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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 2022

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 2022 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 2021, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---------------------------------------|-------|--------------------------------|--------------------------------|
| | Notes | | |
| REVENUE | 4 | 1,966,063 | 2,322,702 |
| Cost of sales | | <u>(1,671,899)</u> | <u>(1,875,636)</u> |
| Gross profit | | 294,164 | 447,066 |
| Other income and gains | | 17,462 | 70,004 |
| Selling and distribution expenses | | (132,410) | (143,290) |
| Administrative expenses | | (160,984) | (157,000) |
| Impairment losses on financial assets | | (6,741) | (6,542) |
| Other expenses | | (124,576) | (3,363) |
| Finance costs | | (103,054) | (59,045) |
| Share of profit of an associate | | <u>7,891</u> | <u>5,894</u> |
| (LOSS)/PROFIT BEFORE TAX | 5 | (208,248) | 153,724 |
| Income tax credit/(expense) | 6 | <u>24,192</u> | <u>(32,847)</u> |
| (LOSS)/PROFIT FOR THE PERIOD | | <u>(184,056)</u> | <u>120,877</u> |
| Attributable to: | | | |
| Owners of the parent | | (165,284) | 111,905 |
| Non-controlling interests | | <u>(18,772)</u> | <u>8,972</u> |
| | | <u>(184,056)</u> | <u>120,877</u> |
| (LOSS)/EARNINGS PER SHARE | | | |
| ATTRIBUTABLE TO ORDINARY | | | |
| EQUITY HOLDERS OF THE | | | |
| PARENT | | | |
| Basic and diluted | | | |
| — For (loss)/profit for the period | 8 | <u>RMB(7.09) cents</u> | <u>RMB4.75 cents</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|--------------------------------|--------------------------------|
| (LOSS)/PROFIT FOR THE PERIOD | (184,056) | 120,877 |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | <u>(60,322)</u> | <u>14,352</u> |
| Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods | <u>(60,322)</u> | <u>14,352</u> |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX | <u>(60,322)</u> | <u>14,352</u> |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD | <u>(244,378)</u> | <u>135,229</u> |
| Attributable to: | | |
| Owners of the parent | (225,606) | 126,257 |
| Non-controlling interests | <u>(18,772)</u> | <u>8,972</u> |
| | <u>(244,378)</u> | <u>135,229</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

| | | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|-------|---|---|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 183,206 | 193,238 |
| Right-of-use assets | | 284,050 | 266,684 |
| Goodwill | | 418,627 | 420,067 |
| Other intangible assets | | 660,266 | 820,109 |
| Investment in an associate | | 21,132 | 13,241 |
| Deferred tax assets | | 26,506 | 21,762 |
| Total non-current assets | | 1,593,787 | 1,735,101 |
| CURRENT ASSETS | | | |
| Inventories | | 469,247 | 366,686 |
| Trade and bills receivables | 9 | 1,460,969 | 1,590,861 |
| Prepayments, other receivables and other assets | | 294,380 | 279,262 |
| Pledged deposits | | 16,580 | 1,812 |
| Cash and cash equivalents | | 355,405 | 585,159 |
| Total current assets | | 2,596,581 | 2,823,780 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 10 | 686,458 | 657,316 |
| Other payables and accruals | 11 | 501,982 | 757,048 |
| Interest-bearing bank and other borrowings | | 557,264 | 458,815 |
| Lease liabilities | | 92,634 | 83,455 |
| Contract liabilities | | 56,531 | 74,874 |
| Tax payable | | 101,560 | 129,482 |
| Total current liabilities | | 1,996,429 | 2,160,990 |
| NET CURRENT ASSETS | | 600,152 | 662,790 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,193,939 | 2,397,891 |

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|--|---|---|
| <i>Notes</i> | | |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank and other borrowings | 1,188,299 | 1,117,960 |
| Lease liabilities | 139,700 | 130,194 |
| Deferred tax liabilities | 187,309 | 227,249 |
| Other long term payables | 92,884 | 90,454 |
| | <u>1,608,192</u> | <u>1,565,857</u> |
| Total non-current liabilities | | |
| | <u>1,608,192</u> | <u>1,565,857</u> |
| Net assets | 585,747 | 832,034 |
| | <u>585,747</u> | <u>832,034</u> |
| EQUITY | | |
| Equity attributable to owners of the parent | | |
| Share capital | 46,576 | 46,576 |
| Reserves | 462,451 | 708,649 |
| | <u>509,027</u> | <u>755,225</u> |
| Non-controlling interests | 76,720 | 76,809 |
| | <u>76,720</u> | <u>76,809</u> |
| Total equity | 585,747 | 832,034 |
| | <u>585,747</u> | <u>832,034</u> |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

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 2022 (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 2022 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 2021.

