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

2023
ANNUAL REPORT
年度報告

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Liao Changxiang
(Chief Executive Officer)
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Liang Junxiong *(resigned on 28 March 2024)*

NON-EXECUTIVE DIRECTOR

Mr. Hartono James *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Ziwei *(appointed on 31 May 2023)*
Mr. Koeswondo Michael David
(appointed on 31 May 2023)
Mr. Zeng Jinsong
Dr. Hu Yiming *(resigned on 31 May 2023)*
Mr. Sutikno Liky *(resigned on 31 May 2023)*

AUDIT COMMITTEE

Mr. Zhao Ziwei *(Chairman)*
(appointed on 31 May 2023)
Mr. Zeng Jinsong
Mr. Koeswondo Michael David
(appointed on 31 May 2023)
Dr. Hu Yiming *(resigned on 31 May 2023)*
Mr. Sutikno Liky *(resigned on 31 May 2023)*

NOMINATION COMMITTEE

Mr. Koeswondo Michael David *(Chairman)*
(appointed on 31 May 2023)
Mr. Zeng Jinsong
Mr. Zhao Ziwei *(appointed on 31 May 2023)*
Mr. Sutikno Liky *(resigned on 31 May 2023)*
Dr. Hu Yiming *(resigned on 31 May 2023)*

REMUNERATION COMMITTEE

Mr. Zeng Jinsong *(Chairman)*
Mr. Zhao Ziwei *(appointed on 31 May 2023)*
Mr. Koeswondo Michael David
(appointed on 31 May 2023)
Dr. Hu Yiming *(resigned on 31 May 2023)*
Mr. Sutikno Liky *(resigned on 31 May 2023)*

INVESTMENT COMMITTEE

Mr. Hartono James *(Chairman)*
Ms. Liao Changxiang
Ms. Wang Hong

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Ngai Tsz Hin Michael

INDEPENDENT AUDITORS

BDO Limited
Certified Public Accountant
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
(appointed on 28 July 2023)

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong
(resigned on 7 July 2023)

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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(changed on 3 October 2023)

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN SHANGHAI

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Min Hang District
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LEGAL ADVISERS

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266 Han Kou Road
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As to Cayman Islands law
Conyers Dill & Pearman (Cayman) Limited
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P.O. Box 2681
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Cayman Islands

As to Hong Kong Law
Khoo & Co.
Suite 2105
21/F, Central Plaza
18 Harbour Road
Hong Kong

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
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

STOCK CODE

2393

COMPANY WEBSITE

http://www.yestarcorp.com

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear valued shareholders,

On behalf of the board of directors (the "**Board**") of Yestar Healthcare Holdings Company Limited (the "**Company**" or "**Yestar**" and, together with its subsidiaries, the "**Group**"), I am pleased to present the annual report for the year ended 31 December 2023 (the "**Year**") to our shareholders.

Impacted by the combined effects of the COVID-19 pandemic and geopolitical crises, the world economy was at a historic crossroads in 2023. Against this backdrop, the stability of the global economy was threatened by a number of issues faced by macro economy around the globe, such as an increasingly uneven recovery, continual international trade friction, rising geopolitical risk, the Russo-Ukrainian war and the intensification of the Israeli — Palestinian conflict. Notwithstanding the complicated and volatile international economic situation, there were still opportunities that came along with challenges. The Federal Reserve of the United States (the "**US**") maintained its interest rate hike, albeit at a slower pace in 2023. This has in turn sustained the high exchange rates of the US dollar throughout 2023, which had an adverse impact on the Group. Despite the erratic external environment and intensifying market competition, the Group stayed true to its original aspirations, proactively developed its potential, and turned the crisis into opportunities through upgrading the processing technique of its medical films, color photographic paper and industrial imaging products, thereby enhancing its gross profit margin. It also developed and commercialised the results of its scientific research to conduct assimilation, integration and re-development in order to aggressively expand the film and related business. It sped up the research and development ("**R&D**") and production of 780nm laser films and printers and resumed the production and sale of 135 color film rolls in an effort to extend the scope of Yestar's products and broaden the Group's profit stream. The Group also puts great emphasis on the management of its intellectual properties, constantly sums up its R&D and production experience, and patents and protects innovative technologies arising from such experience so as to broaden the scope of its intellectual properties and bolster its long-term growth. As at the end of 2023, the subsidiary of the Group in Guangxi has been granted a total of 152 patents, including 9 invention patents, 114 utility model patents and 29 software copyrights.

The novel coronavirus infection was re-designated from a "B-type" infection that requires "A-type" prevention and control measures to a "B-type" infection that requires "B-type" prevention and control measures starting from 8 January 2023. The complete re-opening of China from COVID-19 pandemic control measures had a tremendously positive impact on the Group's operation. As the number of infections surged in a giant infection wave across the country, demand from patients for myocardium reagents exploded in the first quarter. Being a primary distributor of such reagents in the Guangdong region, Hongen (a subsidiary of the Group in Guangzhou) recorded rising sales. Furthermore, not only did Hongen exceed sales expectations, but it also strove to provide quality services and satisfy the needs of the customers, hospitals and patients.

Meanwhile, the central government sped up its healthcare reform in 2023 and curbed prices by implementing centralised procurements for key markets of the Group such as Guangdong Province and Beijing. As a result, our sales in these provinces and municipalities were impacted. Nonetheless, the Group believes that challenges coexist with opportunities in the healthcare industry, and therefore actively explores business opportunities while maintaining its existing sales. In 2023, the Group put in 17 bids for the centralised quantity-specific procurements of biochemical reagents for renal function and cardiac enzymes organised by the National Healthcare Security Administration to supply the In Vitro Diagnostic ("**IVD**") reagents of the Group's in-house brand, "Yestar Smart" (巨星思邁), to a coalition of 24 provinces and won all these bids. Biochemical reagents for renal function and cardiac enzymes are items in the biochemical reagent category with high

CHAIRMAN'S STATEMENT

added value. The winning of these centralised quantity-specific procurements was a major milestone in the Group's effort to expand the domestic market of its in-house biochemical IVD product brand. As of the date hereof, the IVD products of our in-house brand, "Yestar Smart" (巨星思邁), have attracted over 20 second- and third-tier hospitals in Guangxi, Guangdong, Jiangsu, Hainan, Guizhou and other regions. The Group aims at providing its customers with products and services with high value for money. In view of the overall national policy to replace foreign products with domestic ones, the Group gained sales momentum by proactively carrying out the R&D, production and sale of cleansing agents and auxiliary consumables for the chemiluminescent immunoassay (CLIA) devices of imported brands, such as Roche, Abbott, Beckman and Siemens, and rigorously expanding their markets. Fully automatic CLIA devices (model numbers: SMART-1200, SMART-2000 and SMART-9000) developed independently by the Group use auxiliary reagents based on directly chemiluminescent acridinium esters. In clinical applications, they can detect the amount of its targets in samples of human serum, blood plasma, whole blood and urine. Major targets include cardiomyopathy, functional gastrointestinal disorders, bleeding disorders and coagulopathy, tumor-associated antigens, hormones, infectious diseases and other diseases. With their unique and innovative characteristics, CLIA products provide creative testing methods and diagnostic and treatment solutions for clinical diagnosis. Moving forward, they will provide key engines of sales growth and strong support for the high-quality development of the Group.

Focusing on its "Yestar Smart" (巨星思邁) films and fully automatic CLIA products, the Group started to explore overseas markets in 2023 in collaboration with a partner with exhibition and client resources across the world. Due to their populations and healthcare security policies, Southeast Asian countries exhibit surging demand for medical devices. Furthermore, the Group has accumulated years of experience and resources in business operations in those countries. As such, the Group has chosen Southeast Asia as the start of its overseas market development. As at the date hereof, it has established stable partnerships with distributors in certain Southeast Asian countries. In particular, the Group commenced precise sales activities and successfully recorded bulk product sales in Vietnam. In the meantime, the Group has been in active communications and negotiations with partners in other Southeast Asian countries with the aim of creating win-win outcomes from future collaborations. In addition to Southeast Asia, the Group also rigorously expanded into other overseas markets, such as Turkey and Malaysia. The Group will thoroughly study local market demands and formulate customised marketing strategies according to respective local features so as to constantly improve the competitive strengths of its products in the international market. In the future, the Group will vigorously carry out its globalisation strategy, build up its strength, plan for the future, explore new business models for overseas markets in countries around the Belt and Road Initiative, join hands with more partners and carry on the Group's globalisation in a more steady, extensive and firm manner.

In 2024, the Group will continue to make strategic investments in technological innovations and product R&D in order to lay down the sound foundation for innovative systems, such as R&D management, technological innovation and new product development, and provide resources and support for continuous innovation and technologies in reserve. Through building up its scientific research platform and constantly improving its production techniques, the Group will strengthen its R&D capability and maintain its technological edge and core competitiveness in the industry. In terms of talent grooming, the Group will continue to enlarge its investment in R&D and the expansion of its marketing network. It will start with its human resources strategy, recruitment of external talent, internal training and incentive schemes, and then step up its recruitment and grooming of talent. With this system that combines external recruitment and internal development, it will establish a talent reserve that focuses on recruiting topnotch talent, optimise its R&D and marketing teams, and improve its technological capability and core competitiveness. At the same time, it will embrace positivity, demonstrate vitality and turn itself into an outstanding enterprise with high efficiency, clear directions, strong passion and united goals. With the brilliant prospect, we must forge ahead. The Group will maintain its pace of development with every effort and continue to innovate new ways to seize the future.

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, noteholders, shareholders and customers for their unfailing support and confidence in the Group during the Year.

Hartono James
Chairman

27 March 2024

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 People's Republic of China (the "PRC"). The Group principally engages in the distribution of IVD products in the cities of Beijing, Guangzhou and Shenzhen, and the provinces of Anhui, Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu and 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".

CORPORATE STRATEGY, BUSINESS MODEL AND CULTURE

The Group has the mission to expand and consolidate its market share making itself one of the largest distributors and service providers of IVD products in the PRC and manufacturing IVD reagents under its house brand, whilst maintaining long-term sustainable profitability and asset growth with the adoption of a predetermined business model and strategy and prudential risk and capital management framework. To enable the Group to implement the business model and enhance profitability, the Board creates a culture that respects and promotes opportunities to exchange ideas for its research and development, financial and operating procedures, the management will implement and consolidate its corporate culture across all levels of the Group. The Board plays a leading role in defining the purpose, values and strategic direction of the Group and in fostering a culture that is forward looking and competitively focused. The desired culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders. The Board oversight of culture encompasses a range of measures and tools over time, including workforce engagement, employee retention and training, stringent financial reporting, effective and accessible whistleblowing framework, legal and regulatory compliance (including compliance with the Code of Conduct and group policies), as well as staff safety, wellbeing and support.

To be substantiable and enhance long term value of the shareholders, for the year 2023, the Group strives to promote its IVD products and has obtained 49 IVD product registration/filing certificates, including 33 for biochemical reagents, 7 for immunological reagents and 9 for the filing of cleansing agents. As at the end of 2023, the Group has obtained a total of 99 IVD product registration/filing certificates.

To consolidate our market share and position, the Group has already established an independent marketing team to make full use of its extensive marketing network and to enhance the sales of IVD products under the house brand "Yes!Star". The Group actively participates in the collective procurement bidding of medical film across the country in order to expand the market penetration of medical film developed independently by the Group.

The Board and the management have played and will continue to play a proactive role in the Group's development of a business model to preserve the culture of the Group; the Group's business strategic drive for business expansion; and the Group's strategic goals to motivate staff to achieve business and financial targets. Taking into account the corporate culture, the Board considers that the culture and the purpose, value and strategy of the Group are aligned.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

For the year 2023, the downward trend of the global economy has gradually slowed down, while the economy of the PRC has shown positive momentum. According to the preliminary estimated data published by the National Bureau of Statistics on 17 January 2024, China's gross domestic product (GDP) for 2023 was RMB126,058.2 billion, representing a year-on-year increase of 5.2%. It symbolized a steady recovery in the national economy.

Looking back for the year 2023, the medical industry, especially the IVD market in the PRC remained growing and became an increasingly important sector within the national healthcare system. The demand for medical device products and the medical healthcare market in the PRC continued to grow rapidly, and such continual growth is driven by a combination of favourable socio-economic factors (i) the growth of the PRC population's disposable income and spending on healthcare, (ii) the increase of the overall PRC population both in urban and rural area and the accelerated ageing population, (iii) the expansion of the PRC economy, and (iv) strong support from the PRC government on healthcare spending as well as on continuous technological innovation. In addition, the PRC government has issued various policies in recent years to increase infrastructure construction and capital investment in the medical field and promote the localization and innovation of medical devices. All the above promoted the rapid, steady and high-quality development of the medical healthcare industry in the PRC.

From the perspective of market size, current market size of our medical healthcare in the PRC is about USD17.5 billion in 2023, which contributed China becomes the second largest market for medical devices globally after the United States of America; while the growth rate of medical industry in the PRC is expected to reach USD 21 billion by 2028, with an annual growth rate of around 4% to 5%. The Group expects that there will be significant growth potential for the healthcare market, especially the IVD industry in the PRC, driven by strong fundamentals and evolving dynamics.

BUSINESS OVERVIEW

Research, Production and Sale of IVD Products

1. *Product Registration*

In 2023, the Group obtained 49 IVD product registration/filing certificates, including 33 for biochemical reagents, 7 for immunological reagents and 9 for the filing of cleansing agents. As at the end of 2023, the Group has obtained a total of 99 IVD product registration/filing certificates.

2. *Successful Bids for Centralised Procurements in the PRC*

In year 2023, the Group put in 17 bids for the centralised quantity-specific procurements of biochemical reagents for renal function and cardiac enzymes organised by the National Healthcare Security Administration to supply the IVD reagents of the Group's in-house brand named "Yestar Smart" (巨星思邁) to a coalition of 24 provinces and won all these bids. Biochemical reagents for renal function and cardiac enzymes are items in the biochemical test category with high added value. The winning of these centralised quantity-specific procurements was a major milestone in the Group's effort to further expand the domestic market of its in-house biochemical IVD product brand.

3. *Marketing in the PRC*

The Group commences the marketing of the IVD products of its in-house brand named "Yestar Smart" (巨星思邁) in the PRC upon obtaining the respective marketing approvals of such products. As of the date hereof, the Group has attracted over 20 second- and third-tier hospitals in Guangxi, Guangdong, Jiangsu, Hainan, Guizhou and other regions. The Group aims at providing its customers with products and services with high value for money. In view of the overall national policy to replace foreign products with domestic ones, the Group gained sales momentum by proactively carrying out the research and development ("R&D"), production and sale of cleansing agents and auxiliary consumables for the chemiluminescent immunoassay (CLIA) devices of certain international brands of auxiliary products, and rigorously expanding their markets. Fully automatic CLIA devices (model numbers: SMART-1200, SMART-2000 and SMART-9000) developed independently by the Group use auxiliary reagents based on directly chemiluminescent acridinium esters. In clinical applications, they can detect the amount of its targets in samples of human serum, blood plasma, whole blood and urine. Major targets include cardiomyopathy, functional gastrointestinal disorders, bleeding disorders and coagulopathy, tumour-associated antigens, hormones, infectious diseases and other diseases. With their unique and innovative characteristics, CLIA products provide creative testing methods and diagnostic and treatment solutions for clinical diagnosis. Moving forward, they will provide key engines of sales growth and strong support for the high-quality development of the Group.

4. *Development in Overseas Markets*

Focusing on its "YESTAR SMART" films and fully automatic CLIA products, the Group started to explore overseas markets in 2023 in collaboration with a partner with exhibition and client resources across the world.

Due to their populations and healthcare security policies, Southeast Asian countries exhibit surging demand for medical devices. Furthermore, the Group has accumulated years of experience and resources in business operations in those countries. As such, the Group has chosen Southeast Asia as its first presence for overseas market development. As at the date hereof, it has established stable partnerships with distributors in certain Southeast Asian countries. In particular, the Group commenced precise sales activities and successfully recorded bulk product sales in Vietnam. In the meantime, the Group has been in active communications and negotiations with partners in other Southeast Asian countries with the aim of creating win-win outcomes from future collaborations.

In addition to Southeast Asia, the Group also rigorously expanded into other overseas markets, such as Turkey and Malaysia. The Group will thoroughly study local market demands and formulate customised marketing strategies according to respective local features so as to constantly improve the competitive strengths of its products in the international market.

Pet Products

The pet market in the PRC is ushering in a golden age with innovative product categories and provides ample room for developing strong pet product brands. The Group entered the pet market in 2023 by launching cat litter and pet foods (such as cat foods) of its in-house brands with a view to creating new profit streams.

Conventional Film Business

In year 2023, the Group proactively promoted the laser films and thermal films of its in-house brands, commenced the consigned processing business and expanded the production capacity of industrial films, thereby setting a new record of total annual film output. Meanwhile, it also introduced the latest technologies and commercialised the results of its scientific research in order to conduct assimilation, integration and re-development with an aim to aggressively expand the film and related business. It sped up the R&D and production of 780nm laser films and laser film printers and resumed the production and sale of 135 colour film rolls in an effort to extend the scope of Yestar's products and broaden the Group's profit stream. The Group also puts great emphasis on the management of its intellectual properties, constantly sums up its R&D and production experience, and patents and protects innovative technologies arising from such experience in a timely manner so as to broaden the scope of its intellectual properties and bolster its long-term growth. As at the end of 2023, the subsidiary of the Group in Guangxi has been granted a total of 152 patents, utility model, software copyrights and other authorisations.

Technological R&D

To bolster its continuous R&D and innovation abilities as well as core competitive strengths, the Group attracts and retains outstanding scientists and researchers in order to lay the foundation and support for future product upgrades, R&D and innovations as well as commercialisation in the IVD field. Its subsidiary in Guangxi established an IVD R&D centre in year 2023 to integrate product R&D, talent grooming, inspection and testing, the application of results as well as other comprehensive functions. The Group has also expanded its investment in the R&D and innovation of the conventional film business, thereby developing a series of technologies, techniques, materials and equipment with enormous market potential.

Recruitment and Grooming of Talent

The Group firmly upholds the belief that talent is the most precious asset of an enterprise and, therefore, actively recruits, selects and nurtures talent, especially in the R&D, technological and marketing fields. In 2023, the Group attracted a number of outstanding members to its team by establishing a comprehensive incentive scheme.

Capitalising on its team of high-caliber members, the IVD R&D centre set up in 2023 by the Group's subsidiary in Guangxi has formulated a multi-dimensional corporate R&D system to strengthen product R&D abilities as well as technological innovation and upgrade capacities. It has also established separate sales teams with elite members for medical, imaging, pet and other product categories. Each of these teams focuses on the sale and marketing of specific products so as to respond and adjust sales strategies in a timely manner. In addition, we have also reinforced our internal training and staff ability advancement programmes so as to enhance the work skills and overall attributes of the staff and provide a constant push for the Group's development.

Disposal of Anbaida Group Companies and Discontinued Operation

References are made to the announcement and the supplemental announcement of the Company dated 30 December 2022 and 23 March 2023 and the circular of the Company dated 13 December 2023 in relation to the equity transfer agreement, pursuant to which a subsidiary of the Company conditionally agreed to sell, and Mr. Li Bin conditionally agreed to acquire the shares of Anbaida Group Companies at a consideration of RMB574,750,000 (the "Disposal").

On 28 December 2023, the Company convened an extraordinary general meeting to approve all related resolutions in relation to the Disposal, and all resolutions were duly passed. Since all the conditions precedent under the equity transfer agreement have been fulfilled and the completion took place on 12 January 2024 in accordance with the terms of the equity transfer agreement. Following the completion, the Company has ceased to hold any equity interests in Anbaida Group Companies. Accordingly, Anbaida Group Companies have ceased to be the subsidiaries of the Company and will no longer be consolidated into the consolidated financial statements of the Group, and hence it is therefore reclassified as discontinued operations in the consolidated financial statements of the Company.

Arbitration

Reference is made to the announcement of the Company dated 11 November 2016 (the "Announcement") in respect of, amongst other things, the acquisition of 70% equity interests in Guangzhou Shengshiyuan Trading Company Limited ("Shengshiyuan"). Unless otherwise stated herein, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

During the Year and in June 2023, one of the vendors of the Shengshiyuan holding 6% of Shengshiyuan (the "Applicant") requested the Company to acquire his related equity interest in the 30% equity interest of Shengshiyuan at a consideration of RMB22,542,000, calculated according to a 10 times price to 2019 Net Profit (being RMB37,570,000), and demanded for liquidated damage from the Company for being not honor the Share Transfer Agreement to acquire the Remaining Interest for RMB9,089,936 (as accrued up to 10 May 2023) upon their fulfilment of profit guarantee for the three years ended 31 December 2019 without any separate agreement being entered among the vendors of Shengshiyuan for such acquisition.

The Group has received a notice from Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) (the "Arbitration Centre") for the commencement of arbitration procedure against the Company. The Company has submitted relevant statements of fact as well as defence documents to Arbitration Centre, and the legal representative of the Company has prepared the defence documents and the arbitration procedures.

The first hearing of the arbitration procedures has been conducted in November 2023 and there is no further statements of fact as well as supporting documents for reasoning required to be submitted to Arbitration Centre by the Company for further consideration and arbitration award purposes.

Subsequent to the Year and on 28 February 2024, the arbitration results (the "Arbitration Results") was concluded as follows:

(1) The Company shall pay the consideration of RMB22,540,473 of the related equity transfer to the Applicant;

(2) The Company shall pay the legal fee of RMB80,000 to the Applicant;

(3) The Company shall pay RMB226,827 in respect of the fee of the arbitration; and

(4) The Arbitration Centre does not support any other arbitration claims made by the Applicant.

The aforesaid Arbitration Results were final and conclusive. The Company shall fulfil the payment obligations to the Applicant in relation to the above decision within 30 days from the effective date of Arbitration Results.

Meanwhile, on 15 March 2024, the Company has applied to the Shanghai Second Intermediate People's Court for revocation of Arbitration Results concluded on 28 February 2024. The Company will keep the shareholders and potential investors of the Company informed of any further significant development in relation thereto or any notification obligation by way of announcement in relation to the acquisition of the Remaining Interest of the Target Company as and when appropriate.

For details, please refer to the announcements of the Company dated 14 June 2023 and 6 March 2024.

Offshore Debt Restructuring

In order to provide a solution for the New Senior Notes that have remained in default since December 2022 given the Company's continued liquidity situation, and provide an important exit for noteholders in a market where there is otherwise close to no trading liquidity for the New Senior Notes, during the Year and in December 2023, the Company has announced the proposed restructuring of the existing liabilities outstanding under the New Senior Notes, which is intended to be implemented by way of a Cayman Scheme (the "Restructuring Scheme").

Subsequent to the Year, notice of scheme meeting in the Grand Court of the Cayman Islands has been issued to scheme creditors for the purpose of considering and, if thought fit, approving the Restructuring Scheme, and on 28 February 2024, the Grand Court of the Cayman Islands sanctioned the Restructuring Scheme without modification. The Company has paid the redemption amount to redeem all of the outstanding Senior Notes together with accrued but unpaid interest on 14 March 2024. On 18 March 2024, the Senior Notes have all been redeemed and cancelled thereafter. After such redemption and cancellation, there was no outstanding Senior Notes and the Senior Notes has been delisted from the Singapore Exchange Securities Trading Limited.

For details, please refer to the Company's announcements dated 6 December 2023, 24 January, 8 February, 20 February, 1 March, 11 March and 14 March 2024.

