



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 INTERIM REPORT

中期報告



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Liao Changxiang (*Chief Executive Officer*)
Ms. Wang Hong (*Chief Financial Officer*)
Mr. Liang Junxiong

NON-EXECUTIVE DIRECTOR

Mr. Hartono James (*Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Ziwei (*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*)

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 (*Chairman*) (*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 (*Chairman*) (*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
(*established on 25 August 2023*)

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

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

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New Territories
Hong Kong



CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN SHANGHAI

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Min Hang District
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PRC

LEGAL ADVISERS

As to PRC law
Jin Mao P.R.C. Lawyers
19/F., Sail Tower
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PRC

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

As to Hong Kong Law
Khoo & Co.
Suite 2105
21/F, Central Plaza
18 Harbour Road
Hong Kong
(appointed on 1 August 2023)

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Hong Kong

STOCK CODE

2393

COMPANY WEBSITE

<http://www.yestarcorp.com>



MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT YESTAR

Yestar Healthcare Holdings Company Limited (“Yestar” or the “Company”, together with its subsidiaries, the “Group”) is one of the largest distributors and service providers of In Vitro Diagnostic (“IVD”) products in the Peoples Republic of China (the “PRC”). The Group principally engages in the distribution of IVD products in cities of Beijing, Shanghai, Guangzhou and Shenzhen, and in provinces of Anhui, Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu, Hebei as well as the autonomous region Inner Mongolia. The Group also manufactures medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC, and manufactures, markets and sells dental film and medical dry film products under the house brand “Yes!Star”.

MARKET OVERVIEW

The IVD market in China has been experiencing robust growth after COVID-19. In the first half of 2023 (the “Period”), hospitals and other medical institutions gradually resumed normal services while the daily lives of the public returned to normalcy after China lifted all pandemic restrictions. Hospitals began to provide non-emergency services again. The demand for IVD products and services is driven by an aging population, rising healthcare expenditure, increased awareness of preventive healthcare, and the government’s initiatives to improve healthcare infrastructure generally in 2023.

The society gradually returned to normal due to the mass vaccination program and effective preventive measures implemented by the PRC. Hospitals resumed non-emergency services and health awareness among the public increased, the demand for IVD and other testing kits rebounded. Being one of the major distributors of IVD products in the PRC, Yestar once again demonstrated its strength and resilience, seized the opportunity brought by market recovery, and reinforced its leadership position.

According to the 2022 Global Health Care Outlook, the PRC commenced the pilot project for the national centralized procurement and use of the third selection of drugs and expanded the scheme to 36 cities. Furthermore, many provinces also actively started provincial centralized consumable procurement schemes or formed inter-provincial centralized consumable procurement pacts. To the medical device industry, the centralized procurement policy is a double-edged sword. It will, on one hand, result in a drop in the prices of certain products and affect the profitability of some companies. On the other hand, it will promote elimination, consolidation and efficiency in the industry. In view of the centralized procurement policy, medical device companies must enhance their core competitive strength, strengthen product servicing capacity, improve their product quality, promote innovation and carry out competitive differentiation.

The IVD business in the medical healthcare industry in China is poised for continued growth in 2023. However, it is essential for businesses to navigate regulatory complexities, address regional disparities, and stay at the forefront of technological advancements to succeed in this competitive landscape.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Improved Cash Flows and Turnover and Seized Market Recovery with Proactive Market Strategies

Adequate cash flow is vital to survival in an uncertain and adverse environment. As such, the Group makes good use of its working capital and closely monitors its inventory level and the turnover days of its trade receivables and payables. Capitalizing on its established relationships with hospitals and IVD consumable suppliers, Yestar successfully increased the amount of its trade payables by 3.7% from RMB666.5 million as at 31 December 2021 to RMB691.5 million. However, the amount of inventory increased by 5.2% to RMB429.2 million as compared with that at the end of last year.

Research and Development of Own-branded Products Made New Progresses

The Group continued to step up its research and development investment for own-branded products. It has started and carried on projects in biochemistry, immunofluorescence and other sub-disciplines, expanded its research and development team, developed numerous new products, pushed through the filing and registration of products, and proactively explored new technologies and new fields with a forward-looking mind. After securing an IVD product manufacturing licence, the Group has obtained the registration certificates of 53 IVD products and made every effort to pursue the research and development of immunofluorescence products during the Period. The Group will also further study the feasibility of entering emerging fields such as point-of-care testing (POCT) and DNA sequencing so as to further diversify its established own-branded product portfolio.

RESULTS OVERVIEW

As China lifted all its COVID-19 controls and restrictions, hospitals and clinics resumed regular services, which led to a rebound in the demand for IVD reagents and consumables. As a result, the overall revenue of the Group grew by 20.2% year-over-year (“yoy”) to RMB2,363.0 million (six months ended 30 June 2022: RMB1,966.1 million). Gross profits surged by 71.4% yoy to RMB504.3 million (six months ended 30 June 2022: RMB294.2 million) while the gross profit margin jumped by 6.3 percentage points yoy to 21.3% (six months ended 30 June 2022: 15.0%), mainly attributable to the absence this year of lockdowns that had a relatively big impact on the Company’s products with high gross margins in the first half of last year.

In line with the revenue growth, selling and distribution expenses increased by 26.9% yoy to RMB168.0 million (six months ended 30 June 2022: RMB132.4 million), while administrative expenses increased by 10.5% yoy to RMB177.9 million (six months ended 30 June 2022: RMB161.0 million). Finance costs increased by 14.3% yoy to RMB117.8 million (six months ended 30 June 2022: RMB103.1 million), mainly due to an increase in interest expenses on other borrowings. Other expenses dropped sharply by 95.7% yoy to RMB5.3 million (six months ended 30 June 2022: RMB124.6 million), mainly attributable to the absence of one-off impairment losses on goodwill and other intangible assets. Meanwhile, the share of profit of an associate amounted to RMB4.8 million (six months ended 30 June 2022: RMB7.9 million).



