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Yestar Healthcare Holdings Company Limited

巨星醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Yestar Healthcare Holdings Company Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board, together with the comparative figures for the corresponding period of 2019, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
	<i>Notes</i>	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CONTINUING OPERATIONS			
REVENUE	4	1,602,278	2,287,118
Cost of sales		(1,314,593)	(1,646,577)
Gross profit		287,685	640,541
Other income and gains	4	37,668	17,565
Selling and distribution expenses		(118,472)	(120,607)
Administrative expenses		(167,698)	(171,982)
Impairment losses on financial assets		(7,511)	(215)
Other expenses		(734,632)	(7,694)
Finance costs	5	(64,485)	(64,016)
Share of profit and loss of an associate		—	(2,779)
(LOSS)/PROFIT BEFORE TAX	6	(767,446)	290,813
Income tax credit/(expenses)	7	64,599	(90,252)
(LOSS)/PROFIT FOR THE PERIOD		(702,847)	200,561
Attributable to:			
Owners of the parent		(640,253)	141,992
Non-controlling interests		(62,594)	58,569
		(702,847)	200,561
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For (loss)/profit for the period	9	RMB(27.05) cents	RMB5.91 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(LOSS)/PROFIT FOR THE PERIOD	(702,847)	200,561
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(24,807)</u>	<u>(3,477)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(24,807)</u>	<u>(3,477)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(24,807)</u>	<u>(3,477)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><u>(727,654)</u></u>	<u><u>197,084</u></u>
Attributable to:		
Owners of the parent	<u>(665,060)</u>	138,515
Non-controlling interests	<u>(62,594)</u>	<u>58,569</u>
	<u><u>(727,654)</u></u>	<u><u>197,084</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	(Unaudited)	(Audited)
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		142,564	144,670
Right-of-use assets		243,746	273,529
Goodwill		420,067	905,338
Other intangible assets		1,074,559	1,463,778
Deferred tax assets		18,391	13,415
		<hr/>	<hr/>
Total non-current assets		1,899,327	2,800,730
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		807,064	781,423
Trade and bills receivables	<i>10</i>	1,292,449	1,560,585
Prepayments, other receivables and other assets		220,776	181,924
Financial assets at fair value through profit or loss		—	32,000
Pledged deposits		70,925	118,707
Cash and cash equivalents		708,588	546,186
		<hr/>	<hr/>
Total current assets		3,099,802	3,220,825
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	607,441	599,206
Other payables and accruals	<i>12</i>	1,333,511	1,644,959
Interest-bearing bank and other borrowings		292,965	296,948
Lease liabilities		77,310	89,075
Contract liabilities		29,517	21,835
Tax payable		116,448	141,568
		<hr/>	<hr/>
Total current liabilities		2,457,192	2,793,591
		<hr/>	<hr/>
NET CURRENT ASSETS		642,610	427,234
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,541,937	3,227,964
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2020

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,414,168	1,383,551
Lease liabilities	110,639	131,284
Deferred tax liabilities	297,136	394,582
Other liabilities	7,605	7,700
	<u>1,829,548</u>	<u>1,917,117</u>
Total non-current liabilities	1,829,548	1,917,117
Net assets	712,389	1,310,847
	<u><u>712,389</u></u>	<u><u>1,310,847</u></u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	47,226	47,519
Treasury shares	(5,379)	(4,166)
Reserves	549,500	1,129,319
	<u>591,347</u>	<u>1,172,672</u>
Non-controlling interests	121,042	138,175
Total equity	712,389	1,310,847
	<u><u>712,389</u></u>	<u><u>1,310,847</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. CORPORATE INFORMATION

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

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

The Company is an investment holding company. During the six months ended 30 June 2020 (the “Period”), the Company’s subsidiaries were involved in the following principal activities:

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

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

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

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB586,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2020 and 2019, respectively:

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

Six months ended 30 June 2019	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue (note 4)			
Sales to external customers	234,839	2,052,279	2,287,118
Intersegment sales	<u>106,417</u>	<u>104,014</u>	<u>210,431</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(210,431)</u>
Revenue			<u><u>2,287,118</u></u>
Segment results	10,100	300,452	310,552
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			<u>(19,739)</u>
Profit before tax			<u><u>290,813</u></u>
Other segment information:			
Depreciation of items of property, plant and equipment	3,650	7,609	11,259
Depreciation of items of right-of-use assets	1,210	14,960	16,170
Amortisation of other intangible assets	156	65,325	65,481
Share of loss of an associate	—	2,779	2,779
Impairment loss recognised in the statement of profit or loss	—	3,392	3,392
Loss on disposal of items of property, plant and equipment	11	1,084	1,095
Capital expenditure*	<u>64</u>	<u>6,412</u>	<u>6,476</u>

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

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively:

Six months ended 30 June 2020	Imaging printing products (Unaudited) RMB'000	Medical products and equipment (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment assets	342,666	4,546,497	4,889,163
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>109,966</u>
Total assets			<u><u>4,999,129</u></u>
Segment liabilities	38,755	3,842,981	3,881,736
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>405,004</u>
Total liabilities			<u><u>4,286,740</u></u>
Year ended 31 December 2019	Imaging printing products (Audited) RMB'000	Medical products and equipment (Audited) RMB'000	Total (Audited) RMB'000
Segment assets	375,192	5,473,495	5,848,687
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>172,868</u>
Total assets			<u><u>6,021,555</u></u>
Segment liabilities	217,613	4,119,097	4,336,710
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>373,998</u>
Total liabilities			<u><u>4,710,708</u></u>

Information about major customers

During the six months ended 30 June 2020, the Group had one individual customer from whom the revenue derived by selling medical imaging products and imaging printing products of RMB406,253,000 (six months ended 30 June 2019: RMB419,944,000) accounted for about 25.35% (six months ended 30 June 2019: 18.36%) of the Group's total revenue during the Period.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers	<u>1,602,278</u>	<u>2,287,118</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

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

For the six months ended 30 June 2019

Segments	Imaging printing products (Unaudited) <i>RMB'000</i>	Medical products and equipment (Unaudited) <i>RMB'000</i>	Total (Unaudited) <i>RMB'000</i>
Types of goods or services			
Sale of goods	234,839	2,033,216	2,268,055
Rendering of services	—	19,063	19,063
	<u>234,839</u>	<u>2,052,279</u>	<u>2,287,118</u>
Total revenue from contracts with customers	<u>234,839</u>	<u>2,052,279</u>	<u>2,287,118</u>
Timing of revenue recognition			
Goods transferred at a point in time	234,839	2,033,216	2,268,055
Services transferred over time	—	19,063	19,063
	<u>234,839</u>	<u>2,052,279</u>	<u>2,287,118</u>
Total revenue from contracts with customers	<u>234,839</u>	<u>2,052,279</u>	<u>2,287,118</u>

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 2020

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

For the six months ended 30 June 2019

Segments	Imaging printing products (Unaudited) <i>RMB'000</i>	Medical products and equipment (Unaudited) <i>RMB'000</i>	Total (Unaudited) <i>RMB'000</i>
Revenue from contracts with customers			
External customers	234,839	2,052,279	2,287,118
Intersegment sales	<u>106,417</u>	<u>104,014</u>	<u>210,431</u>
Intersegment adjustments and eliminations	<u>(106,417)</u>	<u>(104,014)</u>	<u>(210,431)</u>
Total revenue from contracts with customers	<u><u>234,839</u></u>	<u><u>2,052,279</u></u>	<u><u>2,287,118</u></u>

An analysis of other income and gains is as follows:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Other income and gains		
Government grants (<i>note</i>)	13,589	15,576
Interest income	5,900	1,553
Net gain on financial assets at fair value through profit or loss	265	326
Net gain on disposal of other intangible assets	17,189	—
Others	<u>725</u>	<u>110</u>
	<u><u>37,668</u></u>	<u><u>17,565</u></u>