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2023, 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, the Group did not recognise any impairment loss on goodwill in the above acquired companies for the Year (2022: RMB295.4 million).

In addition, there was no impairment loss of other intangible assets (which included distribution rights and customer relationship) recognised in the consolidated statement of profit or loss as other expense for the Year (2022: RMB483.0 million).

Reversal of Financial Assets Impairment Loss under Expected Credit Loss Model

Reversal of certain financial assets impairment losses of RMB49.3 million under expected credit loss methodology recorded for the Year, while impairment losses of financial assets under expected credit loss methodology recorded RMB141.7 million for the year ended 31 December 2022, which was primarily due to the settlement of principal amount of investment products from a company and short-term loans from a business party during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As all restrictions were lifted in 2023, the Group's overall revenue from continuing operations for the Year increased by 3.9% yoy to RMB2,912.7 million (2022: RMB2,804.5 million). Gross profit from continuing operations rose by 29.0% yoy to RMB512.8 million (2022: RMB397.6 million) and gross profit margin from continuing operations increased from 14.2% to 17.6%, mainly attributable to the increase in the gross profit margin of the Group's medical business. Selling and distribution expenses from continuing operations decreased by 32.0% yoy to RMB116.4 million (2022: RMB171.2 million), which was due to the effective strict cost control policies on selling and distribution expenses implemented by the Company during the Year. Administrative expenses from continuing operations recorded a yoy increase of 36.4% to RMB264.2 million (2022: RMB193.7 million), which was due to the payment of professional fees and expenses relating to debt restructuring and the increase in research and development expenses of the Company during the Year. Other expenses from continuing operations decreased by 86.8% to RMB17.5 million (2022: RMB132.6 million), which was due to the absence of impairment of goodwill and intangible assets during the Year. Loss attributable to the owners of the Company for 2023 was approximately RMB9.3 million (2022: loss of RMB460.3 million). Basic loss per share from continuing operations amounted to RMB0.4 cents (2022: loss per share of RMB19.7 cents). The Board has resolved not to declare any dividend for the year ended 31 December 2023 (2022: Nil).

Medical Business — 91.9% of Overall Revenue

In 2023, demand for the Group's IVD consumables increased, mainly attributable to the surge in demand for cardiac products from cardiac patients with COVID-19 in the first quarter of 2023. This segment of continuing operations recorded a revenue of RMB2,676.0 million (2022: RMB2,540.9 million), representing a yoy increase of 5.3%. Gross profit of this segment of continuing operation was RMB470.4 million (2022: RMB395.1 million). Gross profit margin of this segment of continuing operation also increased by 2.1 percentage points ("p.p.") to approximately 17.6% (2022: 15.5%). This was mostly due to a higher proportion of the sale of cardiac products, which have high gross profit margins.

Numbers of Hospitals and Clinics Covered

For the year ended 31 December	2023	2022	YOY change
Provinces			
Anhui	**27**	2	1,250%
Fujian	**89**	85	5%
Guangdong	**331**	417	−21%
Guangxi	**40**	60	−33%
Guizhou	**4**	0	—
Hainan	**52**	61	−15%
Hebei	**54**	54	—
Hunan	**31**	31	—
Jiangsu	**276**	260	6%
Autonomous region			
Inner Mongolia	**2**	10	−80%
Tier-1 cities			
Beijing	**223**	224	0%
Guangzhou	**126**	139	−9%
Shanghai	**315**	315	0%
Shenzhen	**69**	69	0%
Overall	**1,639**	1,727	−5%

MANAGEMENT DISCUSSION AND ANALYSIS

Non-medical Business — 8.1% of Overall Revenue

Apart from the medical business segment, the non-medical business of the Group mainly consists of the manufacturing, marketing, distribution and sale of Fujifilm colour 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 enjoys relatively stable demand, and has generated stable cash flows for the Group in the previous years. Although demand for industrial imaging products rebounded in tandem with the resumption of economic activities in 2023, demand for colour photographic paper (professional and minilab) dropped. As a result, overall revenue from continuing operations of the non-medical business decreased by 10.2% yoy to RMB236.8 million (2022: RMB263.6 million). Nevertheless, the gross profit margin of this segment increased by 17.0 p.p. to 17.9% (2022: 0.9%), which was mainly attributable to the recognition of impairment loss of inventory and price reduction in 2022. In the absence of such adjustments, the gross profit margin returned to normal in 2023. Although the sale revenue of the non-medical business segment dropped, the Group is still confident about the market of industrial imaging products and will actively explore new sectors so as to lay the foundation for achieving sustainable financial results in the future.

Liquidity and Financial Resources

The Group has cash and cash equivalents of approximately RMB203.1 million as at 31 December 2023 (2022: approximately RMB294.3 million). The decrease in cash and cash equivalents was mainly due to the net effect of reclassification to assets held for sale of RMB154.8 million and the settlement of principal amount of investment products from a company and short-term loans from a business party of RMB49.5 million during the Year.

As at 31 December 2023, the Group's gearing ratio was approximately 150% (2022: approximately 141%), 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 2023.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2023 was approximately RMB1,571.6 million (2022: approximately RMB1,689.1 million). Except for the senior notes of RMB1,377.6 million and secured bank loans of RMB19.1 million which are denominated in USD, 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 2023 was approximately 0.77 (2022: approximately 0.71), based on current assets of approximately RMB2,867.1 million and current liabilities of approximately RMB3,721.4 million.

As at 31 December 2023, the total assets of the Group was RMB3,426.2 million, net current liabilities was RMB854.3 million and deficit attributable to shareholders was RMB457.5 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses from continuing operations decreased by approximately 32.0% from approximately RMB171.2 million in 2022 to approximately RMB116.4 million in 2023, and accounted for about 4.0% and about 6.1%, respectively, of the Group's revenue for the respective reporting years. Such decrease was mainly attributable to the effective strict cost control policies on selling and distribution expenses implemented by the Company during the Year.

Administrative Expenses

The Group's administrative expenses from continuing operations increased by about 36.4% from approximately RMB193.7 million in 2022 to approximately RMB264.2 million in 2023, and accounted for about 9.1% and about 6.9%, respectively, of the Group's revenue for the respective reporting years. Such increase was mainly due to the payment of professional fees and expenses relating to debt restructuring and the increase in research and development expenses of the Company during the Year.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings and the related expenses on Senior Notes. The aggregate amount of interest from continuing operations incurred was approximately RMB164.7 million (2022: approximately RMB273.1 million). Such decrease was mainly due to the significant decrease in interest expenses for the Senior Notes for the Year.

For the Year, interest rates of the interest-bearing loans ranged from 2.47% to 6.90%, while those for the year ended 31 December 2022 ranged from 2.08% to 9.80%.

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 minimise the exchange risk.

Share Capital and Capital structure

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's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group finances its working capital requirements through a combination of funds generated from operations, disposal of assets of the Company and bank borrowings as well as conducting a restructuring on the outstanding senior notes.

Human Resources and Remuneration Policies

As at 31 December 2023, the Group's continuing operations had 713 (2022: 750) employees, including Directors. Total staff costs (including Directors' emoluments) of the continuing operation were approximately RMB163.5 million for the Year as compared to approximately RMB164.8 million for the year ended 31 December 2022.

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.

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.

Since the contribution to the pension schemes and for the Year, there was no contributions forfeited by the Group (31 December 2022: 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 31 December 2023, 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 D2 to the Listing Rules.

Significant investments held

The Group holds two one-year fixed-interest (annual interest rate: 6%) investment products from a company with the principal amount of US$3.7 million and US$4.4 million since 2022, which were expired on 31 May 2023 and 4 July 2023, respectively without renewal by the Group upon expiry.

The Group then agreed on the repayment plan with that company for the outstanding principal and interest relating to the above two investment products.

As at 31 December 2023, that company has settled the amount of US$4.9 million (about RMB33.6 million) on schedule in line with the agreed repayment plan. The aggregate outstanding amount (principal and interest) due to the Group relating to the investment products of approximately US$4.7 million (about RMB33.2 million) from that company is also expected to be repaid to the Company on schedule. The Company will keep a close monitor on collecting the outstanding receivable.

Save as disclosed above and 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 2023, 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.

Capital Commitments

As at 31 December 2023, the Group had no significant capital commitments.

Material acquisitions and disposals of subsidiaries and affiliated companies

References are made to the announcement and the supplemental announcement of the Company dated 30 December 2022 and 23 March 2023 and the circular of the Company dated 13 December 2023 (the "Circular") in relation to the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Target Shares at a Consideration of RMB574,750,000. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

As the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 75%, the Disposal and the transactions contemplated thereunder constitute a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and are subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

On 28 December 2023, the Company convened an extraordinary general meeting to approve all related resolutions in relation to the Disposal, and all resolutions were duly passed by the Independent Shareholders as ordinary resolutions of the Company by way of poll.

As all the conditions precedent under the Equity Transfer Agreement have been fulfilled and the Completion took place on 12 January 2024 in accordance with the terms of the Equity Transfer Agreement. Following the Completion, the Company has ceased to hold any equity interests in the Target Companies. Accordingly, the Target Companies have ceased to be the subsidiaries of the Company and will no longer be consolidated into the consolidated financial statements of the Group since 12 January 2024.

Save as disclosed in relation to the Disposal, 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 2023.

Charges of Assets

As at 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately RMB77,444,000 (2022 : RMB79,547,000) were pledged to secure banking loans granted to the Group. 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 all senior notes issued by the Company.

In addition, the following was the pledge of assets as at 31 December 2023:

(i) the Group's bank loans of RMB61,124,000 (2022: RMB102,903,000) were secured by the pledge of the Group's buildings and guaranteed by the Company's subsidiaries.

(ii) the Group's bank loans of RMB84,000,000 (2022: RMB150,108,000) were guaranteed by either a non-controlling shareholder or the Company's subsidiaries.

Contingent liabilities

During the Year, the Group had no material contingent liabilities as at 31 December 2023.

The Company has issued 9.5% senior notes due 2026 (the "New Senior Notes") in the principal amount of US$197,864,523. As at 31 December 2022 and 2023, there is a breach of terms and conditions as stated in the Indenture dated 30 December 2021 in relation to the non payment of interest accrued and redemption of certain percentage of the original principal amount of the New Senior Notes on or before the respective due dates. As the above default have occurred and are currently continuing, the noteholders of the New Senior Notes have the right under the indenture to immediately accelerate repayment of the entire principal amount of the New Senior Notes, together with any premium and accrued and unpaid interest.

MANAGEMENT DISCUSSION AND ANALYSIS

In April 2023, the Group has received a writ of summons under the action number HCA 570 of 2023 from the Court of First Instance of the High Court of The Hong Kong Special Administrative Region in respect of the New Senior Notes. On 6 December 2023, an order under the action number HCA 570 of 2023 has been granted by the Court of First Instance of the High Court of The Hong Kong Special Administrative Region that the Company be released from its undertaking given to the Court; and there is a discontinuation of the legal action against the Company as well as no order as to costs of the consent summons.

Please refer to the Company's announcements dated 17 April 2023 and 7 December 2023 for details.

PROSPECT

The Group expects that there will be significant growth potential for our IVD industry in the PRC, supported from the positive outlook of the growing medical healthcare industry in the PRC.

The Board and the management of the Company will further strengthen our distribution and partnerships, building strong relationships with healthcare providers to secure our market share.

Research, Production and Sale of IVD Products

1. ***Expand Domestic Market for IVD Products of In-house Brands***

   In 2024, not only will the Group step up its effort to expand foreign markets for the IVD products of its in-house brands, but it will also strive to develop the domestic market with the aim of increasing the influence and market share of the products of its in-house brands by enlarging its investment in marketing campaigns, networks and channels.

2. ***Establish R&D Platform for POCT and Plan for Patent Registration***

   To further diversify the IVD product portfolio of its in-house brands, the Group will start to establish a R&D platform for POCT (Point-of-Care Testing) in 2024. It will also keep abreast of IVD reagent development trends, research into and develop reagents with unique features and proactively plan for their patent registrations in order to enhance the competitive strength and technological innovation ability of its in-house brands.

Pet Products

In 2024, the Group will endeavour to further increase the varieties of its pet food products and enter the pet healthcare sector by speeding up the launch of rapid diagnostic test products so as to enter the white-hot pet testing market. Looking forward, the Group will continue to build up the R&D and production of pet healthcare products, pet foods and pet supplies, and roll out more products that meet the needs of pets and the market for the well-being of more pets.

Conventional Film Business

In 2024, the Group will enlarge its technological investment in the conventional film business, research into and adopt modern production technologies and products, and offer technological support to product upgrades and new business streams; develop products using technologies based on its proprietary intellectual properties by bringing in new technologies and analysing and incorporating results; and enhance the competitive strength and market share of the films of the Yestar brand by constantly improving their quality and productivity while reducing their energy consumption, costs and expenses.

Technological R&D

In 2024, the Group will continue to broaden its presence in the IVD market and explore more innovative products and business cooperation opportunities so as to comprehensively empowering its IDV reagents. The Group has two major product lines, namely biochemical diagnostic products and magnetic particle chemiluminescence products. Moving forward, it will further optimise its production techniques and expand its product portfolio; push through technological innovations and application of results by stepping up its research and investment in POCT, flow fluorescence and other fields; and actively cooperate with renowned enterprises at home and abroad in order to bring in advanced domestic and foreign technologies and improve the quality and technological levels of its products.

In the future, the Group will continue to make strategic investments in technological innovations and product R&D in order to lay down a sound foundation for innovative systems, such as R&D management, technological innovation and new product development, and provide resources and support for continuous innovation and technologies in reserve. Through building up its scientific research platform and constantly improving its production techniques, the Group will strengthen its R&D capability and maintain its technological edge and core competitiveness in the industry.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Year, the Company has an update on arbitration results with one of the vendors of the Shengshiyuan, the completion of offshore debt restructuring with its Senior Notes delisted from the Singapore Exchange Securities Trading Limited and also the completion of disposal of Anbaida Group Companies. Please refer to the above paragraphs in this report for details.

Recruitment and Grooming of Talent

In 2024, the Group will continue to enlarge its investment in R&D and the expansion of its marketing network. It will start with its human resources strategy, recruitment of external talent, internal training and incentive schemes, and then step up its recruitment and grooming of talent. With this system that combines external recruitment and internal development, it will establish a talent reserve that focuses on recruiting the best brains, optimise its R&D and marketing teams, and improve its technological capability and core competitiveness. At the same time, it will create a happy, beneficial and positive work environment for the staff in order to embrace positivity, demonstrate vitality and turn the Group into an outstanding enterprise with high efficiency, clear directions, strong passion and united goals.

OTHER INFORMATION

Material uncertainty related to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that as at 31 December 2023, the Group had net current liabilities and total deficiency in net assets of approximately RMB854,327,000 and RMB398,442,000, respectively. Besides, the Group did not repay the principal of US29,176,000 (equivalent to approximately RMB206,645,000) and overdue interests of US$ US$27,717,000 (equivalent to approximately RMB196,313,000 for the senior notes as at 31 December 2023. As a result, the senior notes and the interests with an aggregate amount of US$222,224,000 (equivalent to approximately RMB1,573,945,000) became default and were payable on demand.

In addition, the Group had bank borrowings of RMB194,010,000, among which bank borrowings of RMB170,010,000 are subject to repayment or renewal in the next twelve months after the end of the reporting period, which are identified that may cast significant doubt on the entity's ability to continue as a going concern. As stated in Note 2.1, these events conditions indicate that a material uncertainty exists that 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.

BOARD'S VIEW AND AUDIT COMMITTEE'S VIEW

The Board agreed with the independent auditor's view in respect of the material uncertainty related to going concern. In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in the preparation of a cash flow forecast cover a 18-month period from the end of the reporting period for assessing whether the Group will have sufficient financial resources to continue as a going concern. Management has also performed a sensitivity analysis by considering a reasonable change in operating cash flows on the forecast period and the headroom of the available working capital. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position of the Group.

The Directors, including members of the audit committee, have reviewed the Group's cash flow forecast prepared by management which covers a period of 18-month from the end of the reporting period and relevant sensitivity analysis. They are of the opinion that, taking into account the below-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

ACTION PLAN TO ADDRESS THE GOING CONCERN

(a) The Group has been actively negotiating with senior notes holders such that no action will be taken by the holders to demand immediate repayment of the principal and unpaid interest.

On 7 December 2023, the Company announced a proposed offshore debt restructuring of the existing liabilities outstanding under the 9.5% senior notes due 2026 issued by the Issuer in the principal amount of US$194,506,648 by way of a Cayman scheme (the "Scheme"). The Scheme can be approved by a majority in number, representing at least 75% in value, of the holders of Notes who are present and voting at the scheme meeting convened in respect of the Scheme.

By an order made on 19 January 2024 (the "Scheme Convening Order"), the Grand Court of the Cayman Islands (the "Cayman Court") has directed that a meeting of Scheme Creditors (the "Scheme Meeting") be convened for the purpose of considering and, if thought fit, approving the Scheme on 19 February 2024.

On 19 February 2024, a total of 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 participated in the scheme meeting with 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 voting in favour of the Scheme (being a majority in number of the Scheme Creditors attending and voting at the Scheme Meeting either in person or by proxy and representing 100% of the total value of the Scheme Creditors attending and voting). As such, the Scheme has been approved by the requisite majorities of the scheme creditors. The Scheme will be subject to subsequent approval and sanction of the Court.

On 28 February 2024, the Court granted the approval and sanction to the Scheme.

On 14 March 2024, the Group has fully settled the redemption payment of US$60,500,000 (equivalent to approximately RMB434,738,000). Related work fee, consent fee and reimbursement of legal fee totaled US$11,197,000 (equivalent to approximately RMB80,459,000) were incurred. The proposed debt restructuring was completed.

(b) The Group has been actively negotiating with existing lenders for the renewal of or extension for repayment of outstanding borrowings;

(c) The Group will continue to negotiate with various financial institutions and identify various options for financing the Group's working capital and commitments in the foreseeable future; and

(d) The Group has implemented measures to develop new markets, speed up the collection of outstanding accounts receivables, and control costs and expenses so as to generate adequate net cash inflows.

IMPACT ON THE COMPANY'S FINANCIAL POSITION

These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated net amortisation values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

REMOVAL OF THE GOING CONCERN ISSUE

The Board is aware of the paragraph of material uncertainty related to a going concern in independent auditor's report, and 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 either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Management's assessment of the Company's ability to continue as a going concern as at 31 December 2023 would need to take into consideration the conditions and circumstances and also include cashflow forecast for 18 months period from the end of the reporting period.

Therefore, assuming all the above action plans can be implemented as planned, there are no other material adverse changes to the business, operation and financial conditions of the Group and satisfactory completion of review of the Management's assessment of the Company's going concern, together with sufficient and appropriate evidence, the Company believes that there will be a reasonable basis upon which material uncertainty would be removed in connection with the consolidated financial statements of the Group for the year ending 31 December 2024.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Liao Changxiang, aged 50, joined the Group in June 2007. She is appointed as executive director and chief executive officer in November 2020 and August 2022, respectively. 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 and supervisor of Yestar Biotech (Jiangsu) Company Limited. Upon her appointment as chief executive officer, she is also responsible for business and strategic operation and management of the Group.

Ms. Liao has over 24 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 principal accountant recognised 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 2023.

Ms. Liao obtained a Master of Business Administration from Guangxi University in June 2009.

Ms. Wang Hong, aged 48, 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 graduated from Shanghai University of Finance and Economics (上海財經大學) and has over 25 years of experience in PRC financial accounting and auditing. Prior to joining our Group, Ms. Wang worked as an accountant for different companies for more than 5 years.

Mr. Liang Junxiong, aged 51, joined the Group in March 2011 and is the financial controller of various subsidiaries of the Company. He is primarily responsible for overseeing the financial and accounting matters of Yestar (Guangxi) Technology Co., Ltd., a wholly-owned subsidiary of the Company.

Mr. Liang has over 27 years of experience in accounting, auditing and financial management. Prior to joining our Group, Mr. Liang worked for 廣西博科藥業公司 as a cost accountant from March 2004 to February 2008 and for 高立工貿公司 as the financial manager from March 2008 to February 2011.

Mr. Liang graduated from Guangxi University in 1998, majoring in financial management. He passed the examination for Certified Public Accountant (CPA) qualification in China in 2009 and is certified as a CPA in China. He is currently a non-practicing member of the Chinese Institute of Certified Public Accountants. He also passed the examination for Certified Management Accountant (CMA) qualification in the United States in 2018.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Hartono James, aged 48, is our Chairman since the listing of the Company and also a non-executive Director of the Company.

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 23 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Ziwei, aged 44, joined the Company on 31 May 2023. He is the chairman of audit committee, and member for each of the remuneration committee and the nomination committee of the Company.

Mr. Zhao has about 21 years of experience in auditing and financial Management and has been an executive director of Ruimu Jiajie (Shanghai) Corporate Management Co., Ltd. (睿睦佳捷（上海）企業管理有限公司) since April 2023. Mr. Zhao was the chief financial officer of Shanghai Sishun E-Commerce Co., Ltd (上海司順電子商務有限公司) between June 2018 and March 2023 and was responsible for the financial and financing management of the company. From June 2021 to February 2023, Mr. Zhao was an independent director of Suzhou Molarray Co. Ltd. (蘇州雅睿生物技術股份有限公司). From August 2016 to December 2017, he was acting as the chief financial officer of Xianning Haiwei Composite Material Company Limited (咸寧海威複合材料有限公司). From October 2015 to July 2016, he was acting as the chief financial officer of Shanghai Labway Clinical Laboratory Co., Ltd (上海蘭衛醫學檢驗所股份有限公司). From March 2014 to September 2015, Mr. Zhao was acting as the chief financial officer of Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd (上海圓通蛟龍投資發展（集團）有限公司). He was an audit manager of Ernest & Young for the period from November 2005 to March 2014.

Mr. Zhao obtained a bachelor's degree in business administration from Sichuan University in 2003, passed China's CPA examination in the same year and commenced practice in 2005.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Zeng Jinsong, aged 64, joined the Group on 28 May 2021. He is the chairman of remuneration committee, and member for each of the audit committee and the nomination committee of the Company.

Mr. Zeng has over 33 years of experience in project management as well as research and development. Since 2007, Mr. Zeng has been the vice president of CP Group and is primarily responsible for the research of digital agriculture and agricultural modernisation, the management of new agricultural projects, the cooperation between enterprises and universities, government relations and the cooperation of international industry projects. In addition, he is also the chairman of 正大能源有限公司 (Zhengda Energy Co. Ltd.) and is responsible for the review of the company's operation plans.

Since 2013, Mr. Zeng has been appointed as the Secretary General of the Steering Committee under the China Institute of Rural Studies, Tsinghua University. Since 2016, Mr. Zeng has been appointed as the Secretary General of the Institute of Global Development, Tsinghua University (and the Deputy Director and Secretary General of 醫療與健康研究中心 (the Medical and Healthcare Research Centre) under the Institute of Global Development) and the Chief Consultant to the Center for Development of Sports Industry, Tsinghua University. Since 2019, Mr. Zeng has been appointed as the Deputy Director and Secretary General of 世界文化發展研究中心 (the Research Centre for World Cultural Development), Tsinghua University and the Secretary General of the Institute for Global Industry, Tsinghua University since 2020.

Mr. Zeng obtained a bachelor's degree in mechanics from the Southeast University (formerly known as the Nanjing Institute of Technology) in 1982, a master's degree in vehicle vibration from the Beijing Institute of Technology in 1984, and a doctoral degree in vehicle dynamics from Tsinghua University in 1988.