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 2021, 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>Reference to the Conceptual Framework</i> |
| Amendment to IFRS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to IAS 37 | <i>Onerous Contracts — Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to IFRSs Standards 2018-2020</i> | <i>Amendments to IFRS 1, IFRS 9, IFRS 16, Illustrative Examples accompanying and IAS 41</i> |

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the *Conceptual Framework* to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the *Conceptual Framework*. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

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

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, 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 2022 and 2021:

| 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 items of property, plant and equipment | 3,036 | 16,041 | 19,077 |
| Depreciation of items 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 the statement of profit or loss | 18,199 | 121,624 | 139,823 |
| Loss/(gain) on disposal of items of property, plant and equipment | 90 | (144) | (54) |
| Capital expenditure | 16 | 14,173 | 14,189 |

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

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2022 and 31 December 2021:

| Six months ended 30 June 2022 | Imaging printing products RMB'000 (Unaudited) | Medical products and equipment RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|--|---|--|
| Segment assets | 291,710 | 3,830,006 | 4,121,716 |
| <i>Reconciliation:</i> | | | |
| Corporate and other unallocated assets | | | <u>68,652</u> |
| Total assets | | | <u>4,190,368</u> |
| Segment liabilities | 140,293 | 3,441,487 | 3,581,780 |
| <i>Reconciliation:</i> | | | |
| Corporate and other unallocated liabilities | | | <u>22,841</u> |
| Total liabilities | | | <u>3,604,621</u> |
| Year ended 31 December 2021 | Imaging printing products RMB'000 (Audited) | Medical products and equipment RMB'000 (Audited) | Total RMB'000 (Audited) |
| Segment assets | 519,603 | 3,972,388 | 4,491,991 |
| <i>Reconciliation:</i> | | | |
| Corporate and other unallocated assets | | | <u>66,890</u> |
| Total assets | | | <u>4,558,881</u> |
| Segment liabilities | 356,298 | 3,347,927 | 3,704,225 |
| <i>Reconciliation:</i> | | | |
| Corporate and other unallocated liabilities | | | <u>22,622</u> |
| Total liabilities | | | <u>3,726,847</u> |

Information about major customers

During the six months ended 30 June 2022, the Group had one individual customer from whom the revenue derived by selling medical imaging products and imaging printing products of RMB348,190,000 (six months ended 30 June 2021: RMB487,393,000) accounted for about 17.71% (six months ended 30 June 2021: 20.98%) 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

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---------------------------------------|-------------------------------------|------------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | <u>1,966,063</u> | <u>2,322,702</u> |

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

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

For the six months ended 30 June 2021

| Segments | Imaging printing products <i>RMB'000</i> (Unaudited) | Medical products and equipment <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|---|--|---|--|
| Types of goods or services | | | |
| Sale of goods | 195,042 | 2,090,339 | 2,285,381 |
| Rendering of services | <u>1,256</u> | <u>36,065</u> | <u>37,321</u> |
| Total revenue from contracts with customers | <u><u>196,298</u></u> | <u><u>2,126,404</u></u> | <u><u>2,322,702</u></u> |
| Timing of revenue recognition | | | |
| Goods transferred at a point in time | 195,042 | 2,090,339 | 2,285,381 |
| Services transferred over time | <u>1,256</u> | <u>36,065</u> | <u>37,321</u> |
| Total revenue from contracts with customers | <u><u>196,298</u></u> | <u><u>2,126,404</u></u> | <u><u>2,322,702</u></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 2022