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Finance costs		
Interest on bank loans, overdrafts and other borrowings	58,959	60,154
Interest expense on lease liabilities	5,446	1,837
Cash discount for collection of trade receivables	—	641
Interest arising from discounted bills	80	1,384
	<u>64,485</u>	<u>64,016</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold and services provided	1,314,593	1,646,577
Depreciation of items of property, plant and equipment	14,615	11,259
Depreciation of right-of-use assets/recognition of prepaid land lease payments	53,989	16,170
Amortisation of other intangible assets	64,601	65,481
Research and development costs	70	297
Lease payments not included in the measurement of lease liabilities	21,403	9,706
Employee benefit expense including		
— Wages and salaries	93,084	90,017
— Pension scheme contributions	1,450	8,024
	<u>94,534</u>	<u>98,041</u>
Exchange differences, net	3,574	1,282
Impairment of inventories	123	186
Impairment of financial assets	7,511	215
Impairment of investment in an associate	—	2,991
Impairment of goodwill	447,450	—
Impairment of other intangible assets	277,173	—
Gain on disposal of other intangible assets	(17,189)	—
Loss on disposal of items of property, plant and equipment	714	1,095

7. INCOME TAX

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

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

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

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

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

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — charged for the period	37,823	106,779
Deferred	(102,422)	(16,527)
Total tax charge for the period	<u>(64,599)</u>	<u>90,252</u>

8. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2019: Nil).

The shareholders did not declare any dividend for the year ended 31 December 2019 at the annual general meeting of the Company on 22 May 2020.

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

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

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2019 attributable to ordinary equity holders of the parent of RMB141,992,000 and the weighted average number of ordinary shares of 2,401,996,000 in issue during the period.

The diluted (loss)/earnings per share amounts were equal to the basic (loss)/earnings per share amounts for the Period and the six months ended 30 June 2019 as no diluting events occurred.

10. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables	1,306,702	1,565,120
Bills receivable	20,243	22,450
Impairment	<u>(34,496)</u>	<u>(26,985)</u>
	<u>1,292,449</u>	<u>1,560,585</u>

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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 90 days	641,628	978,265
91 to 180 days	198,759	339,484
181 to 365 days	350,337	166,842
1 to 2 years	74,127	48,113
2 to 3 years	<u>7,355</u>	<u>5,431</u>
	<u>1,272,206</u>	<u>1,538,135</u>

11. TRADE AND BILLS PAYABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables	592,147	571,453
Bills payable	<u>15,294</u>	<u>27,753</u>
	<u>607,441</u>	<u>599,206</u>

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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 90 days	562,428	545,706
91 to 180 days	9,756	12,284
181 to 365 days	9,626	11,235
1 to 2 years	10,254	2,151
Over 2 years	83	77
	<u>592,147</u>	<u>571,453</u>

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

The outstanding bills payable were issued to FUJIFILM (China) Investment Co., Ltd., a major supplier of the Group, for the purchase of raw materials.

12. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current portion:		
Other payables	110,389	100,913
Interest payable	24,869	29,236
Value-added tax payable	10,892	49,394
Payroll and welfare payable	29,200	26,097
Payables to non-controlling interests (<i>Note</i>)	1,158,161	1,439,319
	<u>1,333,511</u>	<u>1,644,959</u>
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Non-current portion:		
Deferred government grant	7,605	7,700
	<u>7,605</u>	<u>7,700</u>

Note:

Payables to non-controlling interests represent the rights granted to the non-controlling shareholders to dispose of the 30% interests in each of Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd., and Shanghai Dingpei Industrial Co., Ltd. (collectively referred to as “Anbaida Group Companies”), Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd. (referred to as “Hongen”), Shenzhen De Run Li Jia Co., Ltd. (referred to as “Derunlijia”), Guangzhou Shengshiyuan Trading Co., Ltd. (referred to as “Shengshiyuan”) and Beijing Kaihongda Technologies Co., Ltd. (referred to as “Kaihongda”) to the Group during the acquisition of the Company of the 70% interests in each of Anbaida Group Companies, Hongen, Derunlijia, Shengshiyuan and Kaihongda disclosed below:

- (a) Pursuant to the share purchase agreement entered into between Yestar (Guangxi) Medical System Co., Ltd. (“Yestar Medical”), a subsidiary of the Company, Mr. Li Bin, Mr. Li Changgui, Mr. Li Changkuan, Ms. Yu Liping and Ms. Liu Hong on 9 April 2015, Yestar Medical acquired the 70% equity interests in Anbaida Group Companies and Mr. Li Bin and Mr. Li Changgui (“Mr. Li”) held the remaining 30% equity interests. The non-controlling equity interests holders shall have the right to require Yestar Medical to acquire the remaining 30% equity interests 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 interests of Anbaida Group Companies. Yestar Medical reached a new separate share transfer agreement on 7 August 2020 with Mr. Li to acquire the remaining 30% equity interests in Anbaida Group Companies. Yestar Medical shall purchase the remaining 30% equity interests in each of Anbaida Group Companies in 3 phases by 31 August 2021 at a consideration of RMB675 million.
- (b) Pursuant to the share purchase agreement entered into between Yestar Medical, Mr. Wang Kaijun, Mr. Zhang Shuqiang, Ms. Song Yalin, and Mr. Ma Boming on 13 October 2016, Yestar Medical acquired the 70% equity interest in Hongen. Yestar Medical is obligated to acquire the remaining 30% equity interest in Hongen if the respective net profits of Hongen in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB270 million. Since Hongen has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is obligated to acquire the remaining 30% equity interest of Hongen. Yestar Medical signed a share purchase agreement on 27 March 2020 to purchase the remaining 20% equity interest at the consideration of Hongen’s entire existing tissue diagnostic business of the distribution of Roche Diagnostic Products in the Guangdong province in the PRC and then the Group did not have contractual obligation to purchase the remaining 10% equity interest.

- (c) Pursuant to the share purchase agreement entered into between Yestar Medical, Mr. Chen Baocun and Ms. Chen Shaoyu on 27 October 2016, Yestar Medical acquired the 70% equity interest of Derunlijia. Yestar Medical is obligated to acquire the remaining 30% equity interest in Derunlijia if the respective net profits of Derunlijia in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB332 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical which is calculated by the following formula:

$$(\text{Annual guarantee profit} - 2017 \text{ net profit}/2018 \text{ net profit}/2019 \text{ net profit}) * 2$$

Since Derunlijia did not meet the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical did not have a contractual obligation to purchase the remaining 30% equity interest.

- (d) Pursuant to the share purchase agreement entered into between Yestar Medical, Ms. Liu Yanling, Ms. Li Xu, Mr. Ai Jiaying, Mr. Zhang Lixiong and Mr. Li Shenlian on 11 November 2016, Yestar Medical acquired the 70% equity interest in Shengshiyuan. Yestar Medical is obligated to acquire the remaining 30% equity interest in Shengshiyuan if the respective net profits of Shengshiyuan in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB120 million. Since Shengshiyuan has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Li about the remaining 30% equity interest. No agreement was reached as of the announcement date.
- (e) Pursuant to the share purchase agreement entered into between Yestar Medical, Mr. Pang Haibin, Mr. Xie Dingjie, Ms. An Hong, Mr. Yu Huimin and Mr. Zhu Yongping on 20 September 2017, Yestar Medical acquired the 70% equity interest in Kaihongda. Yestar Medical is obligated to acquire the remaining 30% equity interest in Kaihongda if the respective net profits of Kaihongda in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB71.28 million. Since Kaihongda has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Pang about the remaining 30% equity interest. No agreement was reached as of the announcement date.

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT YESTAR HEALTHCARE

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, Hainan, Hunan, Jiangsu, Hebei and the autonomous region Inner Mongolia. The Group also manufactures medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC and manufactures, markets and sells dental film and medical dry film products under the house brand “Yes!Star”.

MARKET OVERVIEW

The first half of 2020 was a difficult and challenging period for many businesses around the world. The outbreak of COVID-19 in the PRC in early 2020 had plunged many cities in still. 24 provinces and regions activated the “Level I Public Health Emergency Response” and travel restrictions, including Beijing, Shanghai, Guangdong, Hunan, Zhejiang, Hubei and Anhui. Hospital services in these regions had seen significant impacts on regular services such as outpatient clinics, special clinics as well as some emergency treatment were limited to spare resources for COVID-19 treatments. The disruption of clinical routines led to the decrease in many commonly performed in vitro diagnostic testing and screening, which in turn slowed down the consumption of IVD reagents and related consumables. Medical film products on the other hand had seen a stable demand as CT scan was the primary screening tool for COVID-19 suspected cases.