Mr. Koeswondo Michael David, aged 56, joined the Company on 31 May 2023. He is the chairman of nomination committee, and member for each of the audit committee and the remuneration committee of the Company.

Mr. Koeswondo has over 31 years of experience in human resources management and investment management. He is now acting as a senior managing partner in UDL HOLDING, a private holding company that engages in various business fields, such as property development, construction, law firm, tax consulting firm, business consulting firm, and security management since 2015. In addition, Mr. Koeswondo is also acting as Vice President in Shanghai Paradise Film EIC, Ltd. since 2019 and he is responsible for advisory role on expansion of market share in that industry. From 2013 to 2015, Mr. Koeswondo has been an associate director of Page Executive. From 2007 to 2013, he was a managing director of Synerg and focused on the implementation of human resourcing and recruiting strategies and decisions.

Mr. Koeswondo obtained a master of arts degree in human resources management in Hawaii Pacific University in 1994 and obtained a bachelor of arts degree in communication studies in California State University of Sacramento in 1992.

SENIOR MANAGEMENT

Mr. Ngai Tsz Hin Michael was appointed as the Company Secretary of the Company on 31 December 2021. He has over 11 years of experience in legal industry and had obtained his Bachelor of Laws and postgraduate certificate in laws from City University of Hong Kong in 2011 and 2012, respectively. He is a practicing solicitor in Hong Kong, and currently a principal of Michael Ngai & Co. and a partner of Khoo & Co.. He also serves as a company secretary of various companies listed on the Main Board and GEM of the Stock Exchange.

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 2023 (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.

A fair review of the Group's business, particulars of important events affecting the Group that have occurred during the Year (if any), and indication of likely future development in the Group's business are provided in the "Chairman's Statement", "Management Discussion and Analysis" and "Notes to the Consolidated Financial Statements" sections of this annual report. An analysis using key financial performance indicators is set out in "Management Discussion and Analysis" section while the principal risks and uncertainties are contained in the "Notes to the Consolidated Financial Statements" section of this annual report and the paragraphs below. Compliance with relevant laws and regulations that have a significant impact on the Group can be found throughout the annual report, in particular, the "Corporate Governance Report". Discussions on the Group's environmental policies/performance and our relationship with key stakeholders are covered by "Environmental, Social and Governance (ESG) Report" section of this annual report. The above sections form part of this Report of the 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) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations when such fall due. In order to manage the liquidity risk, the Group has continuously discussed and negotiated with its noteholders to work out the restructuring plan and redemption of the outstanding senior notes as well as maintaining an adequate level of cash and credit facilities to ensure that the Group can meet its finance needs.

(b) Regulatory risk

The imposition of rules and regulations on certain medical consumables brought certain challenges to the industry which affected gross profit of our medical products. In addition, the relevant authorities in the PRC were also deepening the reform of the medical system, and have developed more detailed and clear regulatory requirements for the medical healthcare industry, which will also affect our operational environment subject to the launch of related proposed policies.

(c) Depreciation of RMB against USD

The strong USD over last year led to the depreciation of RMB contributing to the higher expenses on interest payment on senior notes, which also bring negative impact on our business and financial condition as well as our financial results of the Group.

(d) Supplier Concentration Risk

Yestar is heavily dependent on two supplier relationships — with Fujifilm and Roche. Any change in strategic investment policies of Roche Diagnostics or potential conflict with Fujifilm or 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.

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 71 to 92 in this report. This discussion forms part of the report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESULTS AND DIVIDEND

The results of the Group for the Year and the financial position of the Group as at 31 December 2023 are set out in the Financial Statements on pages 98 to 183.

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 dividend for the Year (2022: 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 184. 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.

ISSUE OF SENIOR NOTES

The Group has not issued any debenture and senior notes during the Year.

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.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENT

Other than the Share Option Scheme of the Company, which expired on 17 September 2023, 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 or subsisted at the end of the year.

ARRANGEMENT TO PURCHASE SHARES

Save as disclosed in the section headed "Share Option Scheme" below, which expired on 17 September 2023, at no time during the Year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

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

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 2023, the Company has no reserve available for distribution to Shareholders, calculated in accordance with the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as the Company had net current liabilities and total deficiency in net assets (2022: Nil). Details of the movement in reserve of the Company during the Year are set out in note 37 to the Financial Statements.

CHARITABLE DONATIONS

During the Year, charitable and other donations made by the Group amounted to approximately RMB2.44 million (2022: RMB6.89 million).

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

— the largest supplier	64%
— five largest suppliers in aggregate	97%

Sales

— the largest customer	23%
— 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 2023 are set out in note 23 to the Financial Statements. As at 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately RMB77,444,000 (2022: RMB79,547,000) were pledged to secure banking loans granted to the Group. 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 all senior notes issued by the Company.

In addition, the following was the pledge of assets as at 31 December 2023:

(i) the Group's bank loans of RMB61,124,000 (2022: RMB102,903,000) were secured by the pledge of the Group's buildings and guaranteed by the Company's subsidiaries.

(ii) the Group's bank loans of RMB84,000,000 (2022: RMB150,108,000) were guaranteed by either a non-controlling shareholder or 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

Ms. Liao Changxiang
(Chief Executive Officer)
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Liang Junxiong *(resigned on 28 March 2024)*

NON-EXECUTIVE DIRECTOR

Mr. Hartono James *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Ziwei *(appointed on 31 May 2023)*
Mr. Koeswondo Michael David
(appointed on 31 May 2023)
Mr. Zeng Jinsong
Dr. Hu Yiming *(resigned on 31 May 2023)*
Mr. Sutikno Liky *(resigned on 31 May 2023)*

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from their date of appointment/date of renewal of service agreement, 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 and non-executive Directors has executed a letter of appointment with the Company for a term of three years commencing from their date of appointment/date of renewal of letter of appointment 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.

During the Year, Dr. Hu Yiming and Mr. Sutikno Liky both resigned as an independent non-executive Director of the Company on 31 May 2023 for the purpose of maintaining their objectivity and independence of the Board and the Group as both of them have joined the Company since its listing in 2013 and have consecutively served the Company for nine years.

In addition, Mr. Zhao Ziwei and Mr. Koeswondo Michael David have been appointed as an independent non-executive Director of the Company on 31 May 2023.

REPORT OF THE DIRECTORS

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. Accordingly, Ms. Wang Hong, Mr. Zhao Ziwei and Mr. Koeswondo Michael David shall retire from office at the forthcoming annual general meeting to be held on 31 May 2024 (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 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 26 to 28 of this annual report.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the section headed "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 2023 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-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.

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 decided not to renew or refresh the Share Option Scheme upon its expiry and there is no share option scheme of the Company since 17 September 2023 and up to the date of this report.

As at the date of this annual report, the number of issued Shares of the Company is 2,331,590,000 Shares and there is no number of shares issued or to be issued under the Share Option Scheme of the Company.

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.

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).

EXPIRATION OF THE SHARE OPTION SCHEME

As disclosed above, the Share Option Scheme has a term of 10 years from its adoption date and will expire on 17 September 2023. Upon the expiration of the Share Option Scheme, no further options will be offered.

Since the adoption of Share Option Scheme and up to the date of this report, no option has been granted by the Company to subscribe for shares of the Company and hence there is no option exercised, cancelled or lapsed since its adoption. The Board of Directors has announced that the Share Option Scheme expired on 17 September 2023 and no new share option scheme of the Company has been adopted upon expiration of the existing Share Option Scheme.

For details, please refer to the announcement of the Company dated 25 August 2023.

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 2023, 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	534,375,000	—	20,000,000 (Note 1)	554,375,000	—	554,375,000 (Note 2)	23.78%

Notes:

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

2. Out of 554,375,000 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 2023, 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 2023, 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	16.80%
Hartono Rico	Beneficial owner	265,810,000	11.40%
FUJIFILM Corporation*	Beneficial owner	230,000,000	9.86%
Li Bin	Beneficial owner	164,600,600	7.06%

* 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 2023, 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 2023.

REPORT OF THE DIRECTORS

UPDATE ON DIRECTORS' INFORMATION

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

The monthly salary of Mr. Hartono James increased from about RMB237,100 to about RMB246,600 since 1 February 2024.

The monthly salary of Ms. Liao Changxiang increased from RMB130,000 to RMB135,200 since 1 February 2024.

The monthly salary of Ms. Wang Hong increased from RMB100,000 to RMB104,000 since 1 February 2024.

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.

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 Corporate governance 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.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 42 to 70 in this annual report.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 31 May 2024 (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 28 May 2024 (Tuesday) to 31 May 2024 (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 27 May 2024 (Monday).

AUDITORS

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

Reference was made to the Company's announcements dated 10 July 2023 and 28 July 2023. Changes in the Company's auditors in the preceding three years are set out below. Ernst & Young ("**E&Y**") resigned as the auditors of the Company with effect from 7 July 2023, as the Company and E&Y were unable to reach a consensus in respect of the cost effectiveness of the Company and the proposed audit fees for the Year.

BDO Limited was appointed as the auditor of the Company with effect from 28 July 2023 to fill the casual vacancy following the resignation of E&Y and to hold office until the conclusion of AGM of the Company.

By order of the Board
YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED

Liao Changxiang
CEO and Executive Director

27 March 2024

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "**Board**") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE

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 and regards board of directors, sound risk management and internal controls, and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

Corporate Governance Code

Throughout the year ended 31 December 2023 (the "**Year**"), the Directors consider that the Company has complied with all corporate governance codes ("**CG Code**") as set out in Appendix C1 to the Listing Rules, which have been applied in our corporate governance structure, save for the following:

Code Provisions C.1.6

Under Code Provision C.1.6 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings. Mr. Hartono James ("**Mr. Hartono**"), the non-executive director, and Mr. Sutikno Liky ("**Mr. Liky**"), who resigned as an independent non-executive director on 31 May 2023, both had not attended the annual general meeting held on 31 May 2023 ("**2023 AGM**"). Mr. Hartono had travelled to Singapore, and did not attend the 2023 AGM due to the scheduled back to back meetings and negotiation with majority of noteholders on the day of 2023 AGM to work out on the repayment schedule; while Mr. Liky has other prior important commitments and travelled to United States of America.

Code Provision F.2.2

Under Code Provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Hartono, the chairman of the Board, who had travelled to Singapore, and did not attend the 2023 AGM due to the back to back meetings and negotiation with majority of noteholders on the day of 2023 AGM to work out on the repayment schedule.

Improvement of Corporate Governance

To ensure better corporate governance, during the Year, the Company has engaged a legal advisor on annual basis to ensure the Company's compliance with the Listing Rules, corporate governance codes and all applicable laws, rules, codes and guidelines. In addition, detailed guidelines and checklist relating to notifiable and connected transactions under the Listing Rules have been in place. The Company will organise regular training to directors and senior management on notifiable and connected transactions under the Listing Rules.

CORPORATE GOVERNANCE REPORT

THE BOARD

Corporate Strategy, Business Model and Culture

The Group has the mission to expand and consolidate its market share making itself being one of the largest distributors and service providers of IVD products in the PRC and manufacturing IVD reagents under its house brand, whilst maintaining long-term sustainable profitability and assets growth with adoption of predetermined business model and strategy and prudential risk and capital management framework. To enable the Group to implement the business model and enhance profitability, the Board creates a culture that respects and promotes opportunities to exchange ideas for its research and development, financial and operating procedures, the management will implement and consolidate its corporate culture across all levels of the Group. The Board plays a leading role in defining the purpose, values and strategic direction of the Group and in fostering a culture that is forward looking, change embracing and competitiveness focused. The desired culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders. The Board oversight of culture encompasses a range of measures and tools over time, including workforce engagement, employee retention and training, stringent financial reporting, effective and accessible whistleblowing framework, legal and regulatory compliance (including compliance with the Code of Conduct and group policies), as well as staff safety, wellbeing and support.

To be substantiable and enhance long term value of the shareholders, for the year 2023, the Group strives to promote its IVD products and plans to obtain 79 registration certificates for the products of biochemical series, 69 of which have already been obtained and the remaining have completed the testing for registration, and are expected to be obtained soon.

For products under immunization series, the Group plans to obtain 64 registration certificates.

To consolidate our market share and position, the Group has already established an independent marketing team to make full use of its extensive marketing network and to enhance the sales of IVD products under the house brand "Yes!Star". The Group actively participate in the collective procurement bidding of medical film across the country in order to expand the market penetration of medical film developed independently by the Group.

The Board and the management have played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group; the Group's business strategic drive for business expansion; and the Group's strategic goals to motivate staff to achieve business and financial targets. Taking into account the corporate culture, the Board considers that the culture and the purpose, value and strategy of the Group are aligned.

Role and responsibility of the Board

The Board is accountable to shareholders for the long-term sustainable success of the Company. It is responsible for shaping and overseeing the corporate culture, setting and guiding the long-term strategic objectives of the Company with appropriate focus on value creation and risk management, directing, supervising and monitoring the managerial performance and operating practices of the Group to ensure they align with the desired culture. It also ensures ongoing effective communication with shareholders and engagement with key stakeholders as it develops the purpose and values of the Company. Directors are charged with the task of promoting the long term sustainable success of the Company and making decisions in the best interests of the Company with due regard to sustainability considerations.

CORPORATE GOVERNANCE REPORT

The Board oversees the culture, determines and monitors its policies and business plans, evaluates the performance of the Company, and supervises the management of the Company. Management is responsible for the day-to-day operations of the Group under the leadership of the chairman and CEO, and putting in place mechanisms for ensuring that the desired culture of the Company is understood and shared at all levels of the Group.

The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back. Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or public organisations. The Company has also requested Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company his/her time commitment.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of the latest requirements and be assisted in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may, after making a request to the Board, take independent professional advice at the Company's expense in carrying out their functions.

Composition of the Board

As at 31 December 2023, the Board comprises seven Directors, of which three are executive Directors; one is non-executive Director; 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

Ms. Liao Changxiang *(Chief Executive Officer)*
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Liang Junxiong *(resigned on 28 March 2024)*

NON-EXECUTIVE DIRECTOR

Mr. Hartono James *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Ziwei *(appointed on 31 May 2023)*
Mr. Koeswondo Michael David
(appointed on 31 May 2023)
Mr. Zeng Jinsong
Dr. Hu Yiming *(resigned on 31 May 2023)*
Mr. Sutikno Liky *(resigned on 31 May 2023)*

During the Year, Dr. Hu Yiming and Mr. Sutikno Liky both resigned as an independent non-executive Director of the Company on 31 May 2023 for the purpose of maintaining their objectivity and independence of the Board and the Group as both of them have joined the Company since its listing in 2013 and have consecutively served the Company for nine years.

In addition, Mr. Zhao Ziwei and Mr. Koeswondo Michael David have been appointed as an independent non-executive Director of the Company on 31 May 2023. 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 26 to 28.

The updated list of Directors of the Company identifying their roles and functions is available on the websites of the Company and of the Stock Exchange. Independent non-executive Directors are also identified as such in all corporate communications that disclose the names of Directors of the Company.

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.

Board Independence

In addition, the Board has established mechanisms to ensure independent views are available to the Board. A summary of which is set out below:

— The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

— The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

— No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

— Directors (including independent non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent and separate professional advice from external professional advisers are available at the Company's expense to discharge their duties.

— A Director (including independent non-executive Director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

CORPORATE GOVERNANCE REPORT

Throughout 2023, the number of independent non-executive Directors on the Board meets the one-third requirement under the Listing Rules with at least one of them possessing appropriate professional qualifications. All independent non-executive Directors are persons of high calibre with a wide range of expertise and knowledge in the accounting and business sectors. They also possess with academic and professional qualifications in the fields of accounting and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. All independent non-executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the independent non-executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board of the Company. The independent non-executive Directors have given annual confirmations of their independence to the Company, and the Company considers all of them are independent under Rule 3.13 of the Listing Rules for the Year. The Board has reviewed and concluded that the current mechanism on independent views of directors is effectively implemented during the Year.

In addition, the Company has established an effective mechanism to uphold a strong independent Board and that independent views and input from Directors are conveyed to the Board. The management will review this mechanism on a regular basis to ensure its effectiveness. For the Year, the Board conducted a review and considered that such mechanism was properly implemented and considered effective.

Chairman and Chief Executive Officer

During the Year and as at the date of this report, the roles of the chairman and chief executive officer of the Company are currently carried on by Mr. Hartono James, a non-executive Director, and Ms. Liao Changxiang, an executive Director, respectively. 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 the CEO, chief financial officer and management teams.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group. He is also responsible for ensuring that Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of other Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues to be deliberated at Board meetings and are provided with adequate and accurate information in a timely manner.

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.

During the Year, the Independent Non-executive Directors held a meeting among themselves. In addition, the Chairmen held a meeting with the Independent Non-executive Directors without the presence of other Directors in accordance with the CG Code. Such meeting provide an effective forum for the Chairman to listen to the views of the independent non-executive Directors on issues including corporate governance improvement, effectiveness of the Board, and such other issues they may wish to raise in the absence of other Directors and senior management of the Company.

Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least three days before the Board/committee 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.

If a Director has a material interest in a matter of significant nature to be considered by the Board, a physical meeting or meeting by video conference will be held to discuss such matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who is considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

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	2023 Annual General Meeting	2023 Extraordinary General Meeting
Total number of meeting held*	7	5	1	1	1	1
			Number of Meetings Attended			
EXECUTIVE DIRECTORS						
Ms. Liao Changxiang *(Chief Executive Officer)*	7/7	2/5	N/A	N/A	1/1	1/1
Ms. Wang Hong *(Chief Financial Officer)*	7/7	5/5	1/1	1/1	1/1	1/1
Mr. Liang Junxiong *(resigned on 28 March 2024)*	7/7	N/A	N/A	N/A	1/1	1/1
NON-EXECUTIVE DIRECTOR						
Mr. Hartono James *(Chairman)*	5/7	N/A	N/A	N/A	0/1	1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. Zhao Ziwei *(appointed on 31 May 2023)*	4/4	4/4	0/0	0/0	N/A	1/1
Mr. Koeswondo Michael David *(appointed on 31 May 2023)*	4/4	4/4	0/0	0/0	N/A	1/1
Mr. Zeng Jinsong	7/7	5/5	1/1	1/1	1/1	1/1
Dr. Hu Yiming *(resigned on 31 May 2023)*	3/3	1/1	1/1	1/1	1/1	N/A
Mr. Sutikno Liky *(resigned on 31 May 2023)*	1/3	1/1	1/1	1/1	0/1	N/A

* out of the total number of meeting held during the Year, there were 4 board meetings, 4 audit committee meetings, no remuneration committee meeting, no nomination committee meeting and 1 extraordinary general meeting held after 31 May 2023, the date of appointment of 2 new independent non-executive directors of the Company.

Appointment, Re-election and Removal

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a term of three years, all of them are subject to re-election by shareholders at general meetings at least once every three years on a rotation basis. 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. Further, no Director has a service contract or letter of appointment with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

The Board is empowered under the Company's Articles of Association ("**Articles**") to appoint any person, as a Director, either to fill a casual vacancy on or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care, skill and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference with due regard to the Company's Nomination Policy and Board Diversity Policy, and recommendations of the Nomination Committee are then put to the Board for decision.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

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 C3 to 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.

CORPORATE GOVERNANCE REPORT

Time Commitment and Continuous Professional Trainings and Development of Directors

Each Director had ensured that he/she had given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify the Company of any change of such information in a timely manner.

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.

During the Year, Mr. Zhao Ziwei and Mr. Koeswondo Michael David have been appointed as an Independent non-executive Director of the Company. Both of them had obtained the legal advice on 31 May 2023 as regards the requirements under the Listing Rules that are applicable to them as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Exchange and on the same day, they both confirmed that they understood their respective obligations as a director of the Company.

The Group observes a strict code of ethics in all spheres and has no tolerance for any form of corruption or other misconduct. In order to reinforce awareness of our Directors on preventing corruption, we regularly provide anti-corruption training for the Directors which include legal and regulatory updates as well as anti-corruption training materials in the form of footages made by the Independent Commission Against Corruption.

According to the training records provided by the Directors to the Company, all of them participated in continuous professional development in 2023 which included attending seminars and talks, and reading legal and regulatory updates and other reference materials. The seminars, talks and other reference materials involved topics on disclosure obligations under Listing Rules, connected transactions, risk management, anti-corruption, regulatory updates, directors' duties and liabilities and information technologies, etc.

The Directors have also been informed of the requirement under C.1.4 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.

On 25 August 2023, the Company also invited its legal representatives to provide online training and updated Listing Rules to all Directors on various topics, namely CG Code, connected transactions, continuing connected transactions, required standard of dealing of a director, directors' duties and responsibilities as well as obligations to disclose inside information. All the current Directors, namely Ms. Liao Changxiang, Ms. Wang Hong, Mr. Liang Junxiong, Mr. Hartono James, Mr. Zhao Ziwei, Mr. Koeswondo Michael David and Mr. Zeng Jinsong had attended the training on that day.

For the Year, the following legal and regulatory updates and a series of training materials have been provided and sent to all the Directors, namely Ms. Liao Changxiang, Ms. Wang Hong, Mr. Liang Junxiong, Mr. Hartono James, Mr. Zhao Ziwei, Mr. Koeswondo Michael David and Mr. Zeng Jinsong:

— Corporate Governance Code and Corporate Governance Memorandum

— 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 legal representatives and 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.

During the Year, the Directors were also provided with monthly commentaries on the Group's business, operations, and financial matters as well as regular updates on applicable legal and regulatory requirements. The monthly commentaries and updates present a balanced and understandable assessment of the Company's performance and position in sufficient detail to enable the Directors and the Board of Directors to discharge their duties under the Listing Rules.

Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of the Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

Indemnification of Directors and Officers

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding the office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

BOARD COMMITTEES

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).

The Board has established various Board Committees for overseeing particular aspects of the Company's affairs as required under the Listing Rules. All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Company established an audit committee on 18 September 2013 with written terms of reference. 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:

Mr. Zhao Ziwei *(Chairman)*
Mr. Koeswondo Michael David
Mr. Zeng Jinsong

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.

Mr. Zhao Ziwei, 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 five 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:

— make recommendations to the Board of Directors in relation to the appointment, re-appointment and resignation of the external auditors;

- questions of resignation of Ernst & Young as external auditors of the Company;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
- discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- implement policy on engaging an external auditor to supply non-audit services;
- review the external auditors' management letter;
- review the fairness and reasonableness in relation to the disposal of asset of the Company;
- 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 BDO Limited 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 including financial 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.

During the Year, BDO Limited has been appointed as new auditor of the Company with the recommendation from the audit committee to fill the causal vacancy following the resignation of Ernst & Young and that BDO Limited will hold office until the conclusion of 2024 annual general meeting of the Company. There is no disagreement on the appointment of new auditor of the Company between the Board and the audit committee.

Remuneration Committee

The Board established the remuneration committee on 18 September 2013 with written terms of reference. 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. Zeng Jinsong *(Chairman)*
Mr. Zhao Ziwei
Mr. Koeswondo Michael David

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

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

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

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

— reviewed and recommended to the Board on the remuneration of non-executive director of the Company;

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

— considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions in the Group; 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.

Particulars of the Directors' emoluments disclosed pursuant to Appendix D2 to the Listing Rules are set out in note 8 to the consolidated financial statements while the analysis of the senior management's emoluments by band is set out in note 9 to the consolidated financial statements.

The Director's fees are fixed at the rate of RMB204,000 per annum for each independent non-executive Director and their remuneration remains unchanged until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined with reference to the Directors' duties and responsibilities.