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

For the six months ended 30 June 2021

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

5. (LOSS)/PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|-----------------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Cost of inventories sold and services provided | 1,671,899 | 1,875,636 |
| Depreciation of items of property, plant and equipment | 19,077 | 16,526 |
| Depreciation of right-of-use assets | 58,121 | 47,714 |
| Amortisation of other intangible assets | 45,454 | 47,851 |
| Research and development costs | — | 113 |
| Lease payments not included in the measurement of lease liabilities | 21,395 | 19,373 |
| Employee benefit expense including | | |
| — Wages and salaries | 112,190 | 107,127 |
| — Pension scheme contributions | <u>8,004</u> | <u>6,768</u> |
| | <u>120,194</u> | <u>113,895</u> |
| Exchange differences, net | 1,561 | 1,527 |
| Impairment of financial assets | 6,741 | 6,542 |
| Impairment of goodwill | 1,440 | — |
| Impairment of other intangible assets | 114,389 | — |
| Gain on disposal of items of property, plant and equipment | <u><u>(54)</u></u> | <u><u>(169)</u></u> |

6. INCOME TAX

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

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

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

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 | |
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current — charged for the period | 20,492 | 50,208 |
| Deferred | (44,684) | (17,361) |
| Total tax (credit)/charge for the period | <u>(24,192)</u> | <u>32,847</u> |

7. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2021: Nil).

The shareholders did not declare any dividend for the year ended 31 December 2021 at the annual general meeting of the Company on 31 May 2022.

8. (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 RMB165,284,000 and the weighted average number of ordinary shares of 2,331,590,000 in issue during the Period.

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the parent of RMB111,905,000 and the weighted average number of ordinary shares of 2,354,975,000 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 2022 and 2021 as no diluting events occurred.

9. TRADE AND BILLS RECEIVABLES

| | 30 June 2022 <i>RMB'000</i> (Unaudited) | 31 December 2021 <i>RMB'000</i> (Audited) |
|-------------------|--|--|
| Bills receivable | 10,389 | 39,040 |
| Trade receivables | 1,516,504 | 1,611,004 |
| Impairment | (65,924) | (59,183) |
| | <u>1,460,969</u> | <u>1,590,861</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 2022 <i>RMB'000</i> (Unaudited) | 31 December 2021 <i>RMB'000</i> (Audited) |
|-----------------|--|--|
| Within 90 days | 578,776 | 878,880 |
| 91 to 180 days | 411,241 | 376,618 |
| 181 to 365 days | 349,749 | 216,803 |
| 1 to 2 years | 101,469 | 68,469 |
| 2 to 3 years | 9,345 | 11,051 |
| | <u>1,450,580</u> | <u>1,551,821</u> |

10. TRADE AND BILLS PAYABLES

| | 30 June 2022 <i>RMB'000</i> (Unaudited) | 31 December 2021 <i>RMB'000</i> (Audited) |
|----------------|--|--|
| Bills payable | 30,000 | — |
| Trade payables | 656,458 | 657,316 |
| | <u>686,458</u> | <u>657,316</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 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|-----------------|---|---|
| Within 90 days | 598,149 | 621,150 |
| 91 to 180 days | 18,843 | 29,911 |
| 181 to 365 days | 34,701 | 3,617 |
| 1 to 2 years | 3,230 | 1,379 |
| Over 2 years | 1,535 | 1,259 |
| | <u>656,458</u> | <u>657,316</u> |

11. OTHER PAYABLES AND ACCRUALS AND OTHER LONG TERM PAYABLES

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Current portion: | | |
| Other payables | 127,413 | 339,602 |
| Interest payable | 359 | 457 |
| Value-added tax payable | 28,507 | 52,563 |
| Payroll and welfare payable | 11,982 | 18,868 |
| Payables to non-controlling interests (<i>Note a, b and c</i>) | 333,721 | 345,556 |
| | <u>501,982</u> | <u>757,046</u> |
| | | |
| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
| Non-current portion: | | |
| Deferred government grant | 7,227 | 7,322 |
| Payables to non-controlling interests (<i>Note a</i>) | 85,657 | 83,132 |
| | <u>92,884</u> | <u>90,454</u> |

Note:

Payables to non-controlling interests mainly represent the contractual obligations of the Group to acquire the remaining 5.83% interests in Anbaida Group Companies and the remaining 30% interests in each of Shengshiyuan and Kaihongda as at the end of the reporting period.