MANAGEMENT DISCUSSION AND ANALYSIS

As a result, the Group recorded a profit attributable to owners of the Company of RMB3.6 million (six months ended 30 June 2022: loss of RMB165.3 million). The net profit margin attributable to owners of the Company was 0.2% (six months ended 30 June 2022: net loss margin was 8.4%). Basic earnings per share amounted to RMB0.16 cent (six months ended 30 June 2022: basic loss per share was RMB7.09 cents). The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Medical Business — 94.1% of Overall Revenue

During the Period, the Group witnessed a surge in the demand for IVD consumables mainly attributable to the resumption of services by hospitals after all COVID-19 controls and restrictions were lifted. Revenue of this segment reached RMB2,223.7 million (six months ended 30 June 2022: RMB1,841.2 million), representing a yoy growth of 20.8%. The gross profit margin of this segment rose by 5.2 percentage points to approximately 21.4% (six months ended 30 June 2022: approximately 16.2%) as the market rebounded and the gross margin of the Company returned to normal level.

Non-medical Business — 5.9% 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 films 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.

During the Period, the non-medical business maintained stable development. Revenues of the non-medical business for the Period amounted to RMB139.3 million (six months ended 30 June 2022: RMB124.8 million), representing a yoy increase of approximately 11.6%. The gross profit margin of this segment rose by 23.7 percentage points to 20.4%.

OUTLOOK

It is important to note that the future of the IVD business in the PRC will be influenced by a complex interplay of various factors, including economic conditions, technological advancements, and global health trends. Monitoring and adapting to these factors will be essential for IVD companies to navigate the market successfully and capitalize on emerging opportunities. While it is challenging to predict the exact outlook of the IVD business in the medical healthcare industry in the PRC beyond 2023, there are several factors that Yestar would take into consideration for our sustainability and development to shape our trajectory.

Technological Advancements

Rapid advancements in technology, such as artificial intelligence (AI), robotics, and automation, will continue to revolutionize the IVD industry. These technologies have the potential to improve the accuracy, speed, and efficiency of diagnostic tests while reducing costs. The integration of digital health platforms, telemedicine, and wearables with IVD will further enhance patient care and disease management.



MANAGEMENT DISCUSSION AND ANALYSIS

Emphasis on Personalized Medicine

Personalized medicine, which tailors medical treatments to individual patient characteristics, is expected to gain further momentum in China. The integration of genomic sequencing, biomarker identification, and advanced diagnostics will enable more precise diagnosis and targeted therapies. IVD companies that can offer comprehensive genomic profiling, companion diagnostics, and innovative personalized testing solutions may thrive in this evolving landscape.

Global Health Challenges

Global health challenges, such as emerging infectious diseases and ongoing pandemics, will continue to shape the IVD landscape. The ability to rapidly develop and deploy diagnostic tests for novel pathogens will remain crucial. Additionally, the emergence of new variants and the need for effective surveillance and monitoring will drive the demand for advanced IVD technologies and testing capabilities.

These trends and developments indicate a dynamic and evolving IVD market in the PRC for 2023 and onwards. Yestar has prepared and is ready to navigate the above challenges, adapt to market dynamics, and offer innovative solutions tailored to the Chinese healthcare landscape to consolidate its position and market share in this growing medical industry.

FINANCIAL REVIEW

Liquidity and financial resources

During the Period, the Group finances its daily operation through a combination of net internally-generated funds from operation and borrowings. As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB282.0 million (31 December 2022: approximately RMB294.3 million). The decrease in cash and cash equivalents was mainly due to outstanding payment advanced by the Company as it participated in more marketing activities while the market rebounded.

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2023 was approximately RMB1,711.9 million (31 December 2022: approximately RMB1,689.1 million). Except for the Senior Notes and secured bank loans of RMB19.3 million which are denominated in USD, all borrowings of the Group are principally dominated in Chinese Yuan ("RMB"), which is the presentation currency of the Group.

However, as the Default (as defined below in this report) has occurred and is currently continuing, the holders of the 9.5% new senior notes in the principal amount of US\$197,864,523 due 2026 issued by the Company on 31 December 2021 (the "New Senior Notes"), have the right under the indenture to immediately accelerate the repayment of the entire principal amount of the New Senior Notes, together with any premium and accrued and unpaid interest. As such, the Group's liquidity and financial positions are subject to material adverse changes.



MANAGEMENT DISCUSSION AND ANALYSIS

Current Ratio

As at 30 June 2023, the Group's current ratio was approximately 0.70 (31 December 2022: approximately 0.71), which was calculated based on the total current assets of approximately RMB2,597.6 million and the total current liabilities of approximately RMB3,685.4 million.

Gearing Ratio

As at 30 June 2023, the Group's gearing ratio was approximately 148% (31 December 2022: approximately 141%), which was calculated by dividing the net debt, which includes interest-bearing bank loans and other borrowings less cash and cash equivalents, of RMB1,430.0 million (31 December 2022: RMB1,394.8 million) by the total equity attributable to owners of the Company plus net debt of RMB966.4 million at the end of 30 June 2023 (31 December 2022: RMB985.9 million).

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 26.9% from approximately RMB132.4 million for the six months ended 30 June 2022 to approximately RMB168.0 million for the Period, and accounted for approximately 6.7% and 7.1%, respectively, of the Group's revenue for the respective reporting periods. Such increase in selling and distribution expenses was in line with the revenue growth during the Period.