Nomination Committee

The Board established the nomination committee on 18 September 2013 with written terms of reference. 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 is to ensure the Board to have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business and goals of the Company, include reviewing the structure, size and composition of the Board to enhance a strong independent element, 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. Koeswondo Michael David *(Chairman)*
Mr. Zeng Jinsong
Mr. Zhao Ziwei

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

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

— reviewed the existing Board's structure, size and composition and made recommendation to the Board for the change of 2 independent non-executive Directors who have served the Company for more than 9 years;

— reviewed the board diversity policy;

— reviewed and assess the new candidate (including independent non-executive Director) for the Board;

— reviewed the nomination policy on appointment and re-election of Directors;

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

— reviewed time commitment of each Director and ensure that all Directors devote sufficient time and make contributions to the Company with reference to their role and board responsibilities;

— to reviewed and confirmed that there is no independent non-executive Directors who has served the Company for more than 9 years; and

— made recommendations on the re-election of the retiring Directors at the 2024 AGM of the Company with reference to the adopted nomination policy and diversity policy.

The Nomination Committee has to follow the principles set out in the Nomination Policy and the Board Diversity Policy as listed below adopted by the Board.

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;

— The nomination committee 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 an annual basis or as required.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group with target to be as balance or as close to 50% as possible for each category except for the age group which the Company considers that the wide range of age group with extensive experience of aged Director is essential to its business development. The current Board composition provides a diversity of skills, gender, experience, and knowledge to the Company as follows:

Current composition of the Diversified Board

Number of the Board of Directors	7	
	Number of Directors involved	Proportion of the Board
Core Competencies		
Accounting or finance related	4	57%
Business and management experience	3	43%
Related industry experience	7	100%
Strategic or financial planning experience	7	100%
Gender Diversity		
Male	5	71%
Female	2	29%
Age Diversity		
40 to 49	3	43%
50 to 59	3	43%
60 to 69	1	14%

The Board has taken the following steps to maintain or enhance its balance and diversity:

— Annual review by the nomination committee to assess if the existing attributes and core competencies of the Board are complementary and will enhance the efficacy of the Board; and

— Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The nomination committee has considered the results of the evaluation exercises among others, in its recommendation for the appointment of new Directors and/or the re-appointment of retiring Directors. Taking into account the existing proximity for each of the above categories, the nomination committee concluded that its current diversity is sufficient for the Board to function effectively and gender diversity of the Board has been achieved, having regard to the nomination policy and diversity policy of the Company for the time being. The Board will review its size, structure and composition together with the nomination committee at least annually to ensure that an effective decision-making process is in place.

During the Year, the nomination committee had reviewed the size and composition of the Board for effective decision-making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members in the fields of the relevant industry knowledge, accounting and finance, as well as professional services. The independent non-executive Directors are able to constructively challenge and assist in the development of the business strategies.

Current composition of the workforce

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group as at the date of this annual report.

Number of Employees	713	
	Number of employees involved	Proportion of total workforce
Gender Diversity		
Male	378	53%
Female	335	47%

The Company has a plan to achieve and improve its gender diversity with reference to the current workforce available in the market and experience required for the Company's future development. The plan for gender diversity in our workforce will continue to achieve more balance of gender diversity in the future.

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.

BOARD POLICIES

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.

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 with target to be as balance or as close to 50% as possible for each category except for the age group which the Company consider that the wide range of age group with extensive experience of aged Director is essential to its business development.

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.

Inside Information Policy

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.

Dividend Policy

The Company adopted a policy on payment of dividends (the "**Dividend Policy**") on 30 November 2018 in compliance with F.1.1 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 an annual basis or as required.

Policies for Whistleblowing and Anti-corruption

The Company has established a system for employees and any person to report concerns about any suspected or actual improprieties relating to the Group. The Group will take appropriate actions against such improprieties and, where appropriate, report the cases to the relevant enforcement authorities.

Moreover, the Company has adopted the Anti-Corruption and Bribery Policy which provides guidance to our employees on how to recognize and deal with bribery and corruption. Every employee has a duty to report any potential violations of the policy to the Company through the channels set out therein.

Apart from the channels set out in the relevant policies, the Company has provided a separate email link on its website, by which stakeholders can freely provide comments and suggestions on the operations of the Company so that proper actions can be taken to address issues being raised. The reported cases, where necessary, will be escalated to the Board for consideration and discussion.

Anti-Money Laundering and Counter-Terrorist Financing Policy

The Anti-Money Laundering and Counter-Terrorist Financing Policy is in place to combat money laundering and terrorist financing activities, and formalise such procedures and systems. Compliance with the policy by operational departments is monitored and administered.

Shareholders Communication Policy

The Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The shareholders communication policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements for the Year 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 annual and interim results of the Company are published within three months and two months respectively of the year end and the half-year end.

Annual Report and Financial Statements

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company. The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the relevant rules and comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") and the Listing Rules.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group has adopted appropriate accounting policies and made judgements and estimates that are reasonable in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position and reflect the transactions of the Group, upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

External Auditors' Remuneration

For the Year, the Company engaged BDO Limited as the external auditors. The fee in respect of audit services for the Year amounted to RMB3.35 million, while the fee in respect of non-audit services provided by BDO Limited amounted to RMB0.4 million.

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 and non-audit services are reasonable. There has been no major disagreement between the auditors and the management of the Company during the Year.

GOING CONCERN

Material uncertainty related to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that as at 31 December 2023, the Group had net current liabilities and total deficiency in net assets of approximately RMB854,327,000 and RMB398,442,000, respectively. Besides, the Group did not repay a principal of US29,176,000 (equivalent to approximately RMB206,645,000) and overdue interests of US$ US$27,717,000 (equivalent to approximately RMB196,313,000 for the senior notes as at 31 December 2023. As a result, the senior notes and the interests with an aggregate amount of US$222,224,000 (equivalent to approximately RMB1,573,945,000) became default and were payable on demand.

In addition, the Group had bank borrowings of RMB194,010,000, among which bank borrowings of RMB170,010,000 are subject to repayment or renewal in the next twelve months after the end of the reporting period, which are identified that may cast significant doubt on the entity's ability to continue as a going concern. As stated in Note 2.1, these events conditions indicate that a material uncertainty exists that 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.

BOARD'S VIEW AND AUDIT COMMITTEE'S VIEW

The Board agreed with the independent auditor's view in respect of the material uncertainty related to going concern. In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in the preparation of a cash flow forecast cover a 18-month period from the end of the reporting period for assessing whether the Group will have sufficient financial resources to continue as a going concern. Management has also performed a sensitivity analysis by considering a reasonable change in operating cash flows on the forecast period and the headroom of the available working capital. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position of the Group.

The Directors, including members of the audit committee, have reviewed the Group's cash flow forecast prepared by management which covers a period of 18-month from the end of the reporting period and relevant sensitivity analysis. They are of the opinion that, taking into account the below-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

ACTION PLAN TO ADDRESS THE GOING CONCERN

(a) The Group has been actively negotiating with senior notes holders such that no action will be taken by the holders to demand immediate repayment of the principal and unpaid interest.

On 7 December 2023, the Company announced a proposed offshore debt restructuring of the existing liabilities outstanding under the 9.5% senior notes due 2026 issued by the Issuer in the principal amount of US$194,506,648 by way of a Cayman scheme (the "Scheme"). The Scheme can be approved by a majority in number, representing at least 75% in value, of the holders of Notes who are present and voting at the scheme meeting convened in respect of the Scheme.

By an order made on 19 January 2024 (the "Scheme Convening Order"), the Grand Court of the Cayman Islands (the "Cayman Court") has directed that a meeting of Scheme Creditors (the "Scheme Meeting") be convened for the purpose of considering and, if thought fit, approving the Scheme on 19 February 2024.

On 19 February 2024, a total of 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 participated in the scheme meeting with 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 voting in favour of the Scheme (being a majority in number of the Scheme Creditors attending and voting at the Scheme Meeting either in person or by proxy and representing 100% of the total value of the Scheme Creditors attending and voting). As such, the Scheme has been approved by the requisite majorities of the scheme creditors. The Scheme will be subject to subsequent approval and sanction of the Court.

On 28 February 2024, the Court granted the approval and sanction to the Scheme.

On 14 March 2024, the Group has fully settled the redemption payment of US$60,500,000 (equivalent to approximately RMB434,738,000). Related work fee, consent fee and reimbursement of legal fee totaled US$11,197,000 (equivalent to approximately RMB80,459,000) were incurred. The proposed debt restructuring was completed.

(b) The Group has been actively negotiating with existing lenders for the renewal of or extension for repayment of outstanding borrowings;

(c) The Group will continue to negotiate with various financial institutions and identify various options for financing the Group's working capital and commitments in the foreseeable future; and

(d) The Group has implemented measures to develop new markets, speed up the collection of outstanding accounts receivables, and control costs and expenses so as to generate adequate net cash inflows.

IMPACT ON THE COMPANY'S FINANCIAL POSITION

These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated net amortisation values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

REMOVAL OF THE GOING CONCERN ISSUE

The Board is aware of the paragraph of material uncertainty related to a going concern in independent auditor's report, and 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 either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Management's assessment of the Company's ability to continue as a going concern as at 31 December 2023 would need to take into consideration the conditions and circumstances and also include cashflow forecast for 18 months period from the end of the reporting period.

Therefore, assuming all the above action plans can be implemented as planned, there are no other material adverse changes to the business, operation and financial conditions of the Group and satisfactory completion of review of the Management's assessment of the Company's going concern, together with sufficient and appropriate evidence, the Company believes that there will be a reasonable basis upon which material uncertainty would be removed in connection with the consolidated financial statements of the Group for the year ending 31 December 2024.

Please also refer to section headed "Board's View and Audit Committee's View" in Management Discussion and Analysis of this annual report for material uncertainty related to going concern. The Directors and the management will proactively to resolve matters relating to the going concern for the coming 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, ESG performance 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, ESG performance and budget of the Company's accounting, internal audit and financial reporting functions, are reasonably conducted and implemented; and the Group considered that such systems were effective and adequate. During the Year, the Group has fully complied with the provisions of CG Code regarding the risk management and internal control systems.

Internal Audit

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

During the Year, the Group has outsourced its internal audit function and engage an independent internal control consultant for cost effectiveness and resource allocation efficiency consideration. The internal control consultant can 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.

The Company has reviewed and assessed the work quality and cost efficiency in relation to the outsource of internal audit function and will not consider to have its own internal audit functions for the Year.

It was also reported that there were no material change in nature and extent of significant risks (including ESG risks) as compared with that of last year. and the Company can respond to the market changes in its business and the external environment.

In addition, for the Year, there were no material deficiencies in relation to the Group's internal controls.

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 has appointed Mr. Ngai Tsz Hin Michael ("**Mr. Ngai**"), an external service provider, as its company secretary. Ms. Wang Hong, an executive Director and chief financial officer, is the primary contact person to Mr. Ngai at the Company in respect of any compliance and company secretarial matters of the Company.

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and the Board Committees, and ensure that the Board policies and procedures are followed by business units, various departments and employees of the Group. They are also responsible for ensuring that the relevant rules and regulations issued by the regulatory authorities as well as the Company's Memorandum of Association and Cayman Islands law are complied with.

The biographical details of Mr. Ngai are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the Year, Mr. Ngai, 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 and on 31 May 2023, the Company has amended its constitutional documents to allow general meetings to be held as a hybrid meeting where shareholders may attend by electronic means in addition to as a physical meeting where shareholders attend in person. The amended Memorandum of Association and amended Articles of Association is available on the websites of the Exchange and the Company. Save for the aforesaid, there had been no changes in the constitutional documents of the Company during the Year.

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 or at the Hong Kong Share Registrar provided that such written notice must be lodged with the Company at least fourteen (14) days prior to the date of the general meeting of election but no earlier than the day after despatch of the notice of the general meeting appointed for such election.

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 or Hong Kong Share Registrar.

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 at http://www.yestarcorp.com.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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.

In addition, the Group gives high priority to, and actively promotes, investor relations and constructive dialogue with the investment community throughout the year. Through the Company's investor relations service provider, the Group engages with and responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, conference calls and presentations. During the Year, various meetings were conducted with institutional investors and analysts by means of video calls, conference calls, group and one-on-one meetings, with an increasing emphasis on sustainability strategy and priorities.

The Company promotes two-way communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed matter. Through the Company's website, there are contact details including email, contact numbers and address available to investors for direct communication with the Company and/or Company's investor relations service provider.

The forthcoming annual general meeting of the Company is scheduled to be held on 31 May 2024 (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.

Shareholders are encouraged to participate at general meetings of the Company physically, through electronic means, or by proxy if they are unable to attend in person. Pursuant to the Articles of Association of the Company, any shareholders holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company, have rights to call for general meetings and to put forward agenda items for consideration by shareholders.

All substantive resolutions at general meetings are decided on a poll which is scrutinised by the Hong Kong Share Registrar of the Company. The chairman of general meeting will provide detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

The results of the poll are published on the websites of the Company and the Stock Exchange. In addition, regular updated financial, business and other information on the Group are made available to the shareholders and investors on the website of the Company.

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.

In short, the Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The shareholders communication policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Board of the Company at our principal place of business in Hong Kong or by email through the Company's website at http://www.yestarcorp.com. The Board receives updates from the Company's investor relations service provider from time to time on key issues raised by shareholders and investors. In developing and formulating business strategy of the Company, the Board considers such key issues raised and takes shareholder feedback into account and conclude that the current communication policy with shareholders and investors are effective for the Year.

27 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

PURPOSE AND OBJECTIVE

Yestar Healthcare Holdings Company Limited and its subsidiaries ("**Yestar**" or the "**Company**", together with its subsidiaries the "**Group**" or "**We**") is pleased to publish the eighth Environmental, Social and Governance ("**ESG**") report (the "**Report**") to our stakeholders. The Report presents stakeholders with a clear overview of our ESG management approach, measures and performance of our material sustainability issues, with an aim to strengthen their confidence and understanding of the Group and our ESG efforts.

REPORTING SCOPE AND PERIOD

Unless otherwise specified, this Report covers our principal business activities with operational control, including (i) Shanghai Yestar Healthcare Technology Co., Ltd, (ii)Yestar (Guangxi) Technology Co., Ltd., (iii) Yestar (Guangxi) Medical System Co., Ltd., (iv) Yestar (Guangxi) Imaging Technology Co., Ltd. and (v) Yestar Biotech (Jiangsu) Company Limited, which account for approximately 70% of the Group's total revenue for the reporting period for the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**" or "**FY2023**").

The reporting scope is determined by the materiality of each entity to our business and operations, as well as its ESG impacts.

REPORTING STANDARDS

The Report has been prepared in accordance with the latest disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") issued by The Stock Exchange of Hong Kong Limited (the "**HKEX**").

REPORTING PRINCIPLES

This Report has been prepared in accordance with the four reporting principles below, as stipulated in the ESG Reporting Guide:

Reporting Principle	Description	Our Application
Materiality	The Report should cover ESG issues that are sufficiently important to investors and other stakeholders.	The Group identifies and prioritises material ESG issues through stakeholder engagement and materiality assessment. For more details, please refer to the sections "Stakeholder Engagement" and "Materiality Assessment".
Quantitative	The Report should disclose key performance indicators ("**KPI**") that are measurable. Targets should be set to reduce a particular impact. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts and given comparative data where appropriate.	The Report discloses its environmental and social KPIs in a quantitative manner, where appropriate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Principle	Description	Our Application
Balance	The Report should provide an unbiased picture of the Group's performance, and should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader.	The Report presents both achievements and challenges in an objective manner, to provide a balanced and unbiased picture of the Group's ESG performance.
Consistency	The methodologies used to calculate the KPIs in this Report should be consistent with those used in the previous year, to allow for meaningful comparisons of ESG data over time.	Unless otherwise stated, the reporting scope and methodologies are consistent with those adopted in the previous year, with comparative data being disclosed in this Report. Explanations have been provided on any changes to the reporting scope and methodologies as compared to the previous year in the Report.

ACCESS TO THE REPORT

As part of the Group's annual report, this Report has been prepared in both English and Chinese. It is available on the official website of the Group, as well as the website of the HKEX. In case of any discrepancy between these two versions, the English version shall prevail.

YOUR FEEDBACK

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

OUR APPROACH TO SUSTAINABILITY

As a corporate firmly attached to our vision of "to make a better future", we are dedicated to contributing to the society with the first-class team and services by embedding sustainability into our day-to-day practices to create sustainable value for our key stakeholders.

SUSTAINABILITY GOVERNANCE AND BOARD'S OVERSIGHT

As the highest governance body of the Group, the Board of Directors (the "**Board**") has the overall responsibility for the Group's ESG strategy and reporting and provides oversight of ESG issues with an emphasis on the Group's long-term development and positioning. Delegated by the Board, a director oversees ESG management approach and advises the Board on the ESG matters below on a regular basis, including but not limited to:

- Development and review of our sustainability strategies, priorities, goals and targets;
- Identification, evaluation, prioritization, review and management of material ESG-related risks and opportunities (including but not limited to climate-related risks and ESG risks along the supply chain);
- ESG-related training on the latest ESG trends, updates and risk management approach for enhancing the ESG risk management mechanism;

- Review and formulation of the implementation of ESG-related policies and practices to ensure compliance with laws and regulations;
- Monitoring and reviewing our ESG performance and progress against any targets and goals;
- Monitoring and enhancing the Group's stakeholder engagement channels to ensure effective communication with key stakeholders; and
- Preparing an annual ESG report on its activities for Board's approval.

ESG-RELATED RISK MANAGEMENT

ESG risk management is regarded as an integral part of sound corporate governance in pursuit of long-term business resilience. As such, the material ESG-related risks are identified, evaluated, prioritized, and managed by our director on a regular basis. Corresponding control measures are formulated and implemented at corresponding business levels to mitigate material ESG-related risks. Our director submits an ESG-related risk assessment report to the Board periodically and the Board retains ultimate responsibility for oversight of the Group's risk management activities. The Board regularly reviews the effectiveness of the control measures and provides relevant suggestions for improvement when necessary.

01 Identification
By referring to the latest market and industry trends, we identified relevant ESG-related risks in the industry and ESG trends, including climate-related risks and ESG risks along the supply chain.

02 Evaluation
The potential impacts and likelihood of the identified key ESG-related risks were evaluated.

03 Prioritization
Key ESG risks were prioritized by considering their risk level scores in terms of potential impact and likelihood.

04 Mitigation
To manage the identified ESG risks and minimize their impact on our business, we established corresponding risk mitigation measures and internal controls, tasking the relevant business departments with the implementation of such measures.

05 Reporting
The results of the ESG risk assessment, along with any other relevant issues, were reported to the Board by senior management for discussion and review.

For more details on our corporate governance and risk management approach, please refer to the "Corporate Governance Report" section of the Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG MANAGEMENT APPROACH AND STRATEGY

The Group understands the wellness of people, the environment and its business are interconnected, and thus the Group's sustainability approach is formulated by taking the Group's strategy and materiality assessment into consideration, aiming at integrating sustainability into major aspects of the Group.

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 categorised in the following six major strategic areas:

Product Responsibility
- 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
- Employee Welfare
- Recruitment and Performance Review
- Labour Standards

Health and Safety
- Safety Production
- Safety Training

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

Community Investment
- Charity Donation
- Volunteer Activities

STAKEHOLDER ENGAGEMENT

The Group is committed to maintaining close communication with all stakeholders and creating long-term value for them. We have established a range of channels to enable effective communication with our key stakeholders, including investors and shareholders, customers, employees, suppliers, government authorities and regulators, as well as communities. By understanding our stakeholders' expectations and needs, we are able to further enhance our sustainability strategies and measures.

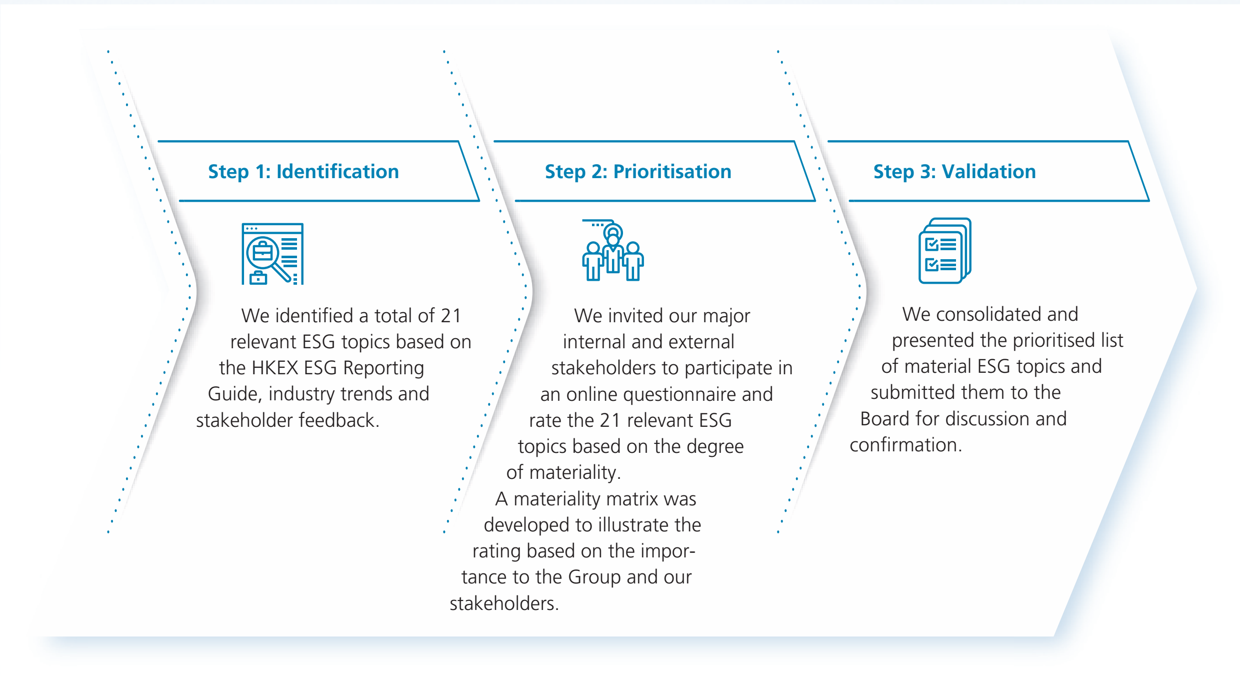
Stakeholder Groups	Communication Channels
Investors and Shareholders	• Company website • Company announcements • Annual general meeting • Annual and interim reports
Customers	• Company website • Customer direct communication • Customer feedback and complaints
Employees	• Training and orientation • Emails and opinion box • Regular meetings • Employee performance evaluations • Employee activities
Suppliers	• Selection assessment • Procurement process • Performance assessment • Regular communication with business partners (e.g., emails, meetings, on-site visits etc.)
Government Authorities and Regulators	• Documented information submission • Compliance inspections and checks
Communities	• Company website • Community activities

MATERIALITY ASSESSMENT

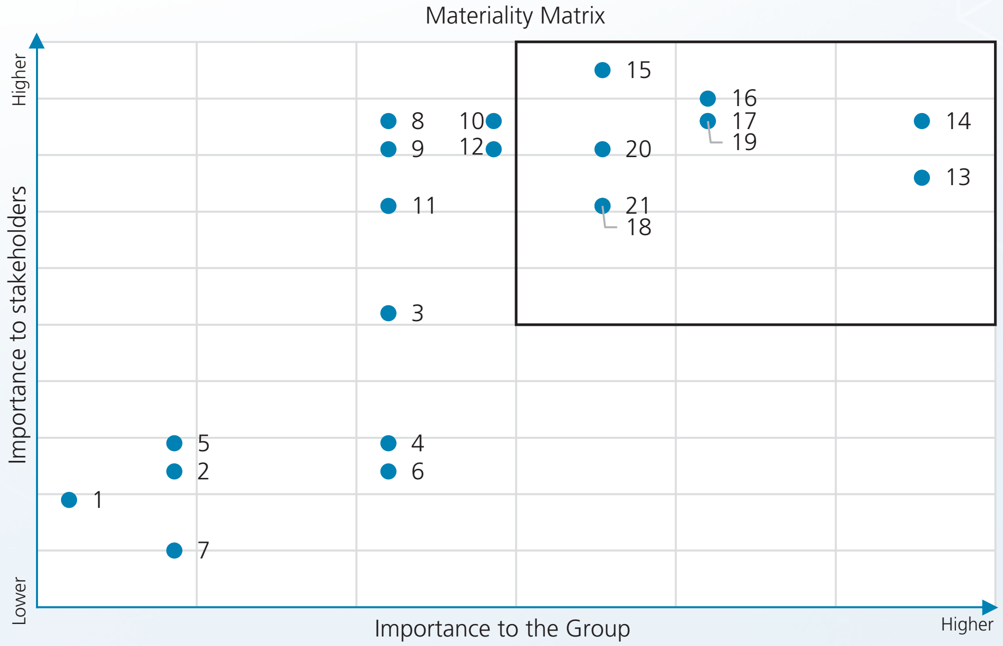
Materiality assessment is a process for gauging the expectations of stakeholders and identifying any industry specific sustainability topics, so that the Group could prioritise initiatives and devise strategies to properly address these issues.