The details during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Shengshiyuan and Kaihongda as 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 interest. The non-controlling equity interest holders shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Anbaida Group Companies if the respective net profits of Anbaida Group Companies in 2015, 2016 and 2017 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB675 million. Since Anbaida Group Companies have met the annual guarantee profit targets for the years from 2015 to 2017, the Group is obligated to acquire the remaining 30% equity interest in Anbaida Group Companies. Yestar Medical reached a new separate share transfer agreement on 7 August 2020 with Mr. Li to acquire the remaining 30% equity interest in Anbaida Group Companies. Yestar Medical shall purchase the remaining 30% equity interest in each of Anbaida Group Companies at a consideration of RMB675 million. As at 30 June 2022, the Company completed the acquisition of a 24.17% equity interest and paid RMB543,750,000 to Mr. Li.

As at 30 June 2022, the carrying amount of RMB85,746,000 related to dividend payable to Mr. Li Bin and Mr. Li Changgui from 1 July 2023 to 2025.

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

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, 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 resurgence of COVID-19 disrupted the relative stability of the PRC during the first half of 2022 (“the Period”). In spite of the mass vaccination program and increasing health awareness among the public, the highly contagious Omicron variant has forced the government to once again impose strict measures on pandemic control. Regional lockdowns returned in multiple cities, and with the exception of emergency departments, hospitals were shut down in order to prioritize the containment and combat of the pandemic.

At the epicenter of this wave of COVID-19 were some of the largest cities in the PRC. Shanghai, the financial center of the PRC, which is also the headquarters of the Group, was hit the hardest. Hit by a wave of cases at unforeseen scale and speed, the city of Shanghai was completely locked down for nearly three months — including the entire April and May 2022. Despite the coordinated efforts at the national level, Shanghai did not reopen until early June 2022. Situations in Beijing and Shenzhen were slightly better, but were negatively affected as well.

It is obvious that the Period was full of challenges. With the suspension of non-essential medical services in the cities under lockdown, the demand for IVD products has dropped sharply. It was not uncommon for medical distributors to scale down or temporarily suspend their business.

Being one of the large-scale IVD distributors in the PRC, Yestar made huge efforts to withstand the whirlwind. To support the nationwide efforts against the pandemic, the Group provided reliable supply of necessities and high-quality basic gears to the frontline, showcasing its reliability, as well as the Group's commitment to corporate social responsibility. As the pandemic became increasingly under control, the Group was quick to restore the disrupted distribution channels, and was able to return to business as soon as possible. The Group has seen business recovery in June 2022, but with lingering cases across cities, the overall environment remains extremely challenging and sluggish.

BUSINESS OVERVIEW

Continuous R&D of house brand IVD products amid the pandemic

Although the resurgence of COVID-19 has affected the Group's business activities across regions, the Guangxi region experienced very limited impact. The Group's plant there was not affected by lockdowns and had the luxury to do business as usual.

With eyes on the Group's long-term development, the Group took this breathing room and continued its R&D efforts by recruiting R&D staff and acquiring equipment and facilities that will drive the development of in-house IVD products. The Group hopes to see the launch of its house brand IVD products by second half of the year, and is optimistic to receive good response with the right marketing efforts. The introduction of house brand is also expected to diversify the Group's revenue stream and improve its profit margins in the medium term.

Active discussion on strategic collaborations

The Company has been exploring potential strategic collaborations, with the view that strategic partnerships or investments can create synergies between Yestar's strong distribution and marketing platform, along with the R&D capabilities and other strengths of target companies.

Strategic collaborations will also facilitate the development of the Group's in-house IVD products and bring along other benefits such as pricing power and expanded sales channels, thus allowing it to evolve into a comprehensive solutions provider and potentially tap into international markets.

Due to the impacts of the COVID-19 pandemic, some of these explorations have been delayed, but the Company has continued to make progress. The Company will stay alert and grasp opportunities to achieve long-term growth.

RESULTS OVERVIEW

During the Period, regular services in hospitals and medical clinics had been put on hold due to lockdowns and the need to combat the resurgence of COVID-19. As a result, the overall demand for IVD reagents and consumables recorded a decrease, leading to a drop in revenue by 15.4% year-over-year (“yoy”) to RMB1,966.1 million (six months ended 30 June 2021: RMB2,322.7 million). Gross profit dropped by 34.2% yoy to RMB294.2 million (six months ended 30 June 2021: RMB447.1 million). Gross profit margin of 15.0% (six months ended 30 June 2021: 19.2%) represented a decline of 4.2 p.p., which was primarily attributable to the greater impact of the lockdowns on products with higher margins.