Treasury Policies

The Group adopted prudent financial management approach for its treasury policies aiming to maintain an overall healthy financial position. The Group's management performs an ongoing credit evaluation of the financial conditions of its customers to reduce credit risk. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Administrative Expenses

The Group's administrative expenses increased by approximately 10.5% from approximately RMB161.0 million for the six months ended 30 June 2022 to approximately RMB177.9 million for the Period, and accounted for approximately 8.2% and approximately 7.5%, respectively, of the Group's revenue for the respective reporting periods. Such increase in administrative expenses was in line with the revenue growth during the Period.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on the Senior Notes, bank loans and other borrowings and payables to non-controlling interests. The aggregate amount of interest incurred during the Period was approximately RMB117.8 million (six months ended 30 June 2022: approximately RMB103.1 million), mainly due to an increase in interest expenses on payables to non-controlling interests.

During the Period, interest rates of the interest-bearing loans and the Senior Notes ranged from 2.5% to 9.5%, while those for the six months ended 30 June 2022 ranged from 2.3% to 12.1%.

Foreign Exchange Exposure

Most of the revenue-generating operations of the Group conducted their transactions in Chinese Yuan, which is the presentation currency of the Group. During the Period, the Group was exposed to foreign currency risk arising from purchases and the Senior Notes in US dollars.

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



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

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

Employees and Remuneration Policies

As at 30 June 2023, the Group had a total of 878 employees (six months ended 30 June 2022: 954 employees), including the Directors. The total staff cost (including the Directors' emoluments) for the Period was approximately RMB124.2 million (six months ended 30 June 2022: approximately RMB120.2 million). Remunerations are determined with reference to market norms and the performance, qualification and experience of individual employee.

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

Since the contribution to the pension schemes and for the Period, 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 30 June 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 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Significant Investments Held

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

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 30 June 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 30 June 2023.

Material acquisitions and disposals of subsidiaries and affiliated companies

In order to enhance the financial position of the Group by reducing its indebtedness and improving its liquidity and overall financial position, the Group and Mr. Li Bin, a former executive Director of the Company, entered into an equity transfer agreement, pursuant to which the Group conditionally agreed to sell, and Mr. Li Bin conditionally agreed to acquire all his shares in each of the Anbaida Group Companies (as defined in note 11 to the financial statements) at a consideration of RMB574,750,000. Upon completion, the Group will cease to hold any equity interests in the Anbaida Group Companies. Accordingly, the Anbaida Group Companies will cease to be the subsidiaries of the Company.

The net proceeds from the disposal of the subsidiaries of approximately RMB427,855,000 will be used to settle the outstanding liabilities of the Group, namely the New Senior Notes.



MANAGEMENT DISCUSSION AND ANALYSIS

The Company is currently preparing a circular containing the information as required under the Listing Rules. However, as the Default (as defined below in this report) has occurred and is currently continuing, the Company is prohibited by the terms of the indenture from consummating the asset sale. As a result, the holders 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. As at the date of this report, the Company is maintaining communication with major holders of the New Senior Notes with a view to exploring and implementing potential ways to address its liquidity issue, and to reach a consensual solution to best protect the interests of all its stakeholders.

For details, please refer to the announcements of the Company dated 30 December 2022 in relation to the disposal of subsidiaries; and the announcements of the Company dated 10 February 2023, 2 March 2023 and 28 April 2023 in relation to the delay in despatch of the Company's circular.

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

Guarantee Performance in relation to the Acquisitions

Save as disclosed in this report, 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 Period.

Charge of assets

As at 30 June 2023, certain of the Group's buildings with a net carrying amount of approximately RMB88,278,000 (31 December 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 30 June 2023:

- (i) the Group's bank loans of RMB112,232,000 (31 December 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 RMB144,300,000 (31 December 2022: RMB150,108,000) were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

Contingent liabilities

Save as disclosed, as at 30 June 2023 and up to the date of this report, the Group did not have any material contingent liabilities (31 December 2022: Nil). There was no other significant event relevant to the business and financial performance of the Group that has come to the attention of the Directors after the Period.

Material Adverse Changes

Save as disclosed in this report as well as the redemption of 5% of the original principal amount and the payment of the relevant due and payable interest of the New Senior Notes, the Directors are not aware of any material adverse changes in the Group's financial or trading position since 30 June 2023.



OTHER INFORMATION

PROFIT GUARANTEE IN RELATION TO ACQUISITION OF 70% EQUITY INTEREST IN SHENZHEN DE RUN LI JIA COMPANY LTD (“DERUNLIJIA”)

Reference is made to the announcement of the Company dated 29 May 2023 in relation to, among others, the fulfilment of the annual guarantee profit of Derunlijia.

On 26 May 2023, the Company has received all compensation from the vendors of Derunlijia for not being able to achieve the annual guarantee profit for the year ended 31 December 2019. Upon compensation, the Board is pleased to announce that all compensation amount in relation to the above profit guarantee has been fulfilled. For details, please refer to the Company's announcement dated 29 May 2023.

NEW SENIOR NOTES DUE 2026

Under the indenture governing the New Senior Notes, the Company is due to redeem 5% of the original principal amount of the New Senior Notes by 30 December 2022. The Company did not redeem any of the New Senior Notes on the expiry date.

In addition, the Company is required to pay interest to holders on the New Senior Notes and such interest became due and payable on 30 December 2022 and 30 June 2023, respectively. Under the indenture governing the New Senior Notes, the Company had a grace period of 30 days from the respective due dates to make the interest payment which had expired. The Company did not have the liquidity to make such interest payment prior to the end of the grace period (the “Default”) and the Company has not paid the interest as at the date of this report.

The Company is in the course of communicating with major holders of the New Senior Notes with a view to exploring and implementing potential ways to address its liquidity issue, and to reach a consensual solution to best protect the interests of all its stakeholders.