During the Reporting Period, we conducted a materiality assessment with the assistance of an independent sustainability consultant, to identify the most important ESG issues to our business and our stakeholders. The results of the materiality assessment and relevant ESG topics are regularly reviewed by the Board every year.

Our materiality assessment consists of the following steps:



The degree of materiality of the 21 ESG issues to our business and our stakeholders is demonstrated in the following materiality matrix. Based on the results of the online questionnaire, a total of 9 ESG topics were determined to be the most material during the Reporting Period, shown in the upper right corner of the materiality matrix. Information relevant to the 9 top material ESG topics have been addressed in the subsequent sections of this Report.



Material issues considered		
1. Air emissions	8. Equal opportunity	15. Product quality
2. Greenhouse gas emissions	9. Employee benefits	16. Product safety
3. Waste management	10. Occupational health and safety	17. Customer services
4. Energy consumption	11. Staff development and training	18. Intellectual property right protection
5. Water consumption	12. Labour practices	19. Customer data privacy and security
6. Environmental risk management	13. Supplier selection and evaluation process	20. Anti-corruption
7. Climate change	14. Environmental risk management along supply chain	21. Community involvement

Award and Recognition

The Group bestowed a number of sustainability awards with our robust sustainability strategy and initiatives.

Organisation	Accolade
Guangxi Department of Science and Technology, Department of Finance, Taxation Bureau	High-tech enterprises
Ministry of Industry and Information Technology of the People's Republic of China	National Green Factory
Department of Industry and Information Technology of the Autonomous Region	Guangxi Industrial Leading Enterprise
Guangxi High-tech Enterprise Association	Top 100 High-tech Enterprises in Guangxi
Department of Industry and Information Technology of the Autonomous Region	Guangxi Industrial Enterprise Quality Management Benchmark
Autonomous Region Market Supervision Bureau	Guangxi Quality Improvement Demonstration Enterprise

PRODUCT RESPONSIBILITY

Product quality is deemed to be of paramount vitality. 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 applicable product quality and safety standards.

Quality management system, supply chain management and client relationship management are implemented. The quality management system, defining the roles, responsibilities and authority of those responsible for product quality and listing out the relevant procedures clearly, provides unambiguous guidance to consistently offer superior products. 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 our end-users.

Quality Assurance

The Group manages chemical and medical consumable products, encountering 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 values 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[1], ISO 13485:2016[2], ISO 14971:2007[3] and applicable European Union Directives. Manufacturing sites and offices 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. 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.

Additionally, Yestar (Guangxi) Medical System Co., Ltd. has been certified under the Annex V for the Dental X-ray Film, Directive 93/42/EEC[4] of the European Union, and has been awarded a valid EC type examination certificate according to the 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 procedures that a notified body certifies the production satisfying the requirements of the Directive 93/42/EEC, covering documentation conformity, performances of products, methods of manufacture envisaged as well as technical test results.

The Group sets quality target and setup procedures for equipment calibration. In order to closely monitor the quality performance in a quantitative manner, the Group sets relevant targets related to product passing rates, namely, 100% for Yestar (Guangxi) Technology Co., Ltd. and over 99% for Yestar (Guangxi) Medical System Co., Ltd. Moreover, Management Practice for Measuring Instrument is established to ascertain measuring instruments function properly and correctly, consisting of inspection to the measuring instruction, calibration programme and maintenance. During the Reporting Period, there were no recall cases.

Supply Chain Management

The Group is committed to building constructive partnerships with its suppliers, contributing to sustainable development of 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 52 suppliers, all of them were located in Mainland China.

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

2 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.

3 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.

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

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

During supplier screening process, we prefer suppliers with environmentally preferable products and services. A robust supplier management control program has been well established to review and continuously improve the performance of our suppliers as well as advocate their environmental and social endeavours. The Group evaluates their performance through periodic performance reviews. Suppliers are evaluated by a set of criteria as below.

Assessment Criteria	Description
ISO certification	To obtain certifications such as ISO 9001 and ISO 14001.
Regulatory compliance	To satisfy applicable regulations.
Service quality	To deliver quality services and products with agreed turnaround time.
Information management	To process the Group's information in a secure manner.
Hygiene and health conditions	To maintain the working environment clean and hygienic.

An internal audit team which is formed by the representatives from the Procurement Department, the Technical Department and the Quality Assurance Department, would evaluate the performance of the existing suppliers from a variety of aspects including quality and technical competency. The Group conducts statistics on the monthly performance of existing suppliers and evaluates their annual performance. Only qualified suppliers could stay in the supplier list. If the Group discovers that a supplier has breached or potentially breached our requirements, we ascertain that sufficient 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. The Group also conducts an ESG-related risk assessment to identify potential environmental and socials risks of our major suppliers along the supply chain, aiming to mitigate such risks effectively.

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 employees are required to follow a standard procedure to handle clients' complaints. Once we received any complaint, we will engage with the clients and tackle the problem in a timely manner. Where applicable, the Quality Assurance Department could conduct investigation, analyse customer requests to determine the most common inconveniences and share them with relevant departments, formulate corrective and preventive actions to improve performance, as well as document these actions. We conduct analysis and prepare summary based on clients' feedback and complaints to identify areas for further improvement. During the Reporting Period, there were 12 valid complaints, where most of them were associated with minor product defects. The Group values the relationship with each customer. We provide free maintenance service to our customers during the warranty period, with support through multiple channels, such as customer service and maintenance hotline, mailbox 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 analysed for continuous improvement. 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.

ENVIRONMENT AND CLIMATE CHANGE

The Group understands that our environment is closely linked to the wellness of people. With increasing pressure on natural resources and the 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. Yestar (Guangxi) Imaging Technology Co., Ltd has attained the national green factory.

For sake of compliance, the Group reviews applicable regulations including Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Environment Impact Assessment, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and so on, as well comprehend the relevant technical standards such as Integrated emission standard of air pollutants (GB16297–1996). The Group devises the Environmental Risk Management Plan by incorporating the principles stated in the ISO 31010:2009[5]. In addition, due to the escalating concerns over the climate change and the climate-related risks, the Group is working out the steps to identify significant climate-related issues.

Air Emission

To estimate the air emissions, the Group assessed the fuel consumption. 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.

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 production is high. This not only increases the energy consumption, but also the greenhouse gas (GHG) emissions.

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. With the installation of automatic door closers, the environmental conditions including temperature and relative humidity were controlled, resulting to estimated 10% electricity reduction.

Packaging Materials and Waste Management

Waste issue is an environmental issue grabbing surging attention. 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.

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

Packaging materials in the production and transportation process is an essential part, which is also the last process to ensure the product quality. We continuously reduce environmental impacts of our packaging through reduction in the size and weight of packaging, defects minimisation, material change and design change. We have implemented a number of measures without altering the production quality, for instance, optimizing the cartoon box size by reduction in the weights, volume and space of packaging, and reducing the carton sealing tape width. In addition, recyclable materials are used for packaging materials.

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.

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

A licensed hazardous waste treatment service provider is responsible for collecting and handling hazardous waste. To manage 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 management, recycling and circular economy, it is essential 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 adjusting the design of the packaging such that it can deliver its goods in a safe condition and minimise the amount of packaging materials. In addition, 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 sustainable offices.

Natural Resources

The Group considers different environmental aspects apart from emissions 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 a 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, the Group has expanded its greenery area to nearly 10,000 m^2 area.

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. 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 reduce water consumption. Rainwater recycling system is installed for reusing rainwater for irrigation.

Climate Change

Climate change has been gaining prominence over recent years. Impacts of climate change such as continuing rises in sea levels, extreme weather and flooding are increasingly recognised as a material risk to businesses. The Group is committed to pursuing management of climate-related risks and opportunities, empowering the Group to make more informed business risk decisions and implement more effective operational changes. We would evaluate the effectiveness of existing mitigation measures and explore possible areas of improvement on a regular basis, further strengthening our business resilience towards climate change.

Climate-related risks	Our Responses
Physical Risks	
• Disruption of supply chain due to extreme weather events	• Reshaping inventory plan to address intermittent disruption to supply chain due to extreme weather
• Acute physical changes, such as increased severity and frequency of extreme weather events, e.g., typhoons, intense precipitation, droughts, flooding, and extreme temperature	• Closely monitoring local weather conditions to enhance emergency preparedness against adverse weather events such as super typhoons and heavy rainstorms
	• Providing flexible work arrangements with precautionary measures in place to ensure the safety of our employees
Transition Risks	
• More ambitious climate policies and regulations to support national decarbonization efforts	• Regularly monitoring the latest government policies, regulatory updates, and market trends
• Transition to a low-carbon economy	• Reviewing and adjusting our climate-related policies
	• Considering environmental aspects in supplier screening requirements when procuring raw materials

To make our operations more resilient towards climate change, we have established the following green targets:

Our Green Targets		Progress*
Emission	• To reduce our air emissions and greenhouse gas ("**GHG**") emissions by improving energy efficiency and incorporating energy-saving measures	Achieved
Waste	• To minimize our waste generation by applying 4R principles, avoiding unnecessary consumption	In progress
Energy	• To reduce our energy consumption by implementing energy conservation measures	In progress
Water	• To improve water efficiency by implementing water conservation measures	In progress

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. Employees are motivated and encouraged 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 employees and development to improve professional and management skills, by making ceaseless efforts in creating a culture of continuous improvement and dynamic learning environment. We support each of our employees in studying and building their capabilities by developing strength and reaching their potential. An e-learning platform is set up to promote continuous learning and maximise the cost efficiency of the training portfolio and further enrich the quality of learning. Under the e-learning platform, training modules covering 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 required to satisfy the minimum training hours.

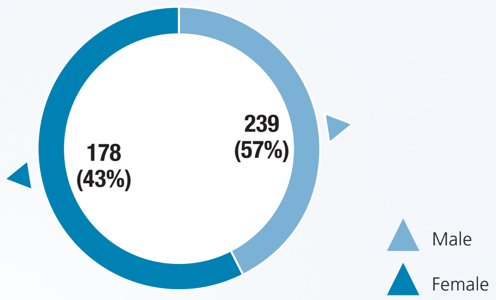
PROFESSIONAL KNOWLEDGE
• Occupational Health and Safety Regulations, Recruitment and Selection, Good Manufacturing Practice, Hazardous Waste Handling Practice, CE Certification, Custom Regulation, Efficient Warehouse Management Practice, Accounting, Taxation, Software Encryption
MANAGEMENT KNOWLEDGE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

Specific training parameters are defined for different employees according to their job responsibilities. For effective learning, employees are required to carry assessment before and after attending the online courses. During the Reporting Period, an annual training plan was established, defining 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.

Employee Welfare

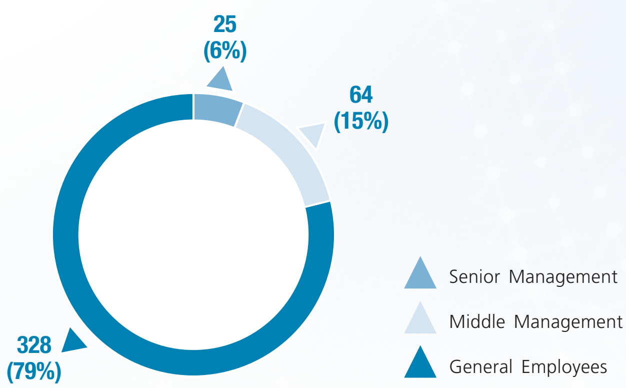
The Group ensures that all employees are entitled to paid annual leave, marriage leave, maternity leave and other statutory leaves and holidays in accordance with the law and safeguards employees' basic rights. Parental leave, paternity leave and caring leave are provided. The Group also provides medical and dental insurance, holiday gifts, free shuttles, education subsidy to employees' children and so on. The Group continues to explore ways for better employee welfare and satisfaction.

NUMBER OF EMPLOYEES BY GENDER

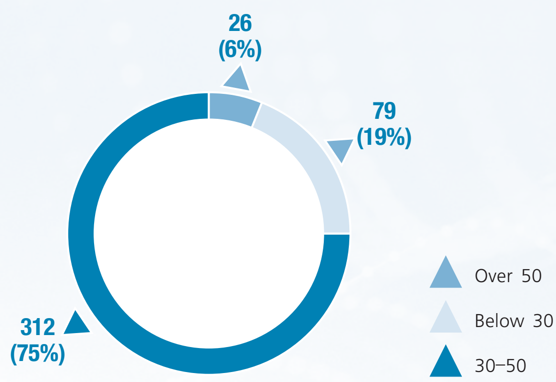


The Group's employees come from different generations. Innovation and diverse experience from each generation could bring valuable contributions benefiting the stakeholders and the Group's business. The distribution is examined to devise the employment and development strategy.

NUMBER OF EMPLOYEES BY EMPLOYEE CATEGORY



NUMBER OF EMPLOYEES BY AGE GROUP



Recruitment and Performance Review

The Group is dedicated to offering 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 financial growth, the Group offers a comprehensive compensation system to employees. The Group structures 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 review. Additionally, this provides strategic goal development and career planning opportunities.

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 the recruitment process. 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

Operation safety serves as a prerequisite for sound business performance. As engaging in the 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 has obtained the ISO 45001:2018[6] certification to ensure the occupational health and safety system was well established and implemented.

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

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 as well as nurturing a safety culture at workplaces. A Contingency Plan for Environmental Emergencies, with the 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 working in the darkroom, a minimum of years of relevant experience is required. Regular assessments are conducted as well. Other guidelines pertaining to traffic safety, fire safety, electrical safety and mechanical injury are provided.

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

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

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

The Group has established 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.

	2023	2022	2021
Number of Work-related Fatalities	0	0	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 employees with different grades and functions. The Group has made multiple effort to ensure and enhance the safety among operation and production. Moreover, the Group monitors and implements occupational health and safety measures according to hazard identification and control management to further safeguard the effectiveness of risk management.

INTEGRITY

Building trust among our stakeholders and operating transparently adds 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 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).

Prevention of corruption, theft, fraud, malpractice, money laundering and other illegal acts is of utmost importance. 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 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 and reimbursement with valid supporting documents. Particularly, employees of the Procurement Department need 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 anti-corruption, there were no concluded legal cases regarding the corruption during the Reporting Period.

Intellectual Property Rights

The Group respects and complies with the regulations governing intellectual property protection. In order to protect the Group's trademarks and prevent others from using 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. With the Group's ongoing endeavours, we have obtained 98 newly registered patents.

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 customers and suppliers.

Also, data security measures have been enhanced by introducing standardised 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 and drive positive change for the communities and promotes community activities in the area of medical caring, education, recreational and cultural activities, making long-term contributions to local communities regarding major sustainability issues with a long-term perspective. 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. During the Reporting Period, Yestar (Guangxi) donated a total of RMB32,000 to support the local education programs, offering students in need an opportunity to receive elite education. In the meantime, it also offered in-kind donations to Jia Ping Village in Guangxi Province by sending air conditioners and printers worth RMB12,000.

PERFORMANCE SUMMARY TABLE

Social	2023	2022
Employee Overview		
Total number of employees	417	506
By gender		
Female	178	216
Male	239	290
By employment category		
Senior Management	25	23
Middle Management	64	85
General Employees	328	398
By age group		
Below 30	79	94
30 to 50	312	380
Over 50	26	32
By employment type		
Full-time	416	505
Part-time	1	1
By geographical region		
Mainland China	417	506
Employee turnover rate	28.30%	30.83%
By gender		
Female	25.84%	32.87%
Male	30.13%	29.31%
By age group		
Below 30	49.37%	56.38%
30 to 50	0%	26.58%
Over 50	34.62%	6.25%
Development and Training		
Average training hours per employee	8.98	7.74
By gender		
Female	11.89	7.61
Male	6.82	7.92
By employment category		
Senior Management	11.11	6.79
Middle Management	6.80	7.00
General Employees	9.22	7.95
Health and Safety		
Number of work-related fatalities	0	0
Number of lost days due to work injury	0	0

Environmental	Units	2023	2022[12]
Air Emissions[7]			
Particulate Matter (PM)	kg	10.42	196.57
Nitrogen Oxides (NOx)	kg	1,035.17	3,361.62
Sulphur Oxides (SOx)	kg	2.47	4.54
GHG Emissions[8]			
Total (Scope 1 and 2)	tCO2-eq	2,774.42	3,004.69
Scope 1: Direct emissions	tCO2-eq	332.74	704.93
GHG removal from trees (Scope 1)	tCO2-eq	4.58	4.49
Scope 2: Energy indirect emissions	tCO2-eq	2,446.25	2,304.25
Intensity	tCO2-eq/million RMB$ revenue	1.39	1.41
Hazardous Waste Generated[9]			
Total	tonnes	395.90	325.95
Intensity	tonnes/million RMB$ revenue	0.20	0.15
Non-Hazardous Waste Generated[10]			
Total	tonnes	153.99	179.13
Intensity	tonnes/million RMB$ revenue	0.08	0.08
Energy Consumption[11]			
Total	MWh	4,321.33	3,972.49
Purchased electricity	MWh	4,009.59	3,776.84
Diesel oil	MWh	74.04	170.90
Unleaded petrol	MWh	237.70	24.75
Intensity	MWh/million RMB$ revenue	2.17	1.86
Water Consumption			
Total	m^3	34,611.07	25,602.45
Intensity	m^3/million RMB$ revenue	17.36	11.99
Packaging Materials			
Total	tonnes	2,292.42	2,863.50

7 Air emissions were prepared with reference to "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEX.

8 Greenhouse Gas emissions were prepared with reference to "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEX. Due to the expansion of data covering GHG removal from trees, the total GHG emissions and scope 1 emissions in 2022 were adjusted.

9 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 because of their material contributions.

10 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 because of their material contributions.

11 Energy consumption in 2023 and 2022 covered the breakdown of purchased electricity, diesel oil and unleaded petrol, leading to an adjustment of the total energy consumption in 2022 to cover data of diesel oil and unleaded petrol.

12 Certain data has been adjusted to reflect the actual situation.

INDEPENDENT AUDITOR'S REPORT

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 98 to 183, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that as at 31 December 2023, the Group had net current liabilities and total deficiency in net assets of approximately RMB854,327,000 and RMB398,442,000, respectively. Besides, the Group did not repay the principal of US$29,176,000 (equivalent to approximately RMB206,645,000) and overdue interests of US$27,717,000 (equivalent to approximately RMB196,313,000) for the senior notes as at 31 December 2023. As a result, the senior notes and the interests with an aggregate amount of US$222,224,000 (equivalent to approximately RMB1,573,945,000) became default and were payable on demand.

In addition, the Group had bank borrowings of RMB194,010,000, among which bank borrowings of RMB170,010,000 are subject to repayment or renewal in the next twelve months after the end of the reporting period, which are identified that may cast significant doubt on the entity's ability to continue as a going concern.

As stated in Note 2.1, these events conditions indicate that a material uncertainty exists that 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 judgment, 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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of other intangible assets and goodwill

(refer to notes 15 and 16)

The carrying values of other intangible assets and goodwill (which included distribution rights and customer relationship) in the consolidated financial statements amounted to RMB100,650,000 and RMB177,435,000, respectively, as at 31 December 2023. The Group is required to annually test the amount of goodwill for impairment. In addition, the Group is required to perform an impairment test of other intangible assets if impairment indicators exist. The impairment test is assessed 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. The assessment of recoverable amount is assessed by management with reference to the valuations carried out by the external valuer.

This matter is significant to our audit because the significance of the carrying value of other intangible assets and goodwill and the determination of recoverable amounts require significant judgements and estimation by management for the future results of the related businesses.

Our response:

— evaluating the external valuer's competence, capabilities and objectivity;

— involving a valuation specialist to assist us in

  — evaluating the methodologies adopted and checking the mathematical accuracy of the calculations used to estimate the recoverable amounts;

  — checking the accuracy and relevance of the input data used in the assessment;

  — assessing the reasonableness of key assumptions in the cash flow forecasts against business development and operation data, including evaluation of future revenues and operating results by comparing the forecasts with the historical performance of the respective cash-generating units and the business development plan; and

  — assessing the reasonableness of the discount rates and long-term growth rates;

— performing sensitivity analysis on the key input data and assumptions to the impairment assessment, to understand the impact of reasonable alternative assumptions that would have on the estimated recoverable amounts.

Expected credit loss of trade receivables

(refer to note 20)

The balance of trade receivables at 31 December 2023 was RMB721,832,000, against which an allowance for expected credit loss of RMB58,888,000 was provided. The Group applies the simplified approach in calculating the expected credit loss for trade receivables. Under the simplified approach, the Group recognises a loss allowance based on lifetime expected credit losses at the end of the reporting period 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 default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At the end of the reporting period, 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.

We identified expected credit loss for trade receivables as a key audit matter due to the significance of balance of trade receivables to the consolidated financial statements as a whole and considerable amount of management judgment and estimation was required in determining the expected credit loss allowance.

Our response:

— testing, on a sample basis, the accuracy of the ageing analysis of trade receivables;

— testing the accuracy and evaluating the relevance of the historical loss data as an input to the expected credit loss calculation;

— involving a valuation specialist to assist us in

  — evaluating the reasonableness on the key data and assumptions used in the expected credit loss calculation;

  — assessing the appropriateness of groupings of trade receivables into categories of similar credit risk characteristics; and

  — evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward looking information to assess the reasonableness of the expected credit loss rates.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by another auditor who expressed a disclaimer of opinion on those statements on 31 March 2023.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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 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 either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regards.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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 judgment and maintain professional skepticism 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 the directors all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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.