BUSINESS OVERVIEW

New Brands Introduction to Complete Our Product Offering in Mass Market

Under the introduction of the Hierarchical Medical System in the PRC, Yestar has been actively opening up channels of the lower-tier hospitals in the past few years, which has laid a solid foundation for us to introduce a greater variety of products and services. In the first half of 2020, Yestar has successfully introduced two IVD brands to our product line. The first one is a domestic brand and the other one is a Japanese brand. The Group will distribute their thrombus testing products, which are complementary to our existing Roche Diagnostic lines while provide a broader product options for our mass market customers.

Continued to Provide Professional Products and Services During COVID-19

Yestar has always put customers' needs as our top priority and has demonstrated professional services during the COVID-19 outbreak. Machine accuracy is the key of reliable IVD testing. In order to ensure the smooth performance of IVD departments in the hospitals during the special period, the Company had continued to offer 24/7 hotline and on-site services to provide immediate support and machine maintenance. Full set of protective gears were provided to technicians and supporting staff for on-site machine checkup. In addition, Yestar also launched 84 Disinfectant and medical disposal masks under our house brand in February and March respectively to help combat the pandemic. Our medical masks were exported to various countries, namely the United States, Japan, Singapore and Indonesia. Our dedication in providing services during the special period and our swift execution capability to launch new products are showcases of our solid management and resources allocation system.

Improved Financial Position with Strategic Acquisition

Due to the adverse macro situation caused by COVID-19, the Group has placed a strong emphasis on cash generation to improve working capital flow. Specifically, the Group improved its inventory turnover to speed up cash conversion and also enhanced its collection efficiency, lowering trade receivable by 17.2% from approximately RMB1,560.6 million as at 31 December 2019 to approximately RMB1,292.5 million as at 30 June 2020 despite the challenging environment for its downstream clients. Riding on the Group's excellent and agile management skill, net cash generated from operating activities recorded a significant increase for the six months ended 30 June 2020, which laid a solid foundation for future opportunities.

Apart from operational improvement, the Group also implemented inorganic measure to strengthen its overall financial position. Yestar entered into a share transfer agreement on 27 March 2020 to acquire 20% of Guangzhou Hongen Medical Diagnostic Technologies Company Limited ("Hongen") through the disposal of tissue diagnostic business of Hongen at a consideration of RMB77 million. The substantial shareholder of Hongen has a close relationship with the Group and remained 10% equity interest for future collaboration. The acquisition of Hongen has reduced the Group's liabilities and increased its equities, allowing the Company to maintain a healthy financial position.

RESULTS OVERVIEW

During the six months ended 30 June 2020, regular services in hospital and medical clinics had been put on hold to direct resources to combat COVID-19. As a result, the overall demand for IVD reagents and consumables was decreased and subsequently led to the decrease in revenue by 29.9% year-on-year ("yoy") to RMB1,602.3 million (six months ended 30 June 2019: RMB2,287.1 million). Gross profit also dropped by 55.1%

yoy to RMB287.7 million (six months ended 30 June 2019: RMB640.5 million), with gross profit margin stood at 18.0% (six months ended 30 June 2019: 28.0%), representing a decline of 10.0p.p.

Selling and distribution expenses decreased slightly by 1.8% yoy to RMB118.5 million (six months ended 30 June 2019: RMB120.6 million). Administrative expenses and finance cost remained stable at RMB167.7 million and RMB64.5 million respectively (six months ended 30 June 2019: RMB172.0 million and RMB64.0 million). An impairment of financial assets of RMB7.5 million and impairment loss on goodwill and other intangible assets in various subsidiaries of the Company for an aggregate amount of RMB724.6 million were recorded for the six months ended 30 June 2020. Thus, the Group recorded for the first time since its listing in 2013 a loss attributable to owners of the parent of RMB640.3 million (six months ended 30 June 2019: RMB142.0 million). Net loss margin was at 39.96% (six months ended 30 June 2019: net profit margin was at 6.2%). Basic loss per share was amounted to RMB27.05 cents (six months ended 30 June 2019: basic earning per share at RMB5.91 cents). The board of directors (the “Board”) has resolved not to declare any interim dividend for the Period (six months ended 30 June 2019: Nil).

Medical Business — 92.2% of Overall Revenue

During the six months ended 30 June 2020, the Group recorded stable orders for medical imaging products for testing purpose. However, as the demand for IVD consumables decreased, the Group recorded a segment revenue of RMB1,477.2 million (six months ended 30 June 2019: RMB2,052.3 million), representing a drop of 28.0% yoy. Segment gross profit margin also dropped 11.2p.p. to approximately 18.1% (six months ended 30 June 2019: 29.3%).