As at the date of this report, the holders of the New Senior Notes have not exercised their right to immediately accelerate repayment of the entire principal amount of the New Senior Notes.

For details, please refer to the announcements of the Company dated 30 December 2022 and 31 July 2023.

WRIT OF SUMMONS

During the Period, a writ of summons under the action number HCA 570 of 2023 was issued in the Court of First Instance of the High Court of The Hong Kong Special Administrative Region by Madison Pacific Trust Limited against the Company in respect of the New Senior Notes under the terms of indenture. The writ claimed for, among other things, the following: (a) payment of the sum of US\$9,893,226.15, being the outstanding payment of at least 5% of US\$197,864,523 at a redemption price equal to par plus any accrued and unpaid interest and accrued semi-annual interest in respect of the notes of the Company; (b) payment of interest at the rate of 9.5% per annum on the sum of US\$9,239,065.78 from 31 December 2021 until payment; (c) injunction restraining the Company to, among other matters, convene the EGM and approve the Company's proposed very substantial disposal as disclosed in the Company's announcement dated 30 December 2022; (d) interest; (e) costs; and (f) further relief as the court may think fit.

For details, please refer to the announcement of the Company dated 17 April 2023.



OTHER INFORMATION

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, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

During the Period, one of the vendors of the Shengshiyuan holding 6% of Shengshiyuan 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 will submit relevant statements of fact as well as defence documents to Arbitration Centre. As at the date of this report, the legal representative of the Company has prepared the defence documents and the arbitration procedures. However, the Company has not yet received any notice from the Arbitration Centre about the commencement of the hearing. The first hearing is expected to be delayed to the end of September or mid of October 2023. The Company will keep the shareholders and potential investors of the Company informed of any further significant development in relation to the progress of the arbitration by the vendor of Shengshiyuan as and when appropriate.

For details, please refer to the announcement of the Company dated 14 June 2023.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2022: Nil).

SHARE OPTION SCHEME

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

Purpose of the 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

Participants under the Share Option Scheme include the following:

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

Principal terms of the Share Option Scheme

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

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



OTHER INFORMATION

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

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

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

As at the date of this report, the number of issued Shares of the Company is 2,331,590,000 Shares and total number of shares issued or to be issued under the Share Option Scheme of the Company is 186,750,000, representing about 8.0% of the existing issued Shares if all the options under the Share Option Scheme have been granted to and duly exercised by eligible persons.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

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

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 of the Company announces that the Share Option Scheme will expire on 17 September 2023 and no new share option scheme of the Company will be adopted upon expiration of the existing Share Option Scheme.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

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



OTHER INFORMATION

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

RELATED-PARTY TRANSACTIONS

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

CONNECTED TRANSACTION/CONTINUING CONNECTED TRANSACTION

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

COMPETITION AND CONFLICT OF INTERESTS

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

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

As at 30 June 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 the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of director	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	Approximate percentage of shareholding in the Company
	Personal interests	Family interests	Corporate interests				
Hartono James	598,662,500	—	20,000,000 (Note 1)	618,662,500	—	618,662,500 (Note 2)	26.53%

Notes:

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

Save as disclosed above, as at 30 June 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.

OTHER INFORMATION

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

So far as is known to the Directors, as at 30 June 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 any class of issued voting shares carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Hartono Jeane	Beneficial owner	391,870,000	16.80%
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 position in shares and underlying shares of the Company" which is discloseable under Divisions 2 and 3 of Part XV of the SFO above, as at 30 June 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.

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 Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE PRACTICES

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

During the Period, the Board consider that the Company has complied with all the corporate governance codes (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the following:

Code Provisions C.1.6

Under code provision C.1.6, 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, 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.

UPDATE ON DIRECTORS' INFORMATION

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

The monthly salary of Ms. Liao Changxiang, chief executive officer and an executive Director, increased from RMB85,120 to RMB130,000 since 1 February 2023.

The monthly salary of Ms. Wang Hong, chief financial officer and an executive Director, increased from RMB70,000 to RMB100,000 since 1 February 2023.

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.



OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. Latest written terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

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

The audit committee comprises three independent non-executive Directors, namely Mr. Zhao Ziwei (Chairman of the audit committee), Mr. Zeng Jinsong and Mr. Koeswondo Michael David.

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

EVENTS AFTER THE PERIOD

Saved as disclosed above, the Group has no significant events after the Period and up to the date of this report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue	4	2,363,002	1,966,063
Cost of sales		(1,858,736)	(1,671,899)
Gross profit		504,266	294,164
Other income and gains		10,237	17,462
Selling and distribution expenses		(167,969)	(132,410)
Administrative expenses		(177,921)	(160,984)
(Reversal of)/provision for impairment of financial assets		9,067	(6,741)
Other expenses		(5,325)	(124,576)
Finance costs		(117,775)	(103,054)
Share of profit of an associate		4,830	7,891
PROFIT/(LOSS) BEFORE TAX	5	59,410	(208,248)
Income tax (expense)/credit	6	(47,791)	24,192
PROFIT/(LOSS) FOR THE PERIOD		11,619	(184,056)
Attributable to:			
Owners of the Company		3,617	(165,284)
Non-controlling interests		8,002	(18,772)
		11,619	(184,056)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
— For profit/(loss) for the period	8	RMB0.16 cents	RMB(7.09) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	11,619	(184,056)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(58,694)	(60,322)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(58,694)	(60,322)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(47,075)	(244,378)
Attributable to:		
Owners of the Company	(55,077)	(225,606)
Non-controlling interests	8,002	(18,772)
	(47,075)	(244,378)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	213,528	173,134
Right-of-use assets		232,224	259,059
Other intangible assets		239,924	254,566
Goodwill		124,651	124,651
Investment in an associate		37,802	32,972
Deferred tax assets		29,020	27,389
Total non-current assets		877,149	871,771
CURRENT ASSETS			
Inventories		429,213	408,066
Trade and bills receivables	10	1,660,061	1,569,191
Prepayments, other receivables and other assets		226,361	224,517
Pledged deposits		10	1,810
Cash and cash equivalents		281,983	294,290
Total current assets		2,597,628	2,497,874
CURRENT LIABILITIES			
Trade payables	11	691,522	666,533
Contract liabilities		38,313	43,347
Other payables and accruals	12	1,023,679	893,330
Interest-bearing bank and other borrowings	13	1,711,947	1,689,059
Lease liabilities		89,699	89,114
Tax payable		130,266	118,401
Total current liabilities		3,685,426	3,499,784
NET CURRENT LIABILITIES		(1,087,798)	(1,001,910)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		97,769	119,158
Deferred tax liabilities		81,688	85,429
Other long-term payables	12	7,039	7,133
Total non-current liabilities		186,496	211,720
NET LIABILITIES		(397,145)	(341,859)
EQUITY			
Equity attributable to owners of the Company			
Share capital		46,576	46,576
Reserves		(510,142)	(455,445)
		(463,566)	(408,869)
Non-controlling interests		66,421	67,010
CAPITAL DEFICIENCY		(397,145)	(341,859)