Selling and distribution expenses decreased by 7.6% yoy to RMB132.4 million (six months ended 30 June 2021: RMB143.3 million), as most marketing and traveling activities were suspended under the lockdowns. Administrative expenses increased to RMB161.0 million (six months ended 30 June 2021: RMB157.0 million), mainly due to the additional office lease and the expenses for sorting out the office. Meanwhile, following the successful debt restructuring of the Company which saw a higher coupon rate, finance cost rose to RMB103.1 million (six months ended 30 June 2021: RMB59.0 million). During the Period, the recorded net loss attributable to owners of the Company was RMB161.5 million (six months ended 30 June 2021: RMB111.9 million net profit attributable to owners of the Company). Basic loss per share amounted to RMB7.09 cents (six months ended 30 June 2021: basic earnings per share amounted to RMB4.75 cents). The board of directors has resolved not to declare any interim dividend for the Period (six months ended 30 June 2021: Nil).

Medical Business — 93.7% of Overall Revenue

During the Period, the Group’s medical business recorded a segment revenue of RMB1,841.2 million (six months ended 30 June 2021: RMB2,126.4 million), representing a drop of 13.4% yoy. This was mainly due to lockdowns across various cities, which led to the closure of hospitals’ non-emergency services and thereby resulted in the decreased demand for IVD consumables. Gross profit margin of the segment also dropped 4.0 p.p. to approximately 16.2% (six months ended 30 June 2021: 20.2%). This was mostly the result of lockdowns, especially those of Shanghai, Shenzhen, Beijing and Jiangsu, where the Group focuses on higher-margin products. On top of that, the overall gross profit margin was dragged further as the Shanghai branches of the Group provided IVD related products to support the local government. This demonstrated the Group’s commitment to corporate social responsibility, as though these products had lower margins, they were essential to the efforts against the pandemic.

Lockdowns in most cities were lifted in June 2022. Upon the end of city lockdowns, the Group saw a gradual recovery of some key operating figures. Further recovery is expected.

Non-medical Business — 6.3% of Overall Revenue

Aside from the medical business segment, the Group's non-medical business 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 receives a stable demand in the market and hence has generated stable cash flow for the Group in the previous years.

As the resurgence of COVID-19 led to lockdowns, leisure activities and travelling were largely affected. Consequently, the demand for photographic paper has dropped significantly. Further, factory operation was also affected, hence the decreased demand for industrial film products. During the Period, revenue of non-medical businesses was RMB124.8 million (six months ended 30 June 2021: RMB196.3 million), representing a decrease of approximately 36.5% yoy. Despite the challenges, as the sole distributor of Fujifilm colour photographic paper in the PRC, the Group will continue to maintain its business and enhance its close collaboration with Fujifilm to tap into future opportunities.

OUTLOOK

The effects of the COVID-19 pandemic could be drastic, but it is unlikely that it will deter the Country's long-term economic development, as well as the growth prospect of the IVD industry in the PRC.

Looking into the macroeconomy, while there was no denying on the blow in the second quarter 2022, China was in fact in a position contrary to other major economies. According to KPMG China, it is expected that there will be more favourable policies from the PRC government, along with the successful pandemic control, the PRC should be able to deliver a stable economic growth. Similarly, Invesco expected the PRC's growth to pick up in the second half.

Meanwhile, the PRC IVD market also stayed strong under headwinds. According to a recent research report by Xiangcai Securities, the Country's IVD market of 2022 is expected to record a yoy growth of 17.0% despite the resurgence of cases. The PRC IVD market is expected to continue the momentum, and could grow to RMB288.2 billion in value by 2030. That estimated market size would also represent 33.2% of global consumption, making the PRC the country with the world's largest IVD consumption. In short, the present could be challenging but the future is bright.

