairment of goodwill	5 —	447,450
Impairment of other intangible assets	5 —	277,173
Exchange loss	1,816	5,143
Interest income	(1,539)	(1,734)
Gain on repayment of financial liabilities	(35,158)	—
Net gain on financial assets at fair value through profit or loss	(27)	(265)
Share of profit of an associate	(5,894)	—
Depreciation of property, plant and equipment	5 16,526	14,615
Depreciation of right-of-use assets	5 47,714	53,989
Amortisation of other intangible assets	5 47,851	64,601
Gain on disposal of other intangible assets	5 —	(17,189)
(Gain)/loss on disposal of items of property, plant and equipment	5 (169)	714
	299,896	149,170
(Increase)/decrease in trade and bills receivables	(79,609)	260,625
Increase in prepayments, other receivables and other assets	(67,328)	(36,282)
Decrease/(increase) in inventories	1,311	(25,764)
Increase in trade and bills payables	183,871	8,235
Decrease in other payables and accruals	(62,156)	(36,948)
Increase in contract liabilities	3,647	7,682
Increase in pledged deposits for issuance of bank acceptance notes	—	(153)
Cash generated from operations	279,632	326,565
Income tax paid	(59,034)	(62,943)
NET CASH FLOWS FROM OPERATING ACTIVITIES	220,598	263,622

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(31,039)	(15,541)
Addition to other intangible assets	(337)	(945)
Proceeds from disposal of items of property, plant and equipment	1,781	2,318
Purchase of financial assets at fair value through profit and loss	(231,700)	—
Proceeds from disposal of financial assets at fair value through profit and loss	231,727	32,265
Purchase of financial assets at amortised cost	—	(837)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(29,568)	17,260
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	244,705	245,578
Repayment of bank and other borrowings	(260,282)	(249,561)
Decrease in pledged deposits for bank borrowings	13,201	47,935
Acquisition of a non-controlling interest	(33,750)	—
Principal portion of lease payments	(47,787)	(56,616)
Repurchase of shares	(10,206)	(16,462)
Dividend paid to non-controlling interests of subsidiaries	(107,400)	(25,500)
Interest paid	(58,659)	(64,521)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(260,178)	(119,147)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(69,148)	161,735
Cash and cash equivalents at beginning of period	572,348	546,186
Effect of foreign exchange rate changes, net	(223)	667
CASH AND CASH EQUIVALENTS AT END OF PERIOD	502,977	708,588
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	504,881	708,588
Pledged deposits	(1,904)	—
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	502,977	708,588

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

1. CORPORATE INFORMATION

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

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

The Company is an investment holding company. During the six months ended 30 June 2021 (the “Period”), the Company’s subsidiaries were involved in the following principal activities:

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

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Going concern basis

As at 30 June 2021, the Group’s current liabilities exceeded its current assets by RMB339,993,000. The Group’s current liabilities included the interest-bearing bank and other borrowings due within the next twelve months amounted to RMB1,583,161,000 of which consist of the senior notes due for repayment by 15 September 2021. 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.

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.

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

2.1 Basis of preparation (continued)

Going concern basis (continued)

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 RMB467,673,000 due in the next twelve months; 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 30 June 2021. 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 30 June 2021. 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 RMB467,673,000 due in the next twelve months; and
- (iii) Successfully obtaining additional financing facilities within next twelve months.

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

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)

The nature and impact of the revised IFRSs are described below:

- (a) 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 risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 did not have any impact on the financial position and performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

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

2.2 Changes in accounting policies and disclosures (continued)

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) Imaging printing products: manufacture and sale of color photographic paper, industrial NDT x-ray films, and trading of imaging equipment; and
- (b) Medical products and equipment: manufacture and sale of medical dry films, medical wet films and dental films, and sale of medical equipment and reagents.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit/(loss) 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2021 and 2020:

Six months ended 30 June 2021	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue (note 4)			
Sales to external customers	196,298	2,126,404	2,322,702
Intersegment sales	288,330	806,321	1,094,651
<i>Reconciliation:</i>			
Elimination of intersegment sales			(1,094,651)
Revenue			2,322,702
Segment results	(8,226)	165,432	157,206
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(3,482)
Profit before tax			153,724
Other segment information:			
Depreciation of items of property, plant and equipment	2,609	13,917	16,526
Depreciation of items of right-of-use assets	787	46,927	47,714
Amortisation of other intangible assets	129	47,722	47,851
Share of profit of an associate	—	(5,894)	(5,894)
Impairment loss recognised in the statement of profit or loss	9,954	6,053	16,007
Loss/(gain) on disposal of items of property, plant and equipment	13	(182)	(169)
Capital expenditure*	4,622	26,754	31,376