On behalf of the board of the directors

Liao Changxiang
Director

Wang Hong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium account RMB'000	Contribute surplus RMB'000	Put-options written on non- controlling interest RMB'000	Statutory reserve funds RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
(unaudited)											
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)
Profit for the period	—	—	—	—	—	—	3,617	—	3,617	8,002	11,619
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(58,694)	(58,694)	—	(58,694)
Total comprehensive income for the period	—	—	—	—	—	—	3,617	(58,694)	(55,077)	8,002	(47,075)
Transfer	—	—	—	—	331	—	(331)	—	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(5,728)	(5,728)
Payables to non-controlling interests	—	—	—	380	—	—	—	—	380	(2,863)	(2,483)
At 30 June 2023 (unaudited)	46,576	766,062	84,991	(708,911)	227,912	(227,932)	(540,912)	(111,352)	(463,566)	66,421	(397,145)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2023

	Attributable to owners of the Company										Total equity RMB'000
	Share capital RMB'000	Share premium account RMB'000	Contribute surplus RMB'000	Put-options written on non- controlling interest RMB'000	Statutory reserve funds RMB'000	Other reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non- controlling interest RMB'000	
At 1 January 2022 (audited)	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 period	—	—	—	—	—	—	(165,284)	—	(165,284)	(18,772)	(184,056)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(60,322)	(60,322)	—	(60,322)
Total comprehensive income for the period	—	—	—	—	—	—	(165,284)	(60,322)	(225,606)	(18,772)	(244,378)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(720)	(720)
Payables to non-controlling interests	—	—	—	(20,592)	—	—	—	—	(20,592)	19,403	(1,189)
At 30 June 2022 (unaudited)	46,576	766,062	84,991	(690,127)	219,534	(227,932)	290,797	19,126	509,027	76,720	585,747

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cash flows from operating activities			
Profit/(Loss) before tax		59,410	(208,248)
Adjustments for:			
Finance costs		117,775	103,054
Impairment of inventories		131	17,253
(Reversal of)/provision for impairment of financial assets	5	(9,067)	6,741
Impairment of goodwill	5	—	1,440
Impairment of other intangible assets	5	—	114,389
Exchange gain		(11,487)	(409)
Interest income		(1,391)	(1,700)
Share of profit of an associate		(4,830)	(7,891)
Depreciation of property, plant and equipment	5	17,975	19,077
Depreciation of right-of-use assets	5	51,448	58,121
Amortisation of other intangible assets	5	14,959	45,454
Gain on disposal of property, plant and equipment	5	(255)	(54)
		234,668	147,227
(Increase)/decrease in trade and bills receivables		(94,965)	123,151
Decrease/(increase) in prepayments, other receivables and other assets		15,107	(10,698)
Increase in inventories		(21,278)	(119,814)
Increase in trade payables		24,989	29,142
Decrease in other payables and accruals		(6,838)	(246,342)
Decrease in contract liabilities		(5,034)	(18,343)
Decrease in pledged deposits for issuance of bank acceptance notes		—	(15,000)
Decrease in frozen deposits		1,800	112
Cash generated from/(used in) operations		148,449	(110,565)
Interest received		1,391	—
Income tax paid		(41,299)	(48,414)
Net cash generated from/(used in) operating activities		108,541	(158,979)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cash flows used in investing activities		
Purchases of property, plant and equipment	(61,279)	(14,189)
Additions to other intangible assets	(317)	—
Proceeds from disposal of property, plant and equipment	3,166	5,198
Net cash used in investing activities	(58,430)	(8,991)
Cash flow from financing activities		
Increase in advance from a non-controlling shareholder	56,000	—
New bank and other borrowings	123,528	261,760
Repayment of bank and other borrowings	(149,107)	(228,082)
Decrease in pledged deposits for bank borrowings	—	120
Principal portion of lease payments	(45,418)	(56,802)
Dividends paid to non-controlling shareholders	(5,728)	(11,220)
Interest paid	(42,310)	(27,840)
Net cash flows used in financing activities	(63,035)	(62,064)
Net decrease in cash and cash equivalents	(12,924)	(230,034)
Cash and cash equivalents at beginning of period	294,290	585,159
Effect of foreign exchange rate changes, net	617	280
Cash and cash equivalents at end of period	281,983	355,405
Analysis of balances of cash and cash equivalents		
Cash and bank balances	281,993	371,985
Pledged deposits	(10)	(16,580)
Cash and cash equivalents as stated in the statement of cash flows	281,983	355,405

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL

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 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the Company’s ultimate controlling shareholders are Jeane Hartono, Rico Hartono, James Hartono and Chen Chen Irene Hartono.