During the six months ended 30 June 2020, the Group has introduced two new brands into its distribution platform. As the hospitals have been gradually resuming operations since the second quarter 2020, the Group will increase marketing resources on these new products in the second half of 2020.

Non-medical Business — 7.8% of Overall Revenue

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

Suffered from the lockdown of cities, the demand of photographic paper dropped significantly. During the six months ended 30 June 2020, revenue of non-medical businesses was RMB125.1 million (six months ended 30 June 2019: RMB234.8 million), decreased by approximately 46.7% yoy. Yet, as the sole distributor of Fujifilm colour photographic paper in the PRC, the Group will continue to maintain its business and enhance its close collation with Fujifilm, in order to tap into future opportunities.

OUTLOOK

The PRC's IVD market is likely to reach approximately US\$ 17.6 Billion by 2026, according to the 'China In-Vitro Diagnostics (IVD) Market, Size, Share, Trends, Regulations, Reimbursement & Key Players Analysis — Forecast to 2026' report published in March 2020 by iGATE Research. The growth is driven by the its gradually aging population which leads to a spike in chronic diseases including diabetes, heart disease, cancers and etc. As Chinese consumers are now willing to pay more on healthcare due to rising disposable income per capita, more IVD products will be needed for disease prevention.

Meanwhile, Yestar, as one of the largest distributors in the PRC with a comprehensive distribution platform, will adopt the following strategies to continue driving its growth by serving its customers and medical consumables players.

Network Expansion and New Product Introduction for Organic Growth

The Group will continue to diversity and expand its network among all tiers of hospitals and medical institutions. As more resources has been redirecting to the lower tier hospitals under the hierarchical medical system, the Group has been actively diversifying its distribution network from top-tier hospitals to lower tier hospitals. As Yestar's distribution platform grows deeper and further, the Group will continue to utilize its network by introducing various high-end products to cater the specific needs of different tiers hospitals. This can secure the Group's order volume of medical consumable products in the long run. In the upcoming year, the Group will focus on promoting the newly-introduced thrombus testing products in order to expand its revenue stream.

Enhance Its Value-added Services

Apart from upgrading its logistics hub into training centres, the Group will continue to extend its value-added services scope in order to increase customers' stickiness. For instance, the Group will collaborate with Roche to provide visualization of test processes and offer real-time mobile information to hospital staff for service income, which should greatly improve efficiency and user experience through digital transformation. Further, Yestar will continue to strengthen its presales and post-sales services, encompassing upstream needs such as hospital automation labs design which will improve efficiency, to downstream services such as 24/7 hotline and machine maintenance.

Strengthen Collaboration With Upstream Strategic Partners

Riding on its excellent value-added services, the Group has developed a close relationship with hospitals which helps to obtain user feedback, patient demographics, diseases trend and etc. The Group will then assist its strategic partners to analyze these market data for their further research and development. With better and customized products, upstream partners will be able to offer better products with higher margin, and in turn, having more resources to support the distribution of its products.

Despite the slowdown caused by the pandemic in the first half of 2020, the Group remains confident in its long term business outlook, and will strive for market growth by implementing the aforesaid strategies. Together with its enhanced and healthy financial position, Yestar will carry on creating values along the industry chain while bringing fruitful results to its shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

The Group practised product financial management for the six months ended 30 June 2020. The Group finances its daily operation through a combination of internally-generated funds from operation and borrowings. Riding on the improvement on its inventory turnover and strategic collection policy, the Group maintained a strong and sound financial position during the Period. As at 30 June 2020, the Group had a cash and cash equivalents of approximately RMB708.6 million (31 December 2019: approximately RMB546.2 million). The increase in cash and cash equivalents were mainly attributable to the net cash generated from operating activities during the Period.

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2020 was approximately RMB1,707.1 million (31 December 2019: approximately RMB1,680.5 million). Except for the Senior Notes 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.

The Group has secured bank loans of approximately RMB174.7 million (31 December 2019: 266.4 million) and an unsecured bank loan of approximately RMB118.2 million (31 December 2019: 30.5 million).