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3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2020	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue (note 4)			
Sales to external customers	125,067	1,477,211	1,602,278
Intersegment sales	203,027	587,701	790,728
<i>Reconciliation:</i>			
Elimination of intersegment sales			(790,728)
Revenue			1,602,278
Segment results	(4,850)	(748,696)	(753,546)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(13,900)
Loss before tax			(767,446)
Other segment information:			
Depreciation of items of property, plant and equipment	3,032	11,583	14,615
Depreciation of items of right-of-use assets	1,245	52,744	53,989
Amortisation of other intangible assets	282	64,319	64,601
Impairment loss recognised in the statement of profit or loss	(15)	732,272	732,257
Loss/(gain) on disposal of items of property, plant and equipment	721	(7)	714
Gain on disposal of other intangible assets	—	(17,189)	(17,189)
Capital expenditure*	1,366	15,120	16,486

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020:

Six months ended 30 June 2021	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment assets	371,241	4,244,153	4,615,394
<i>Reconciliation:</i>			
Corporate and other unallocated assets			68,631
Total assets			4,684,025
Segment liabilities	112,528	3,555,088	3,667,616
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			50,030
Total liabilities			3,717,646

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020	Imaging printing products (Audited) RMB'000	Medical products and equipment (Audited) RMB'000	Total (Audited) RMB'000
Segment assets	326,402	4,237,299	4,563,701
<i>Reconciliation:</i>			
Corporate and other unallocated assets			91,554
Total assets			4,655,255
Segment liabilities	113,637	3,396,767	3,510,404
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			289,095
Total liabilities			3,799,499

Information about major customers

During the six months ended 30 June 2021, the Group had one individual customer from whom the revenue derived by selling medical imaging products and imaging printing products of RMB487,393,000 (six months ended 30 June 2020: RMB406,253,000) accounted for about 20.98% (six months ended 30 June 2020: 25.35%) of the Group's total revenue during the Period.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue from contracts with customers	2,322,702	1,602,278

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Types of goods or services			
Sale of goods	195,042	2,090,339	2,285,381
Rendering of services	1,256	36,065	37,321
Total revenue from contracts with customers	196,298	2,126,404	2,322,702
Timing of revenue recognition			
Goods transferred at a point in time	195,042	2,090,339	2,285,381
Services transferred over time	1,256	36,065	37,321
Total revenue from contracts with customers	196,298	2,126,404	2,322,702

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4. REVENUE (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2020

Segments	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Types of goods or services			
Sale of goods	125,067	1,448,557	1,573,624
Rendering of services	—	28,654	28,654
Total revenue from contracts with customers	125,067	1,477,211	1,602,278
Timing of revenue recognition			
Goods transferred at a point in time	125,067	1,448,557	1,573,624
Services transferred over time	—	28,654	28,654
Total revenue from contracts with customers	125,067	1,477,211	1,602,278

4. REVENUE (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (continued)

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

For the six months ended 30 June 2021

Segments	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from contracts with customers			
External customers	196,298	2,126,404	2,322,702
Intersegment sales	288,330	806,321	1,094,651
Intersegment adjustments and eliminations	(288,330)	(806,321)	(1,094,651)
Total revenue from contracts with customers	196,298	2,126,404	2,322,702

For the six months ended 30 June 2020

Segments	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from contracts with customers			
External customers	125,067	1,477,211	1,602,278
Intersegment sales	203,027	587,701	790,728
Intersegment adjustments and eliminations	(203,027)	(587,701)	(790,728)
Total revenue from contracts with customers	125,067	1,477,211	1,602,278

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cost of inventories sold and services provided	1,875,636	1,314,593
Depreciation of items of property, plant and equipment	16,526	14,615
Depreciation of right-of-use assets	47,714	53,989
Amortisation of other intangible assets	47,851	64,601
Research and development costs	113	70
Lease payments not included in the measurement of lease liabilities	19,373	21,403
Employee benefit expense including		
— Wages and salaries	107,127	93,084
— Pension scheme contributions	6,768	1,450
	113,895	94,534
Exchange differences, net	1,527	3,574
Impairment of financial assets	6,542	7,511
Impairment of goodwill	—	447,450
Impairment of other intangible assets	—	277,173
Gain on disposal of other intangible assets	—	(17,189)
(Gain)/Loss on disposal of items of property, plant and equipment	(169)	714

6. 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% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6. INCOME TAX (CONTINUED)

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

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current — charged for the period	50,208	37,823
Deferred	(17,361)	(102,422)
Total tax charge/(credit) for the period	32,847	(64,599)

7. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2020: Nil).

The shareholders did not declare any dividend for the year ended 31 December 2020 at the annual general meeting of the Company on 28 May 2021.

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

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB111,905,000 and the weighted average number of ordinary shares of 2,353,649,000 in issue during the Period.

The calculation of basic loss per share is based on the loss for the six months ended 30 June 2020 attributable to ordinary equity holders of the parent of RMB640,253,000 and the weighted average number of ordinary shares of 2,367,232,000 in issue during the period.

The diluted earnings/(loss) per share amounts were equal to the basic earnings/(loss) per share amounts for the Period and the six months ended 30 June 2020 as no diluting events occurred.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of RMB31,039,000 (six months ended 30 June 2020: RMB15,541,000).