BDO Limited
Certified Public Accountants

Chow Tak Sing, Peter
Practising Certificate Number P04659
Hong Kong, 27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Re-presented)
CONTINUING OPERATIONS			
REVENUE	5	2,912,733	2,804,524
Cost of sales		(2,399,951)	(2,406,972)
Gross profit		512,782	397,552
Other income and gains	5	52,188	27,736
Distribution and selling expenses		(116,357)	(171,199)
Administrative expenses		(264,221)	(193,700)
Reversal of/(provision for) impairment losses on financial assets		38,837	(139,480)
Other expenses		(17,480)	(132,552)
Financial costs	6	(164,709)	(273,135)
PROFIT/(LOSS) BEFORE INCOME TAX	7	41,040	(484,778)
Income tax (expense)/credit	10	(39,562)	10,829
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		1,478	(473,949)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation, net of tax	27	(2,749)	(546,645)
LOSS FOR THE YEAR		(1,271)	(1,020,594)
Attributable to:			
Owners of the Company			
— from continuing operations		(9,316)	(460,316)
— from discontinued operation		(4,572)	(531,916)
		(13,888)	(992,232)
Non-controlling interests			
— from continuing operations		10,794	(13,633)
— from discontinued operation		1,823	(14,729)
		12,617	(28,362)
		(1,271)	(1,020,594)
LOSS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
— Basic and diluted (RMB cents)		(0.40)	(19.7)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
— Basic and diluted (RMB cents)		(0.60)	(42.6)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000 (Re-presented)
LOSS FOR THE YEAR	(1,271)	(1,020,594)
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(29,128)	(108,581)
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of the Company	(963)	(23,525)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(30,091)	(132,106)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(31,362)	(1,152,700)
Attributable to:		
Owners of the Company		
— from continuing operations	(39,407)	(592,422)
— from discontinued operation	(4,572)	(531,916)
	(43,979)	(1,124,338)
Non-controlling interests		
— from continuing operations	10,794	(13,633)
— from discontinued operation	1,823	(14,729)
	12,617	(28,362)
	(31,362)	(1,152,700)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	180,466	173,134
Right-of-use assets	14(a)	77,859	259,059
Other intangible assets	15	177,958	254,566
Goodwill	16	100,650	124,651
Investment in an associate	17	—	32,972
Deferred tax assets	18	22,190	27,389
Total non-current assets		559,123	871,771
CURRENT ASSETS			
Inventories	19	295,784	408,066
Trade and bills receivables	20	690,423	1,569,191
Prepayments, other receivables and other assets	21	124,075	224,517
Pledged deposits	22	10	1,810
Cash and cash equivalents	22	203,130	294,290
Assets classified as held for sale	27	1,553,642	—
Total current assets		2,867,064	2,497,874
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	1,571,642	1,689,059
Trade payables	24	404,508	666,533
Contract liabilities	25	33,843	43,347
Other payables and accruals	26	646,590	893,330
Lease liabilities	14(b)	27,154	89,114
Tax payable		58,229	118,401
Liabilities associated with assets classified as held for sale	27	979,425	—
Total current liabilities		3,721,391	3,499,784
NET CURRENT LIABILITIES		(854,327)	(1,001,910)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	29,601	119,158
Deferred tax liabilities	18	66,693	85,429
Other long-term payables	26	6,944	7,133
Total non-current liabilities		103,238	211,720
NET LIABILITIES		(398,442)	(341,859)
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	46,576	46,576
Reserves	29	(504,077)	(455,445)
		(457,501)	(408,869)
Non-controlling interests		59,059	67,010
CAPITAL DEFICIENCY		(398,442)	(341,859)

The consolidated financial statements on pages 98 to 183 were approved and authorised for issue by the Board of Directors on 27 March 2024 and are signed on its behalf by:

Liao Changxiang	Wang Hong
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2023

	Attributable to owners of the Company										
	Share capital RMB'000 (note 28)	Share premium account* RMB'000 (note 29)	Contribute surplus* RMB'000 (note 29)	Put-options written on non-controlling interests* RMB'000 (note 29)	Statutory reserve funds* RMB'000 (note 29)	Other reserve* RMB'000	Retained profits/ (Accumulated losses)* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	46,576	766,062	84,991	(669,535)	219,534	(227,932)	456,081	79,448	755,225	76,809	832,034
Loss for the year	—	—	—	—	—	—	(992,232)	—	(992,232)	(28,362)	(1,020,594)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations and the Company	—	—	—	—	—	—	—	(132,106)	(132,106)	—	(132,106)
Total comprehensive income for the year	—	—	—	—	—	—	(992,232)	(132,106)	(1,124,338)	(28,362)	(1,152,700)
Transfer from retained profits	—	—	—	—	8,047	—	(8,047)	—	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(30,142)	(30,142)
Payables to non-controlling interests	—	—	—	(39,756)	—	—	—	—	(39,756)	48,705	8,949
At 31 December 2022	46,576	766,062	84,991	(709,291)	227,581	(227,932)	(544,198)	(52,658)	(408,869)	67,010	(341,859)

	Attributable to owners of the Company										
	Share capital RMB'000 (note 28)	Share premium account* RMB'000 (note 29)	Contribute surplus* RMB'000 (note 29)	Put-options written on non-controlling interests* RMB'000 (note 29)	Statutory reserve funds* RMB'000 (note 29)	Other reserve* RMB'000	Accumulated losses* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	46,576	766,062	84,991	(709,291)	227,581	(227,932)	(544,198)	(52,658)	(408,869)	67,010	(341,859)
Loss for the year	—	—	—	—	—	—	(13,888)	—	(13,888)	12,617	(1,271)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations and the Company	—	—	—	—	—	—	—	(30,091)	(30,091)	—	(30,091)
Total comprehensive income for the year	—	—	—	—	—	—	(13,888)	(30,091)	(43,979)	12,617	(31,362)
Transfer from retained profits	—	—	—	—	13,708	—	(13,708)	—	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(15,078)	(15,078)
Payables to non-controlling interests	—	—	—	(4,653)	—	—	—	—	(4,653)	(5,490)	(10,143)
At 31 December 2023	46,576	766,062	84,991	(713,944)	241,289	(227,932)	(571,794)	(82,749)	(457,501)	59,059	(398,442)

* These reserve accounts comprise the negative consolidated reserves of RMB504,077,000 (31 December 2022: RMB455,445,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax from continuing operations		41,040	(484,778)
Profit/(loss) before tax from discontinued operation	27	44,190	(622,564)
Profit/(loss) before tax		85,230	(1,107,342)
Adjustments for:			
Finance costs		219,911	298,575
Impairment of inventories		7,483	22,286
(Reversal of)/provision for impairment of financial assets		(37,622)	142,004
Impairment of goodwill		—	295,416
Impairment of other intangible assets		—	482,981
Impairment loss on disposal group classified as held for sale		34,000	—
Exchange gain		(5,456)	(23,527)
Interest income		(2,852)	(5,579)
Share of profit of an associate		(1,341)	(19,731)
Depreciation of property, plant and equipment		38,535	37,237
Depreciation of right-of-use assets		102,995	109,048
Amortisation of other intangible assets		29,526	84,491
Gain on extinguishment of a portion of senior notes		(24,705)	—
Gain on disposal of property, plant and equipment		(440)	(340)
Gain on termination of lease		(291)	(4)
		444,973	315,515
(Increase)/decrease in trade and bills receivables		(30,386)	18,954
Decrease/(increase) in prepayments, other receivables and other assets		42,302	(56,521)
Increase in inventories		(39,004)	(63,666)
Increase in trade payables		19,209	9,217
Increase/(decrease) in other payables and accruals		19,288	(211,788)
Increase/(decrease) in contract liabilities		8,484	(31,527)
Increase in pledged deposits		1,800	(1,698)
Cash generated/(used in) from operations		466,666	(21,514)
Interest received		2,852	1,567
Income tax paid		(81,849)	(71,780)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		387,669	(91,727)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(93,332)	(23,852)
Additions to other intangible assets		(121)	(1,929)
Proceeds from disposal of property, plant and equipment		3,634	7,059
NET CASH USED IN INVESTING ACTIVITIES		(89,819)	(18,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in advance from a non-controlling shareholder		—	208,000
New bank loans		382,329	479,720
Decrease in pledged deposits for bank borrowings and issuance of bank acceptance notes		—	1,700
Repayment of bank loans		(399,735)	(585,937)
Repayment to a non-controlling shareholder		(62,000)	(22,066)
Principal portion of lease payments		(95,701)	(106,796)
Interest portion of lease payments		(9,729)	(10,977)
Dividends paid to non-controlling shareholders		(15,078)	(30,142)
Interest paid		(34,457)	(114,358)
NET CASH USED IN FINANCING ACTIVITIES		(234,371)	(180,856)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		63,479	(291,305)
Cash and cash equivalents at the beginning of year		294,290	585,159
Effect of foreign exchange rate changes, net		144	436
Transferred to disposal group classified as held for sale	27	(154,783)	—
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	22	203,130	294,290
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		203,140	296,100
Less: Pledged deposit		(10)	(1,810)
	22	203,130	294,290

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 Act, Chapter 22 (Act 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, and 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		Principal activities
			Directly	Indirectly	
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)] ("**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*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name of company	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Directly	Indirectly	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*
Yestar (Guangxi) Smart Biotechnology Co. Ltd.[1] ("**Yestar Smart**")	PRC/Mainland China 3 November 2017	RMB5,000,000	—	100%	*Development of biotechnology and sale of medical equipment*
Yestar Biotech (Jiangsu) Company Limited[1] ("**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][3] ("**Shanghai Emphasis Investment**")	PRC/Mainland China 4 April 2005	RMB29,880,000	—	94.17%	*Sale of medical equipment and reagents*
Shanghai Jianchu Medical Instrument Co., Ltd.[2][3] ("**Shanghai Jianchu Medical**")	PRC/Mainland China 26 August 2011	RMB8,880,000	—	94.17%	*Sale of medical equipment and reagents*
Shanghai Chaolian Trading Co., Ltd.[2][3] ("**Shanghai Chaolian Trading**")	PRC/Mainland China 26 February 2002	RMB500,000	—	94.17%	*Sale of medical equipment and reagents*
Shanghai Haole Industrial Co., Ltd.[2][3] ("**Shanghai Haole Industrial**")	PRC/Mainland China 1 June 2010	RMB11,952,000	—	94.17%	*Sale of medical equipment and reagents*
Shanghai Dingpei Industrial Co., Ltd.[2][3] ("**Shanghai Dingpei Industrial**")	PRC/Mainland China 4 April 2014	RMB500,000	—	94.17%	*Sale of medical equipment and reagents*
Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd. ("**Hongen**")	PRC/Mainland China 6 September 2015	RMB20,000,000	—	90%	*Sale of medical equipment and reagents*
Shenzhen De Run Li Jia Co., Ltd. ("**Derunlijia**")	PRC/Mainland China 18 October 2013	RMB36,000,000	—	70%	*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 place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
Guangzhou Shengshiyuan Trading Co., Ltd. ("**Shengshiyuan**")	PRC/Mainland China 9 April 2010	RMB40,000,000	—	70%	*Sale of medical equipment and reagents*
Beijing Kaihongda Technologies Co., Ltd. ("**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*

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

Notes:

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

(2) Shanghai Emphasis Investment, Shanghai Chaolian Trading, Shanghai Jianchu Medical, Shanghai Haole Industrial and Shanghai Dingpei Industrial are totally referred as Anbaida Group Companies.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Notes: (continued)

(3) In year 2020, the Group signed a share purchase agreement to acquire 30% of non-controlling interests in Anbaida Group Companies, at a consideration of RMB675,000,000. As at 31 December 2023, the Group has paid RMB543,750,000, which represented the consideration for 24.17% of the non-controlling interests. The remaining consideration of RMB131,250,000 (which represented 5.83% of the non-controlling interests) and the related interest amounting to RMB25,148 have been recognised in other payables and accruals as at 31 December 2023.

On 30 December 2022, Yestar Medical, as vendor, and Mr. Li Bin, as purchaser, entered into an equity transfer agreement, pursuant to which Yestar Medical conditionally agreed to sell, and Mr. Li Bin conditionally agreed to acquire equity interests in Anbaida Group Companies at a consideration of RMB574,750,000. Upon completion of the disposal transaction, Company will cease to hold any equity interests in Anbaida Group Companies.

Accordingly, Anbaida Group Companies will cease to be the subsidiaries of the Company and will no longer be consolidated into the consolidated financial statements of the Group. Further information related to the disposal of Anbaida Group Companies referred to Note 27 to the consolidated financial statements.

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

2.1 BASIS OF PREPARATION

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

Going concern basis

As at 31 December 2023, the Group had net current liabilities and total deficiency in net assets of approximately RMB854,327,000 and RMB398,442,000, respectively. Besides, the Group did not repay the principal of US$29,176,000 (equivalent to approximately RMB206,645,000) and overdue interests of US$27,717,000 (equivalent to approximately RMB196,313,000 for the senior notes (the "Notes") as at 31 December 2023 (31 December 2022: overdue principal of US$9,893,000 (equivalent to approximately RMB68,902,000) and overdue interests of US$9,399,000 (equivalent to approximately RMB65,457,000)). As a result, the Notes and the interests with an aggregate amount of US$222,224,000 (equivalent to approximately RMB1,573,945,000) became default and were payable on demand (31 December 2022: aggregate amount of US$222,224,000 (equivalent to RMB1,573,945,000)). In addition, the Group had bank borrowings of RMB194,010,000, among which bank borrowings of RMB170,010,000 are subject to repayment or renewal in the next twelve months after the end of the reporting period. These conditions indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

In view of these circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in the preparation of a cash flow forecast cover a 18-month period from the end of the reporting period for assessing whether the Group will have sufficient financial resources to continue as a going concern. Management has also performed a sensitivity analysis by considering a reasonable change in operating cash flows on the forecast period and the headroom of the available working capital. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(a) The Group has been actively negotiating with senior notes holders such that no action will be taken by the holders to demand immediate repayment of the principal and unpaid interest.

On 7 December 2023, the Company announced a proposed offshore debt restructuring of the existing liabilities outstanding under the 9.5% senior notes due 2026 issued by the Issuer in the principal amount of US$194,506,648 by way of a Cayman scheme (the "**Scheme**"). The Scheme can be approved by a majority in number, representing at least 75% in value, of the holders of Notes who are present and voting at the scheme meeting convened in respect of the Scheme.

By an order made on 19 January 2024 (the "**Scheme Convening Order**"), the Grand Court of the Cayman Islands (the "**Cayman Court**") has directed that a meeting of Scheme Creditors (the "**Scheme Meeting**") be convened for the purpose of considering and, if thought fit, approving the Scheme on 19 February 2024.

On 19 February 2024, a total of 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 participated in the scheme meeting with 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 voting in favour of the Scheme (being a majority in number of the Scheme Creditors attending and voting at the Scheme Meeting either in person or by proxy and representing 100% of the total value of the Scheme Creditors attending and voting). As such, the Scheme has been approved by the requisite majorities of the scheme creditors. The Scheme will be subject to subsequent approval and sanction of the Court.

On 28 February 2024, the Court granted the approval and sanction to the Scheme.

On 14 March 2024, the Group has fully settled the redemption payment of US$60,500,000 (equivalent to approximately RMB434,738,000). Related work fee, consent fee and reimbursement of legal fee totaled US$11,197,000 (equivalent to approximately RMB80,459,000) were incurred. The proposed debt restructuring was completed.

Further details of the debt restructuring referred to the Company's announcements dated 7 December 2023, 24 January 2024, 20 February 2024, 1 March 2024, 11 March 2024 and 14 March 2024;

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

(b) The Group has been actively negotiating with existing lenders for the renewal of or extension for repayment of outstanding borrowings;

(c) The Group will continue to negotiate with various financial institutions and identify various options for financing the Group's working capital and commitments in the foreseeable future; and

(d) The Group has implemented measures to develop new markets, speed up the collection of outstanding accounts receivables, and control costs and expenses so as to generate adequate net cash inflows.

The Directors, including members of the audit committee, have reviewed the Group's cash flow forecast prepared by management which covers a period of 18-month from the end of the reporting period and relevant sensitivity analysis. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

Notwithstanding the above, the validity of the going concern basis would be dependent upon the following:

(i) successfully negotiating with the Group's existing lenders for the renewal of or extension for repayment of outstanding borrowings;

(ii) successfully negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future; and

(iii) successfully developing new markets, speeding up the collection of outstanding accounts receivables, and controlling costs and expenses so as to generate adequate net cash inflows.

These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated net amortisation values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

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 2023. 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 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).

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

Except for Amendments to IAS 1 and IFRS Practice Statement 2 — *Disclosure of Accounting Policies*, none of these new or amended IFRSs has a material impact on the Group's results and financial position for the current or prior years and financial statements disclosures.

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

Amendments to IAS 1 and IFRS Practice Statement 2 — *Disclosure of Accounting Policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following amendments to IFRSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current*[2]
Amendments to IAS 1	*Non-Current Liabilities with Covenants*[2]
Amendments to IFRS 16	*Lease liability in a Sale and Leaseback*[2]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[2]
Amendments to IAS 21	*Lack of Exchangeability*[3]

1 No mandatory effective date yet determined but available for adoption.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company is currently assessing the impact of these amendments. The Group does not expect these amendments to have any significant impact on the Group's financial statements.

2.4 ACCOUNTING POLICIES

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.

2.4 ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable 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.

Put options in relation to non-controlling interests

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

2.4 ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 the relevant 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

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

2.4 ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

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

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. 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.

2.4 ACCOUNTING POLICIES (CONTINUED)

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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. 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
Properties	2 to 5 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) 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.

2.4 ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Measurement

The 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 amortised in the statement of profit or loss when the asset is amortised, modified or impaired.

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 amortised 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).

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

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 ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Financial liabilities

Measurement

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings and other long-term payables. Financial liabilities are classified, at initial recognition, 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 amortised in the statement of profit or loss when the liabilities are amortised as well as through the effective interest rate amortization process.

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

2.4 ACCOUNTING POLICIES (CONTINUED)

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.

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 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 subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and not restricted as to use.

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.

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

2.4 ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward 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 carry forward of unused tax credits and unused tax losses can be utilised.

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.

Revenue recognition

Revenue from contracts with customers

For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of goods

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

(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.

2.4 ACCOUNTING POLICIES (CONTINUED)

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).

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 a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made.

Accommodation fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These schemes cover the accommodation fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the accommodation fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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:

Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2.1 to the consolidated financial statements.

Classification a disposal group held for sale

A disposal group to be classified as held for sale is available for immediate sale, and is highly probable to sale and complete within one year. The Group applies judgement in evaluating whether or not to reclassify the Anbaida Group Companies as a disposal group held for sale, that is, whether the disposal of Anbaida Group Companies can be satisfied with the requirements of classification a disposal group held for sale.

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. Further details are contained in note 18 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

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 or fair value less cost of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use or fair value less cost of disposal 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.

Impairment of non-financial assets (other than goodwill)

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade 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, and customer type).

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 product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables (continued)

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

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).

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. Details are contained in note 18 to the consolidated financial statements.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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.

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023	Continuing operations			Discontinued operation	
	Imaging printing products RMB'000	Medical products and equipment RMB'000	Subtotal RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	236,767	2,675,966	2,912,733	1,792,346	4,705,079
Intersegment sales	85,013	107,909	192,922	234	193,156
Reconciliation:					
Elimination of intersegment sales	(85,013)	(107,909)	(192,922)	(234)	(193,156)
Revenue	236,767	2,675,966	2,912,733	1,792,346	4,705,079
Segment results	24,791	1,127	25,918	44,190	70,108
Reconciliation:					
Corporate and other unallocated expenses			15,122		15,122
Profit before tax			41,040		85,230
Segment assets	134,647	1,720,847	1,855,494	1,553,642	3,409,136
Reconciliation:					
Corporate and other unallocated assets			17,051		17,051
Total assets			1,872,545		3,426,187
Segment liabilities	152,749	2,669,457	2,822,206	979,425	3,801,631
Reconciliation:					
Corporate and other unallocated liabilities			22,998		22,998
Total liabilities			2,845,204		3,824,629

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023	Continuing operations				Discontinued operation	
	Imaging printing products RMB'000	Medical products and equipment RMB'000	Corporate and unallocated RMB'000	Subtotal RMB'000	Medical products and equipment RMB'000	Total RMB'000
Other segment information:						
Depreciation of property, plant and plant, and equipment	4,734	18,120	—	22,854	15,681	38,535
Depreciation of right-of-use assets	1,556	33,988	—	35,544	67,451	102,995
Amortisation of intangible assets	53	22,558	—	22,611	6,915	29,526
Share of profit of an associate	—	—	—	—	(1,341)	(1,341)
Impairment losses (reversed)/recognised in the statement of profit or loss	(15,414)	15,646	(33,464)	(33,232)	37,093	3,861
Gain on disposal of property, plant and equipment	(14)	(394)	—	(408)	(32)	(440)
Gain on termination of lease	—	—	—	—	(291)	(291)
Interest income	(222)	(1,747)	(422)	(2,391)	(461)	(2,852)
Finance costs	1,459	163,250	—	164,709	55,202	219,911
Impairment loss on disposal group classified as held for sale	—	—	—	—	34,000	34,000
Gain on extinguishment of a portion of senior notes	—	(24,705)	—	(24,705)	—	(24,705)
Capital expenditure*	4,940	73,164	—	78,104	15,349	93,453

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	Continuing operations Imaging printing products RMB'000	Continuing operations Medical products and equipment RMB'000 (Re-presented)	Continuing operations Subtotal RMB'000	Discontinued operation Medical products and equipment RMB'000 (Re-presented)	Total RMB'000
Segment revenue:					
Sales to external customers	263,629	2,540,895	2,804,524	1,489,458	4,293,982
Intersegment sales	96,294	100,157	196,451	234	196,685
Reconciliation:					
Elimination of intersegment sales	(96,294)	(100,157)	(196,451)	(234)	(196,685)
Revenue	263,629	2,540,895	2,804,524	1,489,458	4,293,982
Segment results	(150,331)	(285,708)	(436,039)	(622,564)	(1,058,603)
Reconciliation:					
Corporate and other unallocated expenses			(48,739)		(48,739)
Loss before tax			(484,778)		(1,107,342)
Segment assets	99,291	1,645,970	1,745,261	1,619,281	3,364,542
Reconciliation:					
Corporate and other unallocated assets			5,103		5,103
Total assets			1,750,364		3,369,645
Segment liabilities	100,335	2,671,125	2,771,460	916,989	3,688,449
Reconciliation:					
Corporate and other unallocated liabilities			23,055		23,055
Total liabilities			2,794,515		3,711,504

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022	Continuing operations				Discontinued operation	
	Imaging printing products RMB'000	Medical products and equipment RMB'000 (Re-presented)	Corporate and unallocated RMB'000	Subtotal RMB'000	Medical products and equipment RMB'000 (Re-presented)	Total RMB'000
Other segment information:						
Depreciation of property, plant and plant, and equipment	6,012	15,615	—	21,627	15,610	37,237
Depreciation of right-of-use assets	2,523	33,629	—	36,152	72,896	109,048
Amortisation of intangible assets	66	29,793	—	29,859	54,632	84,491
Share of profit of an associate	—	—	—	—	(19,731)	(19,731)
Impairment losses recognised in the statement of profit or loss	96,892	125,015	61,057	282,964	659,723	942,687
Gain on disposal of property, plant and equipment	(4)	(336)	—	(340)	—	(340)
Gain on termination of lease	—	(4)	—	(4)	—	(4)
Interest income	(1,499)	(1,179)	(2,283)	(4,961)	(618)	(5,579)
Finance costs	1,322	271,813	—	273,135	25,440	298,575
Capital expenditure*	30	11,285	—	11,315	14,466	25,781

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

Information about a major customer

During the year ended 31 December 2023, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB664,781,000 (2022: RMB667,784,000), which accounted for approximately 22.8% (2022: approximately 23.8%) of the Group's total revenue from continuing operations during the year.