Current Ratio

As at 30 June 2020, the Group's current ratio was approximately 1.26 (31 December 2019: approximately 1.15), based on total current assets of approximately RMB3,099.8 million and total current liabilities of approximately RMB2,457.2 million.

Gearing Ratio

As at 30 June 2020, the Group's gearing ratio was approximately 63% (31 December 2019: approximately 49%), calculated as the total debt which includes the interest-bearing bank loans and other borrowings for an aggregate amount of approximately RMB998.5 million divided by total equity plus total debt for an aggregate amount of approximately RMB1,589.9 million as at the end of June 2020.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased slightly by about 1.8% from approximately RMB120.6 million for the six months ended 30 June 2019 to approximately RMB118.5 million for the Period, and accounted for approximately 5.3% and 7.4%, respectively, the Group's revenue for the respective reporting periods. The decrease in selling and distribution expenses were mainly attribution to the holding on most of marketing and traveling activities during the Period as the outbreak of COVID-19.

Administrative Expenses

The Group's administrative expenses decreased slightly by about 2.5% from approximately RMB172.0 million for the six months ended 30 June 2019 to approximately RMB167.7 million for the Period, and accounted for approximately 7.5% and approximately 10.5%, respectively, of the Group's revenue for the respective reporting periods. Such decrease was due to the reduction of revenue for the Period.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings. The aggregate amount of interest incurred was approximately RMB64.5 million (six months ended 30 June 2019: approximately RMB64.0 million) for the Period.

For the Period, interest rates of the interest-bearing loans and Senior Notes ranged from 2.35% to 7.43%, while those for the six months ended 30 June 2019 ranged from 2.10% to 7.43%.

Foreign Exchange Exposure

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

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

Capital structure

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

Employees and Remuneration Policies

As at 30 June 2020, the Group had a total of 1,066 employees (six months ended 30 June 2019: 1,066 employees), including Directors. Total staff costs (including Directors' emoluments) were approximately RMB94.5 million for the Period (six months ended 30 June 2019: approximately RMB98.0 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

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 2020, which is required to be disclosed under the Listing Rules.

Future plans for material investments and capital assets

The Group did not have any other plans for material investments and capital assets as at 30 June 2020.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of assets

The shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited, two wholly-owned subsidiaries of the Company, were pledged to the holders of the Senior Notes.

In addition, certain of the Group's bank loans are secured by the pledge of certain of the Group's deposits amounting to RMB40.8 million (31 December 2019: RMB88.8 million).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

Significant Event after the Reporting Period

Subsequent to the reporting period and on 7 August 2020, one of the wholly-owned subsidiaries of the Company ("Yestar Medical") and Anbaida Group Companies entered into the share transfer agreement, to purchase the remaining 30% equity interests in each of Anbaida Group Companies in 3 phases by 31 August 2021 at a consideration of RMB675 million. On 7 August 2020, Mr. Li Bin and Mr. Li Changgui ("Mr. Li") and Yestar Medical has entered into an agreement of dispute resolution to resolve the arbitration that Mr. Li filed on 31 October 2019. The agreement of dispute resolution states that (i) Yestar Medical shall pay the remaining 30% equity interests in each of Anbaida Group Companies at the consideration of RMB675 million; (ii) the payment schedule should be followed according to the agreement of dispute resolution in 3 phases; (iii) certain amount of legal fees incurred by Mr. Li and legal fees incurred in connection with the arbitration proceedings will be borne by Yestar Medical; and (iv) there is no further dispute between Yestar Medical and Mr. Li regarding to above mentioned issue. On 14 August 2020, Shanghai International Economics and Trade Arbitration Commission (Shanghai International Arbitration Center) has issued an arbitral award that is consistent with the share transfer agreement and the agreement of dispute resolution. Upon completion of the performance of the arbitral award, the parties shall no longer have outstanding disputes over the original arbitration matters.

The original arbitration has been resolved and as at the date of this announcement, Yestar Medical's bank deposits amounting to RMB30,077,000 were still frozen by Shanghai Jinshan District People's Court.

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

OTHER INFORMATION

Impairment of Goodwill and Other Intangible Assets

As at 30 June 2020, the Group performed an impairment test on goodwill and other intangible assets (which included distribution rights and customer relationship) by performing discounted free cash flow forecasts for each of the acquired subsidiaries in previous years. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated and each intangible asset. The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period.