Efforts to promptly recover from the lockdown

Despite not being able to achieve sales during lockdown, the Company has been preparing ahead so that it can quickly capture opportunities upon market rebound. Existing client relationships remain strong and well-cultivated. In the meantime, the Group strives to maintain an efficient operation even under uncertainties. The Group will look to further improve its cash conversion cycle, by urging hospitals and other clients to settle payments on the one hand, while negotiating for longer settlement periods with suppliers on the other. The improvement will allow the Group to remain financially flexible, and ready for opportunities should they arise, adding further impetus to its organic growth.

Continuous Production Expansion and Realize the Post-COVID-19 Opportunities

In recent years, the Group has been tirelessly expanding its product offering in order to better serve its clients, as well as to solidify its position as a one-stop shop for medical products. Looking ahead, the Group will continue to explore suitable products from Roche and other reliable brands, and particularly domestic brands, so that it can better capture the market demand. Meanwhile, the Group's house brand development would also add more variety to its product mix, while giving it greater control over its supply chain, opening up new revenue streams, and offering long-term margin enhancement.

In addition, the Group is preparing to capture opportunities in the post-COVID world, by making good use of the expanding installation base of polymerase chain reaction (PCR) testing machine. With the global pandemic, a lot of hospitals and laboratories have introduced the PCR testing machine. The number of professionals that are well-trained in PCR testing have also increased significantly. From an economic viewpoint, that should come with a strong incentive for hospitals to fully utilize the machines, in order to lower their operating cost and boost profitability, especially at a time when medical funding and resources are stretched after the recent waves of COVID-19. By considering the fact that the application of PCR testing machine can go beyond COVID-19 and into other applications such as the diagnosis of cancer and other infectious or chronic diseases, such expanding installation base would lay a solid foundation for Yestar to promote its consumable products, and in turn, generate sustainable cash flow and profit.

Explore Overseas Opportunities in the Mid-to-Long-run

The Group's growing product mix, house brand development, extensive channel resources, and R&D and manufacturing capability are all edges that would facilitate its overseas expansion. As the Group strives to establish its house brand products, such products could be distributed in the Southeast Asian region, essentially diversifying its country-specific risks. To do so, Yestar will explore collaboration opportunities with local partners that have strong channel resources, allowing the Company to acquire clients from new markets, while playing a greater role in the flourishing IVD market.

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 2022, the Group had a cash and cash equivalents of approximately RMB355.4 million (31 December 2021: approximately RMB585.2 million). The decrease in cash and cash equivalents was mainly attributable to repayment of cooperation fund from third party of RMB200 million during the Period.

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2022 was approximately RMB1,745.6 million (31 December 2021: approximately RMB1,576.8 million). Except for the Senior Notes and the secured bank loans of RMB1,333.2 million which are denominated in USD, all borrowings of the Group are principally dominated in Chinese Yuan (RMB), which is the presentation currency of the Group.

Current Ratio

As at 30 June 2022, the Group's current ratio was approximately 1.30 (31 December 2021: approximately 1.31), based on total current assets of approximately RMB2,596.6 million and total current liabilities of approximately RMB1,996.4 million.

Gearing Ratio

As at 30 June 2022, the Group's gearing ratio was approximately 73.2% (31 December 2021: approximately 56.8%), calculated as the net debt which includes the interest-bearing bank loans and other borrowings less cash and cash equivalents dividend by equity attributable to owners of the parent plus net debt at the end of 30 June 2022.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by about 7.6% from approximately RMB143.3 million for the six months ended 30 June 2021 to approximately RMB132.4 million for the Period, and accounted for approximately 6.2%

and 6.7%, respectively, of the Group's revenue for the respective reporting periods. Such decrease was due to the reduction on marketing and traveling activities under the lockdowns.

Administrative Expenses

The Group's administrative expenses increased by about 2.5% from approximately RMB157.0 million for the six months ended 30 June 2021 to approximately RMB161.0 million for the Period, and accounted for approximately 6.8% and approximately 8.2%, respectively, of the Group's revenue for the respective reporting periods. Such increase was mainly due to the additional office lease and the expenses for sorting out the office.

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 RMB103.1 million (six months ended 30 June 2021: approximately RMB59.0 million) for the Period.