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:

	2023 RMB'000	2022 RMB'000 (Re-presented)
Continuing operations		
Revenue from contracts with customers	2,912,733	2,804,524

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Continuing operations			
Types of goods or services			
Sale of goods	227,093	2,635,087	2,862,180
Rendering of services	9,674	40,879	50,553
Total revenue from contracts with customers	236,767	2,675,966	2,912,733
Timing of revenue recognition			
Goods transferred at a point in time	227,093	2,635,087	2,862,180
Services transferred over time	9,674	40,879	50,553
Total revenue from contracts with customers	236,767	2,675,966	2,912,733

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2022

Segments	Imaging printing products RMB'000	Medical products and equipment RMB'000 (Re-presented)	Total RMB'000 (Re-presented)
Continuing operations			
Types of goods or services			
Sale of goods	260,913	2,488,459	2,749,372
Rendering of services	2,716	52,436	55,152
Total revenue from contracts with customers	263,629	2,540,895	2,804,524
Timing of revenue recognition			
Goods transferred at a point in time	260,913	2,488,459	2,749,372
Services transferred over time	2,716	52,436	55,152
Total revenue from contracts with customers	263,629	2,540,895	2,804,524

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	24,528	48,732
Rendering of services	18,819	26,142
	43,347	74,874

(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 30 to 90 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) at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	33,843	43,347

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

(iii) Other income and gains

	2023 RMB'000	2022 RMB'000 (Re-presented)
Continuing operations		
Government grants (note a)	11,384	10,094
Compensation income (note b)	11,022	—
Interest income	2,391	4,961
Foreign exchange differences, net	—	10,032
Net gain on disposal of property, plant and equipment	408	340
Gain on disposal of right-of-use assets	—	4
Gain on extinguishment of a portion of senior notes	24,705	—
Others	2,278	2,305
	52,188	27,736

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(iii) Other income and gains (continued)

Notes:

(a) 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.

(b) The amount represents the compensations received from the vendor of equity interest in Derunlijia in connection with profit guarantee for the acquisition of 70% equity interest in Derunlijia. As the actual net profit achieved by Derunlijia for the year ended 31 December 2019 was less than the annual actual guarantee profit, the vendor of Derunlijia was obliged and paid the compensation of approximately RMB9.8 million and related interest of approximately RMB1.2 million to the Group pursuant to the share transfer agreement dated 27 October 2016.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000 (Re-presented)
Continuing operations		
Interest on bank loans, overdrafts and other borrowings	141,686	247,177
Interest on overdue equity acquisition consideration	19,058	21,540
Interest on lease liabilities	3,710	4,022
Interest arising from discounted bills	255	396
	164,709	273,135

7. PROFIT/(LOSS) BEFORE TAX

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

	2023 RMB'000	2022 RMB'000 (Re-presented)
Continuing operations		
Auditor's remuneration	3,350	4,100
Cost of inventories sold and services provided (including the related depreciation and amortisation), also included:	2,399,951	2,406,972
Impairment of inventories	5,605	20,754
Depreciation of property, plant and equipment	22,854	21,627
Depreciation of right-of-use assets	35,545	36,152
Amortisation of other intangible assets	22,611	29,859
Research and development costs	35,735	21,151
Lease payments not included in the measurement of lease liabilities (note 14(c))	8,175	11,462
Employee benefit expense (excluding directors' remuneration as set out in note 8):		
Wages and salaries	152,625	153,390
Pension scheme contributions	10,872	11,407
	163,497	164,797
Foreign exchange differences, net	7,197	(10,032)
Impairment of goodwill*	—	1,439
Impairment of other intangible assets*	—	121,291

* 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:

	2023 RMB'000	2022 RMB'000
Fees	610	612
Other emoluments:		
Salaries, allowances and benefits in kind	5,829	5,287
Discretionary bonuses	413	1,274
Pension scheme contributions	210	198
	6,452	6,759
	7,062	7,371

(a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Dr. Hu Yiming[(a)]	87	204
Mr. Sutikno Liky[(b)]	87	204
Mr. Zeng Jinsong	204	204
Mr. Zhao Ziwei[(c)]	116	—
Mr. Koeswondo Michael David[(d)]	116	—
	610	612

(a) Dr. Hu Yiming resigned on 31 May 2023.

(b) Mr. Sutikno Liky resigned on 31 May 2023.

(c) Mr. Zhao Ziwei was appointed on 31 May 2023.

(d) Mr. Koeswondo Michael David was appointed on 31 May 2023.

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

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

(b) Non-executive director, executive directors and the chief executive

	Year ended 31 December 2023			
	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension Scheme contributions RMB'000	Total RMB'000
Mr. James Hartono[a]	2,845	237	68	3,150
Ms. Wang Hong	1,170	70	68	1,308
Ms. Liao Changxiang	1,513	96	37	1,646
Mr. Liang Junxiong	301	10	37	348
	5,829	413	210	6,452

	Year ended 31 December 2022			
	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension Scheme contributions RMB'000	Total RMB'000
Mr. James Hartonoa[a]	3,327	660	63	4,050
Ms. Wang Hong	777	250	63	1,090
Ms. Liao Changxiang	854	265	36	1,155
Mr. Liang Junxiong	329	99	36	464
	5,287	1,274	198	6,759

(a) Mr. James Hartono was no longer the chief executive of the Company since 24 August 2022.

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 three directors (2022: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2022: two) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	1,447	2,814
Discretionary bonuses	284	817
Pension scheme contributions	98	90
	1,829	3,721

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

	2023	2022
Nil to HKD1,000,000	1	—
HKD1,000,001 to HKD2,000,000	1	1
HKD2,000,001 to HKD3,000,000	—	1

10. INCOME TAX

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

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

Hong Kong profits tax is to be provided at the rate of 16.5% (2022: 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 profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Yestar Medical was accredited as a high and new technology enterprise ("**HNTE**") in the year ended 31 December 2019. The HNTE certificate needs to be renewed every three years so as to enable Yestar Medical to enjoy the preferential CIT rate of 15%. For the year ended 31 December 2023, Yestar Medical was entitled to a Corporate Income Tax ("**CIT**") rate of 15% (2022: 15%) due to HNTE.

10. INCOME TAX (CONTINUED)

The major components of income tax expense/(credit) for the year are as follows:

	2023 RMB'000	2022 RMB'000 (Re-presented)
Continuing operations		
Current — PRC		
Charge for the year	45,878	31,430
Deferred tax	(6,316)	(42,259)
Income tax expense/(credit) for the year	39,562	(10,829)

The income tax expense/(credit) for the year can be reconciled to the profit/loss before income tax in the consolidated statement of profit or loss as follows:

	2023 RMB'000	2022 RMB'000 (Re-presented)
Continuing operations		
Profit/(loss) before income tax	41,040	(1,195,018)
Tax calculated at the applicable tax rate of 25% (2022: 25%)	10,260	(298,755)
Lower tax rate for certain entities in different jurisdictions	(3,836)	1,697
Tax losses and deductible temporary differences not recognised	3,470	146,994
Expenses not deductible for tax purpose	53,153	152,789
Income not subject to tax	(14,721)	(4,719)
Utilisation of tax losses previously not recognised	(974)	—
Adjustments to current tax of previous periods	1,203	1,467
Tax incentives on eligible expenditures	(8,993)	(10,302)
Income tax expense/(credit)	39,562	(10,829)

11. DIVIDENDS

There was no proposed final dividend for the year ended 31 December 2023 (2022: Nil) which would be subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 2,331,590,000 in issue during the years ended 31 December 2023 and 2022.

The calculation of basic loss per share is based on:

	2023 RMB'000	2022 RMB'000 (Re-presented)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation:		
— from continuing operations	(9,316)	(460,316)
— from discontinued operation	(4,572)	(531,916)
	(13,888)	(992,232)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (thousands)	2,331,590	2,331,590
Basic loss per share (RMB cents)	(0.6)	(42.6)

Diluted loss per share are same as the basic loss per share for the years ended 31 December 2023 and 2022, as there were no dilutive potential ordinary shares in existence during the year or in prior year.

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 2023							
As at 1 January 2023							
Cost	123,123	25,937	105,246	124,912	49,905	432	429,555
Accumulated depreciation	(35,025)	(21,003)	(84,867)	(80,437)	(34,260)	—	(255,592)
Impairment	—	—	(829)	—	—	—	(829)
Net carrying amount	88,098	4,934	19,550	44,475	15,645	432	173,134
At 1 January 2023, net of accumulated depreciation and impairment	88,098	4,934	19,550	44,475	15,645	432	173,134
Additions	—	587	51,290	14,784	9,353	17,318	93,332
Depreciation provided during the year	(4,863)	(2,302)	(6,113)	(19,590)	(5,667)	—	(38,535)
Disposals	—	—	(2,059)	(1,013)	(122)	—	(3,194)
Transfer	—	12,554	945	—	—	(13,499)	—
Reclassified as held for sale (Note 27)	—	—	—	(30,989)	(13,251)	(31)	(44,271)
At 31 December 2023, net of accumulated depreciation and impairment	83,235	15,773	63,613	7,667	5,958	4,220	180,466
At 31 December 2023							
Cost	123,123	39,078	157,481	46,738	25,893	4,220	396,533
Accumulated depreciation	(39,888)	(23,305)	(93,039)	(39,071)	(19,935)	—	(215,238)
Impairment	—	—	(829)	—	—	—	(829)
Net carrying amount	83,235	15,773	63,613	7,667	5,958	4,220	180,466

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 2022							
As at 1 January 2022							
Cost	125,920	25,327	101,544	118,380	48,040	31	419,242
Accumulated depreciation	(28,319)	(20,446)	(79,832)	(65,903)	(30,563)	—	(225,063)
Impairment	—	—	(941)	—	—	—	(941)
Net carrying amount	97,601	4,881	20,771	52,477	17,477	31	193,238
At 1 January 2022, net of accumulated depreciation and impairment	97,601	4,881	20,771	52,477	17,477	31	193,238
Additions	282	610	5,114	14,021	3,424	401	23,852
Depreciation provided during the year	(6,782)	(557)	(6,162)	(18,868)	(4,868)	—	(37,237)
Disposals	(3,003)	—	(173)	(3,155)	(388)	—	(6,719)
At 31 December 2022, net of accumulated depreciation and impairment	88,098	4,934	19,550	44,475	15,645	432	173,134
At 31 December 2022							
Cost	123,123	25,937	105,246	124,912	49,905	432	429,555
Accumulated depreciation	(35,025)	(21,003)	(84,867)	(80,437)	(34,260)	—	(255,592)
Impairment	—	—	(829)	—	—	—	(829)
Net carrying amount	88,098	4,934	19,550	44,475	15,645	432	173,134

As at 31 December 2023, Certain of the Group's buildings with a net carrying amount of approximately RMB77,444,000 (2022: RMB79,547,000) were pledged to secure bank loans granted to the Group (note 23).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties 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 properties generally have lease terms between 2 and 5 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.

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(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	Properties RMB'000	Other equipment RMB'000	Total RMB'000
As at 1 January 2022	12,990	45,954	207,740	266,684
Additions	—	31,153	70,347	101,500
Termination of lease	—	(77)	—	(77)
Depreciation charge	(327)	(26,851)	(81,870)	(109,048)
As at 31 December 2022 and 1 January 2023	12,663	50,179	196,217	259,059
Additions	—	7,796	54,027	61,823
Termination of lease	—	(12,369)	—	(12,369)
Depreciation charge	(327)	(23,867)	(78,801)	(102,995)
Reclassified as held for sale (Note 27)	—	(8,034)	(119,625)	(127,659)
As at 31 December 2023	12,336	13,705	51,818	77,859

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:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	208,272	213,649
New leases	61,823	101,500
Termination of lease	(12,660)	(81)
Accretion of interest recognised during the year	9,729	10,977
Payments	(105,430)	(117,773)
Reclassified as held for sale (Note 27)	(104,979)	—
Carrying amount at 31 December	56,755	208,272
Analysed into:		
Current portion	27,154	89,114
Non-current portion	29,601	119,158

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

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

	2023 RMB'000	2022 RMB'000 (Re-presented)
Continuing operations		
Interest on lease liabilities	3,710	4,022
Depreciation charge of right-of-use assets	35,545	36,152
Gain on termination of lease	—	(4)
Expense relating to short-term leases (included in cost of sales and administrative expenses)	8,175	11,462
Aggregate undiscounted commitments for short-term lease	1,147	1,574

(d) The total cash outflow for leases are disclosed in note 31(c) to the consolidated financial statements.

15. OTHER INTANGIBLE ASSETS

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation and impairment	72,667	179,445	2,454	254,566
Additions	—	—	121	121
Amortisation provided during the year	(8,575)	(20,822)	(129)	(29,526)
Transfer	—	—	(1,896)	(1,896)
Reclassified as held for sale (Note 27)	(15,267)	(30,013)	(27)	(45,307)
At 31 December 2023	48,825	128,610	523	177,958
At 31 December 2023				
Cost	318,900	758,500	11,608	1,089,008
Accumulated amortisation	(118,594)	(275,641)	(11,085)	(405,320)
Accumulated impairment	(151,481)	(354,249)	—	(505,730)
Net carrying amount	48,825	128,610	523	177,958

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation and impairment	258,717	560,674	718	820,109
Additions	—	—	1,929	1,929
Amortisation provided during the year	(26,879)	(57,419)	(193)	(84,491)
Impairment during the year	(159,171)	(323,810)	—	(482,981)
At 31 December 2022	72,667	179,445	2,454	254,566
At 31 December 2022				
Cost	594,900	1,301,100	13,732	1,909,732
Accumulated amortisation	(248,804)	(527,664)	(11,278)	(787,746)
Accumulated impairment	(273,429)	(593,991)	—	(867,420)
Net carrying amount	72,667	179,445	2,454	254,566

15. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of customer relationship and distribution rights

Customer relationship and distribution rights 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 customer relationship and distribution rights has been determined based on a fair value less cost of disposal calculation using cash flow projections based on financial budgets covering residual useful lives of intangible assets period approved by senior management. The discount rates applied to the cash flow projections 17% (2022: 17%). Based on the impairment assessment, the recoverable amount of customer relationship and distribution rights is higher than its carrying amount as at 31 December 2023. Accordingly, the Group did not recognise any impairment loss on customer relationship and distribution rights (2022: RMB159.2 million and RMB323.8 million, respectively) during the year.

Assumptions were used in the fair value less cost of disposal calculation of the CGUs for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of customer relationship and distribution rights:

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 during the budget year.

Revenue growth rate beyond the forecast period — The growth rates beyond the forecast period are the rate of inflation.

16. GOODWILL

	RMB'000
At 1 January 2022:	
Cost	925,999
Accumulated impairment	(505,932)
Net carrying amount	420,067
Cost at 1 January 2022, net of accumulated impairment	420,067
Impairment during the year	(295,416)
At 31 December 2022	124,651
At 31 December 2022:	
Cost	925,999
Accumulated impairment	(801,348)
Net carrying amount	124,651
Cost at 1 January 2023, net of accumulated impairment	**124,651**
Reclassified as held for sale (Note 27)	**(24,001)**
At 31 December 2023	**100,650**
At 31 December 2023:	
Cost	**531,596**
Accumulated impairment	**(430,946)**
Net carrying amount	**100,650**

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 Anbaida Group Companies

— sale of medical equipment and reagents of Hongen

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

The recoverable amount of the CGU has been determined based on a fair value less cost of disposal calculation using cash flow projections based on the financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections was 17% (2022: 17%). The growth rate used to extrapolate the cash flows of the above cash-generating units beyond the five-year is 2.3% (2022: 2.3%–2.5%). Senior management of the CGU believes that this growth rate is justified, given it is the estimated rate of inflation.

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

	2023 RMB'000	2022 RMB'000
Anbaida Group Companies*	—	24,001
Hongen	100,650	100,650
Total	100,650	124,651

* The balance of Anbaida Group Companies was reclassified to assets classified as held for sale as set out in note 27.

Assumptions were used in the fair value less cost of disposal calculation of the CGUs for 31 December 2023 and 31 December 2022. 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 during the budget year.

Revenue growth rate beyond the forecast period — The growth rates beyond the forecast period are the rate of inflation.

17. INVESTMENT IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Share of net assets	34,313	32,972
Reclassified as held for sale (Note 27)	(34,313)	—
	—	32,972

Particulars of the Group's associate are as follows:

Company name	Place of registration and business	Nominal value of registered share capital (RMB'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	52,650	—	37%	Medical examination and scientific researches

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

	2023 RMB'000	2022 RMB'000
Share of the associate's profit for the year (Note 27)	1,341	19,731
Share of the associate's total comprehensive income (Note 27)	1,341	19,731
Aggregate carrying amount of the Group's investment in the associate (Note 27)	34,313	32,972

18. DEFERRED TAX

The movements in deferred tax liabilities and 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	Losses available for offsetting against future taxable profits RMB'000	Public welfare donation expenditure RMB'000	Total RMB'000
At 1 January 2022	183	19,223	2,356	—	—	21,762
Deferred tax credited to the statement of profit or loss during the year	261	580	136	3,523	1,127	5,627
Gross deferred tax assets at 31 December 2022 and 1 January 2023	444	19,803	2,492	3,523	1,127	27,389
Deferred tax (charged)/credited to the statement of profit or loss during the year	(280)	4,107	(145)	(3,175)	—	507
Reclassified as held for sale (Note 27)	—	(4,312)	(1,394)	—	—	(5,706)
Gross deferred tax assets at 31 December 2023	164	19,598	953	348	1,127	22,190

* As at 31 December 2023 and 2022, the Group recognised deferred tax assets of RMB17,032,000 (2022: RMB63,707,000) and deferred tax liabilities of RMB16,079,000 (2022: RMB61,215,000) arising from leases on a net basis.

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
As at 1 January 2022	204,875	22,374	227,249
Deferred tax credited to the statement of profit or loss during the year	(141,820)	—	(141,820)
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023	63,055	22,374	85,429
Deferred tax credited to the statement of profit or loss during the year	(7,349)	(67)	(7,416)
Reclassified as held for sale (Note 27)	(11,320)	—	(11,320)
Gross deferred tax liabilities at 31 December 2023	44,386	22,307	66,693

18. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Mainland China of RMB229,777,000 (2022: RMB214,528,000) 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 2023, no income tax expected from deferred tax liability was recognised for withholding taxes that would be payable on the undistributed profit 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 undistributed profit for the year ended 31 December 2023 in the foreseeable future. The aggregate amount of deferred tax liabilities not recognised for temporary differences associated with investments in subsidiaries in Mainland China totalled approximately RMB110,895,000 (2022: RMB133,389,000) at 31 December 2023.

19. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	57,427	50,053
Finished goods	295,649	412,873
	353,076	462,926
Less: Provision for inventories	(57,292)	(54,860)
	295,784	408,066

19. INVENTORIES (CONTINUED)

The movements in inventory provision are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	54,860	32,574
Impairment provision recognised	7,483	22,286
Reclassified as held for sale	(5,051)	—
At end of year	57,292	54,860

20. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	721,832	1,612,234
Bills receivables	27,479	18,667
Provision for impairment	(58,888)	(61,710)
	690,423	1,569,191

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:

	2023 RMB'000	2022 RMB'000
Within 90 days	320,808	757,039
91 to 180 days	135,096	481,095
181 to 365 days	110,678	172,596
1 to 2 years	60,247	134,333
2 to 3 years	36,115	5,461
	662,944	1,550,524

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

	2023 RMB'000	2022 RMB'000
At beginning of year	61,710	59,183
Impairment losses, net	10,007	2,716
Amount written off as uncollectable	—	(189)
Reclassified as held for sale	(12,829)	—
At end of year	58,888	61,710

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, and customer type). 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.

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 2023

		Past due			
	Not past due	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	1.14%	2.46%	7.08%	47.50%	8.16%
Gross carrying amount	391,983	195,425	35,199	99,225	721,832
Expected credit losses	4,459	4,804	2,491	47,134	58,888

As at 31 December 2022

		Past due			
	Not past due	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	0.54%	1.71%	5.71%	39.15%	3.83%
Gross carrying amount	1,061,177	338,453	98,664	113,940	1,612,234
Expected credit losses	5,681	5,789	5,630	44,610	61,710

Management assessed that the expected credit loss for bills receivable, which are all bank acceptance notes, was immaterial and it was not recognised during the year (2022: Nil). Those banks who issued the bank acceptance notes are creditworthy banks with no recent history of default.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	52,921	76,695
Value added tax inputs	22,722	23,966
Deposit and other receivables	118,502	209,557
Financial assets measured at amortised cost	22,775	56,413
	216,920	366,631
Impairment allowance	(92,845)	(142,114)
	124,075	224,517

Deposits and other receivables mainly represent rental deposits and deposits with suppliers.

The movements in the loss allowance for impairment of deposits, other receivables and financial assets measured at amortised cost are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	142,114	—
Impairment losses, net	(47,629)	139,288
Exchange realignment	721	2,826
Reclassified as held for sale	(2,361)	—
At end of year	92,845	142,114

As at 31 December 2023, the impairment allowance of deposits, other receivables and financial assets measured at amortised cost were approximately RMB70,070,000 and RMB22,775,000 (2022: RMB85,701,000 and RMB56,413,000), respectively.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	203,140	296,100
Less: Pledged deposit	(10)	(1,810)
Cash and cash equivalents	203,130	294,290

At the end of the reporting period, the cash and bank balances of the Group denominated in the United States dollar ("**USD**") and Hong Kong dollar ("**HKD**") amounted to RMB12,899,000 and RMB1,002,000 (2022: RMB2,221,000 and RMB1,775,000) respectively. Remaining amounts are denominated in RMB.

At 31 December 2023 and 2022, pledged deposit was mainly arranged for litigation.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity (note (3))	RMB'000	Effective interest rate (%)	Maturity (note (3))	RMB'000
Current						
Bank loans — unsecured	2.47–6.90	On demand	48,886	2.08–4.90	On demand	53,000
Bank loans — secured (note (2))	2.47–9.80	On demand	121,124	2.50–9.30	On demand	236,011
Current portion of long term bank loans — unsecured	—	—	—	9.80	On demand	5,000
Current portion of long term bank loans — secured (note (2)/(3))	2.40–3.0	On demand	24,000	2.60–3.00	On demand	17,000
Senior notes (note(1))	9.50	On demand	1,377,632	9.50	On demand	1,378,048
			1,571,642			1,689,059
Analysed into:						
Bank loans and other borrowings repayable						
Within one year or on demand			1,571,642			1,689,059

Notes:

(1) On 30 December 2021, the Company issued another five-year senior notes with a par value of USD197.9 million and an effective interest rate of 9.50% per annum. The interest is paid semi-annually in arrears. The maturity date of the senior notes is 29 December 2026.

The shares of Yestar BVI Limited and Yestar HK are pledged to the holders of the senior notes.

Since 30 December 2022, the Group defaulted on the repayment of overdue senior notes (including 15% of the original principal amount of RMB206,645,000 (2022:RMB68,902,000) and the interest of RMB196,313,000 (2022: RMB65,457,000), which met the default condition, leading to the principal amounted to RMB1,377,632,000 (2022: RMB1,378,048,000) and accrued and unpaid interest on the Notes amounted to RMB196,313,000 (2022: RMB65,457,000) become and be immediately due and payable.