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

The Company is an investment holding company. During the six months ended 30 June 2023, the Company’s subsidiaries were involved in the following principal activities:

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

On 30 December 2022, the Group entered into an equity transfer agreement with Mr. Li Bin, pursuant to which the Group conditionally agreed to dispose of the equity interests in Anbaida Group Companies (as defined in note 12 to these financial statements) to Mr. Li Bin at a consideration of RMB574,750,000. Upon completion of disposal, Anbaida Group Companies will cease to be the subsidiaries of the Company. Please refer to the details in the Company’s announcements dated 30 December 2022 and 22 March 2023.

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

(a) Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022. These financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

(a) Basis of preparation (continued)

Going concern basis

As at 30 June 2023, the Group had net current liabilities and capital deficiency of approximately RMB1,087,798,000 and RMB397,145,000, respectively. Besides, the Group did not repay an overdue principal of US\$9,893,000 (equivalent to approximately RMB71,485,000) and overdue interests of US\$18,328,000 (equivalent to approximately RMB134,389,000) for senior notes (the "Notes") as at 30 June 2023 (31 December 2022: overdue principal 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\$216,192,000 (equivalent to approximately RMB1,560,904,000) became default and were payable on demand as at 30 June 2023 (31 December 2022: aggregate amount of US\$207,263,000 (equivalent to approximately RMB1,443,505,000)). In April 2023, a writ of summons under the action number HCA 570 of 2023 was issued in the Court of First Instance of the High Court of The Hong Kong Special Administrative Region by Madison Pacific Trust Limited against the Company in respect of the Notes. Details of the writ referred to the Company's announcement dated 17 April 2023. These conditions indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

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 assessing whether the Group will have sufficient financial resources to continue as a going concern. 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 continues to proactively engage with major holders of the Notes with a view to exploring and implementing potential ways to address its liquidity issue, and to reach a consensual solution to best protect the interests of all its stakeholders;
- (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 twelve months from the end of the reporting period. 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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 on a going concern basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

(a) Basis of preparation (continued)

Going concern basis (continued)

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern will depend upon the following:

- (i) successfully negotiating with the Group's senior notes holders with a view to exploring and implementing potential ways to address its liquidity issue, and to reach a consensual solution to best protect the interests of all its stakeholders;
- (ii) successfully negotiating with the Group's existing lenders for the renewal of or extension for repayment of outstanding borrowings;
- (iii) successfully negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future; and
- (iv) 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.

Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial information for the six months ended 30 June 2023.

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IAS 1 and
IFRS Practice Statement 2

Amendments to IAS 8
Amendments to IAS 12

Amendments to IAS 12

Disclosure of Accounting Policies

Definition of Accounting Estimates

*Deferred Tax related to Assets and Liabilities arising from a
Single Transaction*

International Tax Reform — Pillar Two Model Rules



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

(b) Changes in accounting policies and disclosures (continued)

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

- (i) Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (ii) Amendments to IAS 8 *Definition of Accounting Policies* clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (iii) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. The amendments had no impact on the condensed consolidated interim financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

(b) Changes in accounting policies and disclosures (continued)

- (iv) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) Imaging printing products: manufacture and sale of color photographic paper, industrial NDT x-ray films and 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, and distribution of medical equipment and diagnostic reagents.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and profit/loss information regarding the Group operating segments for the six months ended 30 June 2023 and 2022:

Six months ended 30 June 2023	Imaging printing products RMB'000 (Unaudited)	Medical products and equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)			
Sales to external customers	139,320	2,223,682	2,363,002
Intersegment sales	106,617	764,471	871,088
<i>Reconciliation:</i>			
Elimination of intersegment sales			(871,088)
Revenue			2,363,002
Segment results	13,201	47,924	61,125
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(1,715)
Profit before tax			59,410
Other segment information:			
Depreciation of property, plant equipment	1,767	16,208	17,975
Depreciation of right-of-use assets	854	50,594	51,448
Amortisation of other intangible assets	91	14,868	14,959
Share of profit of an associate	—	(4,830)	(4,830)
Impairment loss recognised in profit or loss	361	5,735	6,096
Loss/(gain) on disposal of property, plant and equipment	75	(330)	(255)
Capital expenditure*	87	61,509	61,596

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2022	Imaging printing products RMB'000 (Unaudited)	Medical products and equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)			
Sales to external customers	124,821	1,841,242	1,966,063
Intersegment sales	135,805	700,276	836,081
<i>Reconciliation:</i>			
Elimination of intersegment sales			(836,081)
Revenue			1,966,063
Segment results	(35,273)	(168,976)	(204,249)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(3,999)
Loss before tax			(208,248)
Other segment information:			
Depreciation of property, plant equipment	3,036	16,041	19,077
Depreciation of right-of-use assets	1,559	56,562	58,121
Amortisation of other intangible assets	35	45,419	45,454
Share of profit of an associate	—	(7,891)	(7,891)
Impairment loss recognised in profit or loss	18,199	121,624	139,823
Loss/(gain) on disposal of property, plant and equipment	90	(144)	(54)
Capital expenditure*	16	14,173	14,189

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022:

Six months ended 30 June 2023	Imaging printing products RMB'000 (Unaudited)	Medical products and equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	394,797	3,043,189	3,437,986
<i>Reconciliation:</i>			
Corporate and other unallocated assets			36,791
Total assets			3,474,777
Segment liabilities	130,057	3,740,143	3,870,200
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			1,722
Total liabilities			3,871,922
Year ended 31 December 2022	Imaging printing products RMB'000 (Audited)	Medical products and equipment RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	99,291	3,265,251	3,364,542
<i>Reconciliation:</i>			
Corporate and other unallocated assets			5,103
Total assets			3,369,645
Segment liabilities	100,335	3,588,114	3,688,449
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			23,055
Total liabilities			3,711,504