The assumptions were used to in the value-in-use calculation for each of cash-generating units are 1) budgeted gross margins; 2) discount rates; 3) operating expense rates; 4) long-term growth rate.

Taking into consideration the projection on future results of cash-generating performance and financial results for each of cash-generating unit resulted from the negative impact of COVID-19, the Group recorded an impairment loss on goodwill and other intangible assets for an aggregate amount of approximately RMB447.5 million and RMB277.2 million, respectively, which was due to its lower recoverable amounts in relation to the estimated future business performance and hence the value of the discounted cash flow for each of cash-generating units.

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

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

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

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

As at 30 June 2020, the net proceeds from the allotment of the Subscription Shares have been applied and utilized as follows:

Use of Proceeds from the Subscription Shares

	Amount of net proceeds allocated	Total remaining net proceeds available as at 1 January 2020	Actual amount utilized for the year ended 30 June 2020	Total remaining net proceeds available as at 30 June 2020	Amount to be utilized for the year ending 31 December 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Possible acquisition to expand market share	163.88	163.88	—	163.88	163.88
Repayment of interest bearing borrowings to reduce finance cost	163.88	—	—	—	—
General working capital	81.94	40.97	20.97	20.00	20.00
Total	<u>409.70</u>	<u>204.85</u>	<u>20.97</u>	<u>183.88</u>	<u>183.88</u>

Subsequent to the reporting period and on 7 August 2020, the Group has utilized all remaining balance of net proceeds of RMB163.88 from the Subscription to acquire 30% equity interests in Shanghai Anbaida Group Companies at consideration of RMB675 million.

Profit Guarantee in relation to acquisition of 70% Equity Interest in Shenzhen De Run Li Jia Company Ltd (“Derunlijia”)

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

As disclosed in the Announcements, as the actual net profit after taxation of Derunlijia for the year ended 31 December 2019 was less than the annual guarantee profit, the vendors of Derunlijia are obliged to compensate and settle the Compensation Amount of approximately RMB9.76 million to the purchaser within 30 days from the issuance of debit note on 27 March 2020 pursuant to the share transfer agreement.

However, the Group has not received any Compensation Amount from the Vendors up to the date of this announcement despite repeated requests through internal communication and meeting with the Vendors of Derunlija.

Nevertheless, the Group has considered and intend to settle the Compensation Amount through the deduction of accumulated dividend payable or to be paid to the Vendors of Derunlija. Taking into account the business and financial impact of Derunlija caused by the outbreak of COVID-19, the Group decided to postpone the settlement of Compensation Amount so as to maintain strong cash flow and liquidity of Derunlija to face the unforeseeable challenges ahead. The Group will arrange for the settlement of Compensation Amount in full through the retained earnings in Derunlija once the business operation in Derunlija resumes to normal with healthy cash flow maintained.

The Company will keep the shareholders and potential investors of the Company informed of any further significant development as and when appropriate.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2019: Nil).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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.

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.

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

The Company was authorized by its shareholders at the annual general meeting held on 10 May 2019 (the "2019 AGM") and held on 22 May 2020 (the "2020 AGM") to repurchase its shares not exceeding 10% of the issued shares of the Company at the date of the 2019 AGM and 2020 AGM respectively until the conclusion of next annual general meeting or the revocation of the resolution for repurchase of shares, whichever is earlier.

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

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

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

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

AUDIT COMMITTEE

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

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

The audit committee comprises three independent non-executive Directors, namely Dr. Hu Yiming (Chairman of the audit committee), Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement for the six months ended 30 June 2020 is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://www.yestarcorp.com>.

The interim report of the Company for the six months ended 30 June 2020 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
Yestar Healthcare Holdings Company Limited
Hartono James
Chairman, CEO and Executive Director

Shanghai, 26 August 2020

As at the date of this announcement, the executive Directors are Mr. Hartono James, Ms. Wang Ying, Ms. Wang Hong and Mr. Chan Chung Man; and the independent non-executive Directors are Dr. Hu Yiming, Mr. Tirtamarta Karsono (Kwee Yoe Chiang) and Mr. Sutikno Liky.