During the six months ended 30 June 2021, property, plant and equipment with a net book value of RMB1,612,000 (six months ended 30 June 2020: RMB3,032,000) were disposed of by the Group resulting in a net gain on disposal of RMB169,000 (six months ended 30 June 2020: a net loss of RMB714,000).

As at 30 June 2021, none of the Group's property, plant and equipment was pledged (31 December 2020: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Bills receivable	37,302	15,989
Trade receivables	1,566,087	1,507,831
Impairment	(58,450)	(51,948)
	1,544,939	1,471,872

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 90 days	832,170	843,616
91 to 180 days	335,293	373,835
181 to 365 days	266,519	125,140
1 to 2 years	53,410	97,945
2 to 3 years	20,245	15,347
	1,507,637	1,455,883

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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11. TRADE AND BILLS PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Bills payable	—	30,356
Trade payables	742,112	527,885
	742,112	558,241

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 90 days	681,525	467,790
91 to 180 days	48,663	49,661
181 to 365 days	9,456	6,270
1 to 2 years	758	2,474
Over 2 years	1,710	1,690
	742,112	527,885

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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12. OTHER PAYABLES AND ACCRUALS AND OTHER LONG TERM PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Current portion:		
Other payables	107,127	127,332
Interest payable	26,167	26,570
Value-added tax payable	27,701	61,479
Payroll and welfare payable	12,593	20,670
Payables to non-controlling interests (Note)	467,673	599,935
	641,261	835,986
Non-current portion:		
Deferred government grant	7,417	7,511
Payables to non-controlling interests (Note)	125,032	120,249
	132,449	127,760

Note:

Payables to non-controlling interests mainly represent the contractual obligations of the Group to acquire the remaining 10.5% interests in Anbaida Group Companies and the remaining 30% interests in each of Shengshiyuan and Kaihongda as at the end of the reporting period.

12. OTHER PAYABLES AND ACCRUALS AND OTHER LONG TERM PAYABLES (CONTINUED)

Note: (continued)

The details during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, 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 Bin and Mr. Li Changgui ("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 30 June 2021, the Company completed the acquisition of a 19.5% equity interest and paid RMB438,750,000 to Mr. Li.

As at 30 June 2021, the carrying amount of RMB125,032,000 related to dividend payable to Mr. Li Bin from 2022 to 2025.

- b) 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.
- c) 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.

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13. SHARE CAPITAL

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Issued and fully paid: 2,345,687,500 (31 December 2020: 2,356,322,500) ordinary shares of HKD0.025 each	46,867	47,088
Treasury shares: 1,957,500 (31 December 2020: Nil) ordinary shares of HKD0.025 each	41	—
	46,908	47,088

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

	Number of shares in issue ('000)	Share capital RMB'000
At 31 December 2020 and 1 January 2021 (audited)	2,356,322	47,088
Repurchase and cancellation of shares (Note)	(8,677)	(180)
At 30 June 2021 (unaudited)	2,347,645	46,908

Note: During the six months ended 30 June 2021, the Group repurchased 10,635,000 shares on the Hong Kong Stock Exchange for a total consideration of HK\$12,269,000 in accordance with section 257 of the Hong Kong Companies Ordinance, among which 8,677,500 shares were cancelled and 1,957,500 shares were treasury shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Mr. Li Bin*	Director of the Company
Shanghai Qinyi marketing center	Controlled by Mr. Li Bin
Shanghai Lushun enterprise marketing center	Controlled by Mr. Li Bin
Ms. Liu Hong	Close family member of Mr. Li Bin
Ms. Li Yue	Close family member of Mr. Li Bin

* Mr. Li Bin was appointed as an executive director of the Company on 18 June 2021.

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Rental and marketing fee		
Ms. Li Yue	883	N/A
Ms. Liu Hong	49	N/A
Mr. Li Bin	18	N/A
Shanghai Qinyi marketing center	315	N/A
Shanghai Lushun enterprise marketing center	237	N/A
	1,502	N/A

Note: Rental and marketing fees were charged in line with the terms in the agreement.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Other receivables		
Ms. Li Yue	10,411	N/A
Ms. Liu Hong	330	N/A
Mr. Li Bin	100	N/A
	10,841	N/A
Other payables		
Mr. Li Bin	236,250	N/A
Ms. Li Yue	10,000	N/A
	246,250	N/A
Other long term payables		
Mr. Li Bin	125,032	N/A

All above balances with related parties were interest-free and with no fixed repayment terms.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Short-term employee benefits	4,206	4,071
Pension scheme contributions	69	14
	4,275	4,085

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	1,583,161	1,646,390	1,229,366	855,043

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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15. FAIR VALUE 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 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 senior notes is based on the quoted market price. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of financial liabilities including other long-term payables as at 30 June 2021 was assessed to be insignificant.

16. EVENTS AFTER THE REPORTING PERIOD

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

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