On 7 December 2023, the Company announced a proposed offshore debt restructuring of the existing liabilities outstanding under the 9.5% senior notes due 2026 issued by the Company in the principal amount of US$194,506,648 by way of a Cayman scheme (the "Scheme"). The proposed debt restructuring was completed on 14 March 2024 and accordingly the default as described above was remedied.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(2) As at 31 December 2023, the Group's bank loans of RMB61,124,000 (2022: RMB102,903,000) were secured by the pledge of the Group's buildings of carrying amount of approximately RMB73,971,000 (2022: RMB79,547,000) and guaranteed by the Company's subsidiaries.

As at 31 December 2023, the Group's bank loans of RMB84,000,000 (2022: RMB150,108,000) were guaranteed by a non-controlling shareholder and/or the Company's subsidiaries.

(3) As at 31 December 2023, due to the Group defaulted on the repayment of overdue senior notes, the Group's bank loans of RMB194,010,000 (2022: RMB311,011,000) become and be immediately due and payable.

Except for the senior notes of RMB1,377,632,000 (2022: RMB1,378,048,000) and secured bank loans of RMB19,123,000 (2022: RMB28,903,000) which are denominated in USD, all the borrowings are in RMB.

24. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 90 days	382,869	635,960
91 to 180 days	17,540	10,415
181 to 365 days	2,211	3,082
1 to 2 years	127	15,773
Over 2 years	1,761	1,303
	404,508	666,533

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

25. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2023 RMB'000	2022 RMB'000
Short-term advances received from customers		
Sale of goods	22,011	24,528
Rendering of maintenance services	11,832	18,819
Total contract liabilities	33,843	43,347

Contract liabilities include short-term advances received to deliver goods and render maintenance services. The decrease in contract liabilities in 2023 was mainly due to the decrease in short-term advances received from customers in relation to the sale of goods and rendering of maintenance service at the end of each of the years.

26. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Current portion		
Other payables	29,281	116,578
Other tax payable	39,442	34,292
Payroll and welfare payable	18,214	20,479
Interest payable	197,022	66,150
Payables to non-controlling interests (note)	362,631	655,831
	646,590	893,330
Non-current portion		
Deferred government grant	6,944	7,133

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes:

Payables to non-controlling interests mainly represent the contractual obligations of the Group to acquire the remaining 5.83% interests in Anbaida Group Companies and the remaining 30% interests in each of Shengshiyuan and Kaihongda. Beside that, the payables balance as at 31 December 2022 included amount due to a non-controlling interest of RMB230,000,000, which was unsecured, interest bearing at an interest rate of 15% and repayable within one year. The details of the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Shengshiyuan and Kaihongda are as follows:

(a) Pursuant to the share purchase agreement entered into between 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 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 Bin and Mr. Li Changgui 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 at a consideration of RMB675 million. As at 31 December 2023, the Company completed the acquisition of a 24.17% equity interest and paid RMB543,750,000 to Mr. Li Bin and Mr. Li Changgui, the remaining unpaid amount of RMB131,250,000 (2022: RMB131,250,000) and related interest of RMB25,148,000 (2022: RMB6,090,000) was recorded in payables to non-controlling interests.

    As at 31 December 2023, the carrying amount of RMB125,325,000 related to dividend payable to Mr. Li Bin and Mr. Li Changgui, which was reclassified to liabilities directly associated with assets classified as held for sale as set out in note 27 (2022: RMB86,275,000 was recorded in the payables to non-controlling interests).

(b) Pursuant to the share purchase agreement entered into 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 shareholders of the remaining 30% equity interest of Shengshiyuan to purchase their remaining 30% equity interest. No agreement was reached as at the date of this report.

    As at 31 December 2023, the Group recognised the consideration payable of RMB112,702,000 (2022: RMB112,702,000) and dividend payable to the above shareholders of Shengshiyuan of RMB20,989,000 (2022: RMB18,420,000) in the payables to non-controlling interests.

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes: (continued)

(c) Pursuant to the share purchase agreement entered into 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 was negotiating with shareholders of the remaining 30% equity interest of Kaihongda to purchase the remaining 30% equity interest. No agreement was reached as at the date of this report.

As at 31 December 2023, the Group recognised the consideration payable of RMB65,336,000 (2022: RMB65,336,000) and dividend payable to the above shareholders of Kaihongda of RMB7,206,000 (2022: RMB5,758,000) in the payables to non-controlling interests.

27. DISCONTINUED OPERATION

On 30 December 2022, Yestar Medical ("the Vendor"), the indirect wholly-owned subsidiary of the Company, and Mr. Li Bin (the "Purchaser"), the non-controlling shareholders of the Anbaida Group Companies (the "Disposal Group"), entered into an equity transfer agreement (the "2022 Equity Transfer Agreement") to sell the 94.2% equity interests in the Disposal Group to the Purchaser, at a consideration of RMB574,750,000.

The Purchaser was the founder of the Disposal Group and was appointed as an executive director of the Company on 18 June 2021 and resigned on 31 December 2021. As at the end of the reporting period, the Purchaser holds 164,600,600 shares, representing approximately 7.1% equity interests in the Company.

According to the 2022 Equity Transfer Agreement, the consideration is RMB574,750,000. The Purchaser agreed to pay the consideration less the outstanding amount of RMB131,250,000 and the interest expenses of RMB25,148,000 to be paid by the Vendor to the Purchaser. Pursuant to the 2022 Equity Transfer Agreement, the dividend payable of RMB125,325,000, which representing the undistributed profits shall be payable by the Vendor to the Purchaser, is exempt from payment.

Details in relation to the 2022 Equity Transfer Agreement were set out in the Company's announcement and circular dated 30 December 2022 and 13 December 2023 respectively.

The disposal of the Group's interest in the Disposal Group was to improve the liquidity and the overall financial position of the Group. On 28 December 2023, the terms of the 2022 Equity Transfer Agreement were approved by the shareholders in an extraordinary general meeting of the Company. The disposal transaction was completed subsequently on 12 January 2024. As such, the Disposal Group was classified as disposal group held for sale and are presented separately in the consolidated statement of the financial position at 31 December 2023. Since the operation of the Disposal Group represents a separate major geographical area of operations, i.e. sales and distribution of In-Vitro Diagnostic products, medical equipment and other related consumables in Shanghai, it is therefore reclassified to discontinued operation in the consolidated statement of profit or loss and other comprehensive income. Comparative figures have been restated to conform with the presentation where applicable.

27. DISCONTINUED OPERATION (CONTINUED)

The financial performance and cashflow information of the discontinued operation presented below are for the years ended 31 December 2023 and 2022.

	2023 RMB'000	2022 RMB'000
Revenue	1,792,346	1,489,458
Cost of sales	(1,384,473)	(1,178,301)
Gross profit	407,873	311,157
Other income and gains	10,713	9,956
Selling and distribution expenses	(193,391)	(136,916)
Administrative expenses	(91,539)	(142,404)
Provision for impairment losses on financial assets	(1,215)	(2,524)
Other expenses	(34,390)	(656,124)
Finance costs	(55,202)	(25,440)
Share of profit of an associate	1,341	19,731
Profit/(loss) before tax	44,190	(622,564)
Income tax (expense)/credit	(46,939)	75,919
Loss for the year from discontinued operation	(2,749)	(546,645)
Cash flow from discontinued operation		
Net cash inflow/(outflow) from operating activities	201,086	(35,943)
Net cash outflow from investing activities	(15,230)	(14,466)
Net cash (ouflow)/inflow from financing activities	(145,412)	19,528
Net cash inflow/(outflow)	40,444	(30,881)

27. DISCONTINUED OPERATION (CONTINUED)

The major classes of assets and liabilities of the discontinued operation classified as held for sale as at 31 December 2023 are as follows:

	2023 RMB'000
Assets	
Property, plant and equipment*	42,233
Right-of-use assets*	121,783
Other intangible assets*	43,222
Goodwill*	—
Investment in an associate	34,313
Deferred tax assets	5,706
Inventories	143,803
Trade and bills receivables	899,147
Prepayments, other receivables and other assets	108,652
Cash and cash equivalents	154,783
Assets classified as held for sale	1,553,642
Liabilities	
Interest-bearing bank and other borrowings	100,000
Trade payables	281,234
Contract liabilities	17,988
Other payables and accruals	265,832
Dividend payable	125,325
Lease liabilities	104,979
Tax payable	72,747
Deferred tax liabilities	11,320
Liabilities directly associated with assets classified as held for sale	979,425

* An impairment loss totalled RMB34,000,000 was recognised and included in discontinued activities against the carrying amount of goodwill, property, plant and equipment, right-of-use assets and other intangible assets of RMB24,001,000, RMB2,038,000, RMB5,876,000 and RMB2,085,000 respectively on the measurement of the disposal group to lower of its carrying amount and fair value less cost to sell.

28. SHARE CAPITAL AND TREASURY SHARES

Shares

	2023 RMB'000	2022 RMB'000
Authorised:		
Ordinary shares of HKD0.025 each (2022: HKD0.025 each)	100,000	100,000
Issued and fully paid:		
2,331,590,000 (2022: 2,331,590,000) ordinary shares of HKD0.025 each	46,576	46,576

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 2022, 31 December 2022 and 2023	2,331,590	46,576

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 102 of the consolidated 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.

29. RESERVES (CONTINUED)

Put options written on non-controlling interests

The put options written on non-controlling interests represent 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.

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:

	2023	2022
Percentage of equity interest held by non-controlling interests:		
Anbaida Group Companies	5.83%	5.83%
Hongen	10%	10%
Derunlijia	30%	30%

	2023 RMB'000	2022 RMB'000
Profit for the year allocated to non-controlling interests:		
Anbaida Group Companies	1,823	(14,729)
Hongen	4,108	2,355
Derunlijia	2,753	178

	2023 RMB'000	2022 RMB'000
Dividends paid to non-controlling interests of:		
Anbaida Group Companies	—	4,200
Hongen	4,578	2,942
Derunlijia	10,500	9,000

	2023 RMB'000	2022 RMB'000
Accumulated balances of non-controlling interests at the end of the reporting period (note):		
Anbaida Group Companies	244,924	243,101
Hongen	13,077	13,548
Derunlijia	35,762	43,509

Note:

The accumulated balances of Anbaida Group Companies were included in payables to non-controlling interests in the account of other payables and accruals (note 26) and dividend payable in liabilities directly associated with assets classified as held for sale (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:

2023	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,792,580	588,951	186,677
Current assets	1,306,384	124,373	110,877
Non-current assets	211,976	22,123	17,273
Current liabilities	786,112	97,260	27,655
Net cash flows from operating activities	201,086	102,176	120,020
Net cash flows used in investing activities	(15,230)	(1,906)	(312)
Net cash flows used in financing activities	(145,412)	(99,174)	(139,203)
Net increase/(decrease) in cash and cash equivalents	40,444	1,096	(19,495)

2022	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,489,692	480,095	176,100
Current assets	1,296,351	95,461	126,770
Non-current assets	246,768	24,772	19,586
Current liabilities	829,030	73,180	21,270
Net cash flows (used in)/from operating activities	(35,943)	61,185	13,441
Net cash flows (used in)/from investing activities	(14,466)	(1,063)	1,756
Net cash flows from/(used in) financing activities	19,528	(38,547)	(34,215)
Net (decrease)/increase in cash and cash equivalents	(30,881)	21,575	(19,018)

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 RMB61,823,000 (2022: RMB101,500,000) and RMB61,823,000 (2022: RMB101,500,000), respectively, in respect of lease arrangements for properties and equipment.

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing bank loans (Note 23) RMB'000	Senior notes (Note 23) RMB'000	Interest payable RMB'000	Lease liabilities (Note 14(b)) RMB'000	Other payables RMB'000
At 1 January 2023	311,011	1,378,048	66,150	208,272	238,000
Changes from cash flow:					
New bank loans	382,329	—	—	—	—
Repayment of bank loans	(399,735)	—	—	—	—
Repayment to a non-controlling shareholder	—	—	—	—	(62,000)
Principal portion of lease payments	—	—	—	(95,701)	—
Interest portion of lease payments	—	—	—	(9,729)	—
Interest paid	—	—	(34,457)	—	—
Other changes:					
New leases	—	—	—	61,823	—
Foreign exchange movement	405	23,169	2,192	—	—
Interest expense	—	—	191,124	9,729	19,058
Extinguishment of a portion of senior notes	—	(23,585)	(1,120)	—	—
Termination of lease	—	—	—	(12,660)	—
Reclassified as held for sale	(100,000)	—	(26,867)	(104,979)	(169,910)
As at 31 December 2023	194,010	1,377,632	197,022	56,755	25,148

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

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

2022

	Interest-bearing bank loans (Note 23) RMB'000	Senior notes (Note 23) RMB'000	Interest payable RMB'000	Lease liabilities (Note 14(b)) RMB'000	Other payables RMB'000
At 1 January 2022	417,228	1,159,547	457	213,649	30,000
Changes from cash flow:					
New bank loans	479,720	—	—	—	—
Repayment of bank loans	(585,937)	—	—	—	—
Increase in advance from a non-controlling shareholder	—	—	—	—	208,000
Principal portion of lease payments	—	—	—	(106,796)	—
Interest portion of lease payments	—	—	—	(10,977)	—
Interest paid	—	—	(114,358)	—	—
Other changes:					
New leases	—	—	—	101,500	—
Foreign exchange movement	—	110,954	—	—	—
Interest expense	—	107,547	180,051	10,977	—
Termination of lease	—	—	—	(81)	—
As at 31 December 2022	311,011	1,378,048	66,150	208,272	238,000

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating activities	8,175	11,462
Within financing activities	105,430	117,773
	113,605	129,235

32. PLEDGE OF ASSETS

At the end of reporting period, the Group's bank and other borrowings are secured by the pledge of the Group's building, guarantee by a non-controlling shareholder and/or the Company's subsidiaries and pledge of the shares of Yestar BVI and Yestar HK, are detailed in notes to the consolidated financial statements.

33. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Guangxi MY Eurostar Co., Ltd.	Controlled by Mr. James Hartono

(a) Outstanding balances with related parties:

(i) The Group had an outstanding balance due from Guangxi MY Eurostar Co., Ltd. of RMB7,059,000 as at 31 December 2022. This balance was unsecured, interest-free and has no fixed terms of repayment.

(ii) The Group had an outstanding balance due to Guangxi MY Eurostar Co., Ltd. of RMB1,000,000 (2022: RMB1,000,000) as at 31 December 2023. This balance was unsecured, interest-free and has no fixed terms of repayment.

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

	2023 RMB'000	2022 RMB'000
Basic salaries and other benefits	5,829	5,287
Discretionary bonuses	413	1,274
Pension scheme contributions	210	198
	6,452	6,759

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated 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:

2023

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income RMB'000
Trade receivables	662,944	—
Bills receivables	—	27,479
Financial assets included in prepayments, other receivables, and other assets	48,432	—
Pledged deposits	10	—
Cash and cash equivalents	203,130	—
	914,516	27,479

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	404,508
Financial liabilities included in other payables and accruals	588,934
Lease liabilities	56,755
Interest-bearing bank and other borrowings	1,571,642
	2,621,839

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2022

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income RMB'000
Trade receivables	1,550,524	—
Bills receivables	—	18,667
Financial assets included in prepayments, other receivables, and other assets	123,856	—
Pledged deposits	1,810	—
Cash and cash equivalents	294,290	—
	1,970,480	18,667

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	666,533
Financial liabilities included in other payables and accruals	838,559
Lease liabilities	208,272
Interest-bearing bank and other borrowings	1,689,059
	3,402,423

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

At 31 December 2023, the Group discounted certain bills accepted by banks in the PRC included in bills receivable (the "**Discounted Bills**") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB130,462,000. The Discounted Bills had a maturity of one to five months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Bills may exercise the right of recourse against any, several or all of the persons liable for the Discounted Bills, including the Group, in disregard of the order of precedence (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Discounted Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Discounted Bills and the undiscounted cash flows to repurchase these Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Discounted Bills are not significant.

During the year ended 31 December 2023, the Group recognised finance cost on the date of transfer of the Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

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	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (senior notes)	1,377,632	1,378,048	352,894	688,679

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade 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 senior notes) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the investments is based on quoted market prices.

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

Fair value hierarchy

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

Assets measured at fair value

As at 31 December 2023

	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
Bills receivables	—	27,479	—	27,479

As at 31 December 2022

	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
Bills receivables	—	18,667	—	18,667

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 2023.

Liabilities for which fair values are disclosed

As at 31 December 2023

	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 — senior notes	352,894	—	—	352,894

As at 31 December 2022

	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 — senior notes	688,679	—	—	688,679

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's principal financial instruments comprise bank loans and overdrafts, 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 payables as well as other receivables and payables, which arise directly from its operations.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

The main risks arising from the Group's financial instruments are, 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:

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, with all other variables held constant, of the Group's profit/(loss) 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.

As HKD is pledged to USD, the Group does not expect any significant movement in USD/HKD exchange rate.

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit/(loss) before tax RMB'000	Decrease/ (increase) in accumulated loss RMB'000
Year ended 31 December 2023			
If USD weakens against the RMB	5	919	689
If USD strengthens against the RMB	(5)	(919)	(689)
Year ended 31 December 2022			
If USD weakens against the RMB	5	5,924	4,443
If USD strengthens against the RMB	(5)	(5,924)	(4,443)

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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Maximum exposure and year-end staging

The tables below show 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 2023. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	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*	—	—	—	721,832	721,832
Financial assets included in prepayments, other receivables and other assets**	48,883	—	92,394	—	141,277
Pledged deposits					
— Not yet past due	10	—	—	—	10
Cash and cash equivalents					
— Not yet past due	203,130	—	—	—	203,130
	252,023	—	92,394	721,832	1,066,249

As at 31 December 2022

	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*	—	—	—	1,612,234	1,612,234
Financial assets included in prepayments, other receivables and other assets**	123,856	—	142,114	—	265,970
Pledged deposits					
— Not yet past due	1,810	—	—	—	1,810
Cash and cash equivalents					
— Not yet past due	294,290	—	—	—	294,290
	419,956	—	142,114	1,612,234	2,174,304

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Maximum exposure and year-end staging (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the consolidated 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 consolidated 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.

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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2023

	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	194,010	—	—	—	194,010
Lease liabilities	—	8,186	21,321	30,861	60,368
Trade payables	21,639	382,869	—	—	404,508
Other payables and accruals	226,303	—	—	—	226,303
Senior notes	1,377,632	—	—	—	1,377,632
Payables to non-controlling interests	362,631	—	—	—	362,631
	2,182,215	391,055	21,321	30,861	2,625,452

2022

	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	311,011	—	—	—	311,011
Lease liabilities	—	18,619	79,049	125,563	223,231
Trade payables	30,753	635,690	—	—	666,533
Other payables and accruals	182,728	—	—	—	182,728
Senior notes	1,378,048	—	—	—	1,378,048
Payables to non-controlling interests	665,263	—	—	—	665,263
	2,567,803	654,309	79,049	125,563	3,426,724

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (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 2023 and 31 December 2022.

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 Company. The gearing ratios as at the end of the reporting periods were as follows:

	2023 RMB'000	2022 RMB'000
Interest-bearing bank and other borrowings (note 23)	1,571,642	1,689,059
Less: Cash and cash equivalents	(203,130)	(294,290)
Net debt	1,368,512	1,394,769
Adjusted capital	(457,501)	(408,869)
Capital and net debt	911,011	985,900
Gearing ratio	150%	141%

37. EVENTS AFTER THE REPORTING PERIOD

Disposal of Anbaida Group Companies

On 12 January 2024, the Group has received net consideration of RMB418,353,000 from the Purchaser and the conditions precedent under the 2022 Equity Transfer Agreement have been fulfilled. Therefore, the completion of the disposal took place on 12 January 2024. Following the completion of disposal, the Company ceased to hold any equity interests in Anbaida Group Companies. Accordingly, Anbaida Group Companies have ceased to be the subsidiaries of the Company and no longer be consolidated into the consolidated financial statements of the Group. Details of the completion of the disposal referred to the announcement of the Company dated 12 January 2024.

Arbitration

The Group has received a notice from Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) (the "Arbitration Centre") for the commencement of arbitration procedure against the Company in relation to the request to the Company to acquire the 6% equity interest of Shengshiyuan pursuant to the share purchase agreement between the Company and the vendors of Shengshiyuan.

An arbitration procedure in the Arbitration Centre has commenced in November 2023. On 28 February 2024, the arbitration results was concluded and the original written arbitration award was received by the Company on 6 March 2024 concluding the following: (i) The Company shall pay the consideration of RMB22,540,473 of the related equity transfer to the Applicant; (ii) The Company shall pay the legal fee of RMB80,000 to the applicant; (iii) The Company shall pay RMB226,827 in respect of the fee of the arbitration; and (iv) The arbitration centre does not support any other arbitration claims made by the Applicant.

Debt restructuring

In relation to the Company's proposed offshore debt restructuring of USD197,864,523 9.5% senior note due 2026, the Company had entered into with holders of the Notes the Restructuring Support Agreement ("RSA") to support the debt restructuring, which was implemented through a scheme of arrangement in the Cayman Island (the "Scheme"). The Scheme was approved by the Scheme creditors on 19 February 2024. On 28 February 2024, the Court sanctioned the Scheme pursuant to which, the Company has agreed to pay an amount of USD60,500,000 (less certain costs and expenses) (the "Redemption Amount") to the holders of the Notes. On 14 March 2024, the Company effected payment of the Redemption Amount in accordance with the terms of the Scheme.

Upon the completion of debt restructuring, the Group expected to recognise a gain on extinguishment of senior notes amounted to USD161,724,000 (equivalent to approximately RMB1,145,441,000) and related expense of USD6,197,000 (equivalent to approximately RMB43,891,000) in profit or loss in 2024.

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:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	—	—
Total non-current assets	—	—
CURRENT ASSETS		
Amounts due from subsidiaries	1,399,446	1,318,781
Prepayments, other receivables and other assets	1,871	1,763
Cash and cash equivalents	1,073	2,900
Total current assets	1,402,390	1,323,444
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,377,632	1,378,048
Amounts due to subsidiaries	352,851	280,360
Other payables and accruals	196,353	65,497
Total current liabilities	1,926,836	1,723,905
NET CURRENT LIABILITIES	(524,446)	(400,461)
TOTAL ASSETS LESS CURRENT LIABILITIES	(524,446)	(400,461)
NET LIABILITIES	(524,446)	(400,461)
EQUITY		
Share capital	46,576	46,576
Reserves (note)	(571,022)	(447,037)
CAPITAL DEFICIENCY	(524,446)	(400,461)

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
Balance at 1 January 2022	766,062	(456,172)	37,768	347,658
Total comprehensive income for the year	—	(795,977)	(1,282)	(794,695)
At 31 December 2022 and 1 January 2023	766,062	(1,252,149)	39,050	(447,037)
Total comprehensive income for the year	—	(117,335)	(6,650)	(123,985)
At 31 December 2023	766,062	(1,369,484)	32,400	(571,022)

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
RESULTS					
Revenue	2,912,733	4,293,982	4,930,692	4,106,938	4,903,268
(Loss)/Profit for the year	(1,271)	(779,433)	12,679	(645,298)	301,254
(Loss)/Profit for the year attributable to:					
Owners of the Company	(13,888)	(754,276)	3,327	(590,485)	202,673
Non-controlling interests	12,617	(25,157)	9,352	(54,813)	98,581
ASSETS AND LIABILITIES					
Total assets	3,426,187	3,542,150	4,558,881	4,655,255	6,021,555
Total Liabilities	3,824,629	3,636,049	3,726,847	3,799,499	4,710,708
Net (liabilities)/assets	(398,442)	(93,899)	832,034	855,756	1,310,847

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