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the six months ended 30 June 2023, the Group had one individual customer from whom the revenue derived by selling medical imaging products and imaging printing products of RMB376,843,000 (six months ended 30 June 2022: RMB348,190,000) accounted for about 15.95% (six months ended 30 June 2022: 17.71%) of the Group's total revenue.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	2,363,002	1,966,063

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. REVENUE (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Imaging printing products RMB'000 (Unaudited)	Medical products and equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Sale of goods	138,147	2,187,908	2,326,055
Rendering of services	1,173	35,774	36,947
Total revenue from contracts with customers	139,320	2,223,682	2,363,002
Timing of revenue recognition			
Goods transferred at a point in time	138,147	2,187,908	2,326,055
Services transferred over time	1,173	35,774	36,947
Total revenue from contracts with customers	139,320	2,223,682	2,363,002

For the six months ended 30 June 2022

Segments	Imaging printing products RMB'000 (Unaudited)	Medical products and equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Sale of goods	123,846	1,806,197	1,930,043
Rendering of services	975	35,045	36,020
Total revenue from contracts with customers	124,821	1,841,242	1,966,063
Timing of revenue recognition			
Goods transferred at a point in time	123,846	1,806,197	1,930,043
Services transferred over time	975	35,045	36,020
Total revenue from contracts with customers	124,821	1,841,242	1,966,063

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. REVENUE (CONTINUED)

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

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

For the six months ended 30 June 2023

Segments	Imaging printing products RMB'000 (Unaudited)	Medical products and equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	139,320	2,223,682	2,363,002
Intersegment sales	106,617	764,471	871,088
Intersegment adjustments and eliminations	(106,617)	(764,471)	(871,088)
Total revenue from contracts with customers	139,320	2,223,682	2,363,002

For the six months ended 30 June 2022

Segments	Imaging printing products RMB'000 (Unaudited)	Medical products and equipment RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	124,821	1,841,242	1,966,063
Intersegment sales	135,805	700,276	836,081
Intersegment adjustments and eliminations	(135,805)	(700,276)	(836,081)
Total revenue from contracts with customers	124,821	1,841,242	1,966,063

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold and services provided	1,858,736	1,671,899
Depreciation of property, plant and equipment	17,975	19,077
Depreciation of right-of-use assets	51,448	58,121
Amortisation of other intangible assets	14,959	45,454
Lease payments not included in the measurement of lease liabilities	28,197	21,395
Employee benefit expense including		
— Wages and salaries	116,088	112,190
— Pension scheme contributions	8,126	8,004
	124,214	120,194
Exchange differences, net	(2,475)	1,561
Impairment of goodwill*	—	1,440
Impairment of other intangible assets*	—	114,389
Gain on disposal of property, plant and equipment	(255)	(54)

* Included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

6. INCOME TAX

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

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

Hong Kong profits tax is to be provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the six months ended 2023 and 2022.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6. INCOME TAX (CONTINUED)

Yestar (Guangxi) Medical System Co., Ltd. ("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 Corporate Income Tax ("CIT") rate of 15%. The HNTE certificate of Yestar Medical has been renewed in the year ended 31 December 2022. Accordingly, Yestar Medical was entitled to a CIT rate of 15% for the six months ended 30 June 2023 (six months ended 30 June 2022: 15%).

The major components of income tax charge/(credit) for the period were as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current — charged for the period	53,163	20,492
Deferred tax	(5,372)	(44,684)
Total tax charge/(credit) for the period	47,791	(24,192)

7. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the six months ended 2023 (six months ended 30 June 2022: Nil).

The shareholders did not declare any dividend for the year ended 31 December 2022 at the annual general meeting of the Company on 31 May 2023.

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

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2023 attributable to ordinary equity holders of the Company of RMB3,617,000 and the weighted average number of ordinary shares of 2,331,590,000 in issue during the period.

The calculation of basic loss per share is based on the loss for the six months ended 30 June 2022 attributable to ordinary equity holders of the Company of RMB165,284,000 and the weighted average number of ordinary shares of 2,331,590,000 in issue during the period.

The diluted earnings/(loss) per share amounts were equal to the basic earnings/(loss) per share amounts for the six months ended 30 June 2023 and 2022 as no diluting events occurred.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a cost of RMB61,279,000 (six months ended 30 June 2022: RMB14,189,000).

During the six months ended 30 June 2023, property, plant and equipment with a net book value of RMB2,911,000 (six months ended 30 June 2022: RMB5,144,000) were disposed of by the Group resulting in a net gain on disposal of RMB255,000 (six months ended 30 June 2022: a net gain of RMB54,000).

As at 30 June 2023, certain of the Group's buildings with a carrying amount of approximately RMB88,278,000 (2022: RMB79,547,000) were pledged to secure banking loans granted to the Group.

10. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	1,698,788	1,612,234
Bills receivables	27,078	18,667
Impairment provision	(65,805)	(61,710)
	1,660,061	1,569,191

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	902,521	757,039
91 to 180 days	445,699	481,095
181 to 365 days	174,447	172,596
1 to 2 years	90,623	134,333
2 to 3 years	19,693	5,461
	1,632,983	1,550,524

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. TRADE PAYABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	655,576	635,960
91 to 180 days	15,256	10,415
181 to 365 days	2,446	3,082
1 to 2 years	16,570	15,773
Over 2 years	1,674	1,303
	691,522	666,533

12. OTHER PAYABLES AND ACCRUALS AND OTHER LONG TERM PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current portion:		
Other payables	101,856	116,578
Value added tax payable	47,921	34,292
Payroll and welfare payable	11,772	20,479
Interest payable	137,557	66,150
Payables to non-controlling interests (Note (a), (b) and (c))	724,573	655,831
	1,023,679	893,330
Non-current portion:		
Deferred government grant	7,039	7,133



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. OTHER PAYABLES AND ACCRUALS AND OTHER LONG TERM PAYABLES (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 Guangzhou Shengshiyuan Trading Co., Ltd. (“Shengshiyuan”) and Beijing Kaihongda Technologies Co., Ltd. (“Kaihongda”) as at the end of the reporting period. Besides that, the amount due to a non-controlling interest is RMB286,000,000 (2022: RMB230,000,000), which is unsecured and interest bearing at a rate of 15% and will be repaid within one year as at the end of the reporting period.

* Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd. are totally referred as Anbaida Group Companies.

The details during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Shengshiyuan and Kaihongda as below:

- a) Pursuant to the share purchase agreement entered 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. In 2022, the Company completed the acquisition of a 24.17% equity interest and paid RMB543,750,000 to Mr. Li Bin and Mr. Li Changgui. As at 30 June 2023, the remaining unpaid amount of RMB131,250,000 (31 December 2022: RMB131,250,000) and related interest of RMB15,645,000 (31 December 2022: RMB6,090,000) were recorded in the current portion.

As at 30 June 2023, the carrying amount of RMB86,054,000 (31 December 2022: RMB86,275,000) related to dividend payable to Mr. Li Bin and Mr. Li Changgui, which was recorded in the current portion.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

Notes: (continued)

- b) Pursuant to the share purchase agreement entered between Yestar Medical, Ms. Liu Yanling, Ms. Li Xu, Mr. Ai Jiaying, Mr. Zhang Lixiong and Mr. Li Shenlian on 11 November 2016, Yestar Medical acquired the 70% equity interest in Shengshiyuan. Yestar Medical is obligated to acquire the remaining 30% equity interest in Shengshiyuan if the respective net profits of Shengshiyuan in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB120 million. Since Shengshiyuan has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with the above shareholders of Shengshiyuan to purchase the remaining 30% equity interest. No agreement was reached as of the end of the reporting period.

As at 30 June 2023, the carrying amount of RMB19,862,000 (31 December 2022: RMB18,420,000) related to dividend payable to the above shareholders of Shengshiyuan, which was recorded in the current portion.

- c) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Pang Haibin, Mr. Xie Dingjie, Ms. An Hong, Mr. Yu Huimin and Mr. Zhu Yongping on 20 September 2017, Yestar Medical acquired the 70% equity interest in Kaihongda. Yestar Medical is obligated to acquire the remaining 30% equity interest in Kaihongda if the respective net profits of Kaihongda in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB71.28 million. Since Kaihongda has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with the above shareholders of Kaihongda to purchase the remaining 30% equity interest. No agreement was reached as of the end of the reporting period.

As at 30 June 2023, the carrying amount of RMB7,724,000 (31 December 2022: RMB5,758,000) related to dividend payable to the above shareholders of Kaihongda, which was recorded in the current portion.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bank loans — unsecured	28,900	53,000
Bank loans — secured (note (2))	232,032	236,011
Current portion of long term bank loans — unsecured	—	5,000
Current portion of long term bank loans — secured (note (2))/(3))	24,500	17,000
Senior notes (note (1))	1,426,515	1,378,048
	1,711,947	1,689,059

Notes:

- (1) On 30 December 2021, the Company issued 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 Notes is 29 December 2026.

The shares of Yestar BVI Limited and Yestar International (HK) Company Limited, the wholly-owned subsidiaries of the Company, are pledged to the holders of the Notes.

During the year ended 31 December 2022, the Group defaulted on the repayment of overdue senior notes (including 5% of the original principal amount and the interest), which met the default condition, leading to the principal amounted to USD197.9 million (equivalent to approximately RMB1,426,515,000 and RMB1,378,048,000 as at 30 June 2023 and 31 December 2022 respectively) and accrued and unpaid interest on the Notes amounted to RMB134,389,000 (31 December 2022: RMB65,457,000) become and be immediately due and payable as at 30 June 2023. The Company is in the course of communicating with major holders of the Notes with a view to exploring and implementing potential ways to address its liquidity issue, and to reach a consensual solution to best protect the interests of all its stakeholders. Further recent updates of the Notes referred to the Company's announcement dated 31 July 2023.

- (2) As at 30 June 2023, the Group's bank loans of RMB112,232,000 (31 December 2022: RMB102,903,000) were secured by the pledge of the Group's buildings and guaranteed by the Company's subsidiaries.

As at 30 June 2023, the Group's bank loans of RMB144,300,000 (31 December 2022: RMB150,108,000) were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

- (3) As at 30 June 2023, due to the Group defaulted on the repayment of overdue senior notes, the Group's long term bank loans amounting to RMB24,500,000 become and be immediately due and payable (31 December 2022: RMB17,000,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

14. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	3,291	4,927
Pension scheme contributions	101	123
	3,392	5,050

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair value	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings (the Notes)	1,426,515	1,378,048	260,811	688,679

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



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For the six months ended 30 June 2023

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

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

The fair values of the non-current portion of financial liabilities including other long term payables and non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the Notes is based on the quoted market price. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of financial liabilities including other long-term payables and non-current portion of lease liabilities as at 30 June 2023 and 31 December 2022 was assessed to be insignificant.

16. 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 during the six months ended 30 June 2023. The first hearing has not been commenced up to the date of this report.

Details of the above arbitration referred to the Company's announcement dated 14 June 2023.