For the Period, interest rates of the interest-bearing loans and Senior Notes ranged from 2.3% to 12.1%, while those for the six months ended 30 June 2021 ranged from 2.85% 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 purchase of US dollars, senior notes in US dollars and secured bank loans 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 2022, the Group had a total of 954 employees (six months ended 30 June 2021: 1,054 employees), including Directors. Total staff costs (including Directors' emoluments) were approximately RMB120.2 million for the Period (six months ended 30 June 2021: approximately RMB113.9 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

Since the contribution to the pension schemes and for the Period, there was no contributions forfeited by the Group (31 December 2021: 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 2022, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

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 2022, 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 2022.

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.

Guarantee Performance in relation to the Acquisitions

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

Charges of assets

As at 30 June 2022, certain of the Group's buildings with a carrying amount of approximately RMB57,397,000 (31 December 2021: RMB85,506,000) 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 2022:

- (i) the Group's bank loans of RMB68,456,000 were secured by the pledge of the Group's building.
- (ii) the Group's bank loans of RMB132,000,000 were guaranteed by a non-controlling shareholder or the Company's subsidiaries.
- (iii) As at 30 June 2022, the Group's bank loans of RMB10,000,000 were guaranteed by local government.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

Save as disclosed 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

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 Yestar Healthcare Holdings Company Limited (the “Company”) dated 27 October 2016 in relation to, among others, the acquisition of 70% equity interest in Shenzhen De Run Li Jia Company Ltd (“Derunlijia”); (ii) the annual report of the Company for the years ended 31 December 2019 to 2021; and (iii) the announcements of the Company (collectively, the “Announcements”) dated 27 March 2020, 24 April 2020, 26 August 2020, 7 April 2021, 30 August 2021 and 30 March 2022, respectively in relation to, among others, the non-fulfilment of the annual guarantee profit of Derunlijia for the year ended 31 December 2019 and the related Compensation Amount. Unless otherwise stated herein, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, as the actual net profit achieved by Derunlijia for the year ended 31 December 2019 was less than the annual guarantee profit, the Vendors of Derunlijia are obliged to compensate and settle the Compensation Amount of approximately RMB9.76 million to the purchaser pursuant to the share transfer agreement. However, no payment was made since then and the Group has commenced an arbitration procedure in the Court of International Arbitration in September 2021.

Up to the date of this announcement, there were 2 arbitration hearings among parties held and further statements of fact as well as supporting documents for reasoning have been submitted to Court of International Arbitration for consideration. Due to the lockdown in Shanghai for nearly three months including April 2022 and May 2022 as well as the subsequent lingering pandemic that continued to affect the full-scale resumption of business operation and production in Shanghai, the arbitration award has been postponed and there was no conclusion made by the Court of International Arbitration. The arbitration award is estimated to be entered in October 2022.

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

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

Memorandum of Understanding

During the Period, the Company and a potential investor entered into the non-legally binding memorandum of understanding, pursuant to which the Company intends to allot and issue, and the potential investor intends to subscribe for, the subscription shares. The exact number of shares to be allotted and issued is subject to further negotiation between the Company and the potential investor, but not less than 30% of the issued share capital of the Company as enlarged by the allotment and issuance of subscription shares.

On 23 August 2022 (after trading hours), the Company and the potential investor entered into a termination agreement to terminate the memorandum of understanding and the possible subscription as the parties have not reached a consensus on the key terms in relation to the possible subscription after negotiation. For details, please refer to the Company's announcements dated 8 April 2022, 6 May 2022, 6 June 2022, 28 June 2022, 28 July 2022 and 23 August 2022.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2021: Nil).

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

During the Period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 C.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.

On the date of this announcement, Mr. Hartono James has tendered his resignation as the chief executive officer of the Company; while Ms. Liao Changxiang, an executive director, has been appointed as the chief executive officer of the Company. Upon the change, the Company has complied with all code provisions as set out in Appendix 14 to the Listing Rules since the roles of the chairman and chief executive are not performed by the same individual.

AUDIT COMMITTEE

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

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

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement for the six months ended 30 June 2022 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 2022 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 and Non-executive Director

24 August 2022

As at the date of this announcement, the executive Directors are Ms. Wang Hong, Ms. Liao Changxiang and Mr. Liang Junxiong; the non-executive Director is Mr. Hartono James; and the independent non-executive Directors are Dr. Hu Yiming, Mr. Zeng Jinsong and Mr. Sutikno Liky.