Yestar International Holdings Company Limited
巨星國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

INTERIM RESULTS

The board of directors (the "Board") of Yestar International Holdings Company Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, together with the comparative figures for the corresponding period of 2013.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**693,886**	514,985
Cost of sales		**(584,745)**	(425,762)
Gross profit		**109,141**	89,223
Other income and gains	4	**6,839**	4,193
Selling and distribution costs		**(30,459)**	(24,264)
Administrative expenses		**(24,554)**	(24,360)
Other expenses		**(4,654)**	(436)
Finance costs	5	**(2,826)**	(2,421)
PROFIT BEFORE TAX	6	**53,487**	41,935
Income tax expense	7	**(16,074)**	(13,405)
PROFIT FOR THE PERIOD		**37,413**	28,530
Attributable to:			
Owners of the parent		**37,325**	28,555
Non-controlling interests		**88**	(25)
		37,413	28,530
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB cents)*	9	**8**	8

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**37,413**	28,530
Other comprehensive income		
Exchange differences on translation of foreign operations	**475**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**37,888**	28,530
Attributable to:		
Owners of the parent	**37,800**	28,555
Non-controlling interests	**88**	(25)
	37,888	28,530

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2014

	Notes	**30 June 2014 Unaudited** *RMB'000*	31 December 2013 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**101,126**	104,352
Prepaid land lease payments		**15,443**	15,606
Intangible assets		**2,540**	2,524
Deferred tax assets		**7,187**	8,350
		126,296	130,832
CURRENT ASSETS			
Inventories		**274,807**	272,704
Trade and bills receivables	10	**16,824**	16,848
Prepayments, deposits and other receivables		**22,380**	29,259
Pledged deposits		**1,040**	3,316
Cash and cash equivalents		**208,332**	283,027
		523,383	605,154
CURRENT LIABILITIES			
Interest-bearing loans		**78,597**	117,212
Trade and bills payables	11	**186,858**	215,322
Other payables and accruals		**17,601**	37,066
Tax payable		**4,541**	7,371
Dividend payables		**—**	3,384
		287,597	380,355
NET CURRENT ASSETS		**235,786**	224,799
TOTAL ASSETS LESS CURRENT LIABILITIES		**362,082**	355,631
NON-CURRENT LIABILITIES			
Other payables		**8,739**	9,133
Deferred tax liabilities		**6,096**	4,313
		14,835	13,446
NET ASSETS		**347,247**	342,185
EQUITY			
Equity attributable to owners of the parent:			
Issued capital		**37,044**	37,044
Reserves		**300,902**	263,261
Proposed final dividend	8	**—**	32,667
		337,946	332,972
Non-controlling interests		**9,301**	9,213
TOTAL EQUITY		**347,247**	342,185

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. CORPORATE INFORMATION

Yestar International 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 of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 2013 (the "Listing").

The Company is an investment holding company. During the period, the Company's subsidiaries were involved in the following principal activities:

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2014 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2014 (the "Period"), have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new revised International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards (the "IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), as of 1 January 2014 noted below:

Several new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment are described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. These amendments have no impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized 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 film, PWB films and trading of imaging equipment.

b) Medical imaging products: manufacture and sale of medical dry films, medical wet films and dental film.

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 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 2014 and 2013, respectively:

Six months ended 30 June 2014 (unaudited)	**Imaging printing products** *RMB'000*	**Medical imaging products** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	356,749	337,137	693,886
Segment results	16,990	36,867	53,857
Reconciliation:			
Corporate and other unallocated expenses			(370)
Profit before tax			53,487
Other segment information:			
Depreciation of items of property, plant and equipment	5,728	1,086	6,814
Amortization of prepaid land lease payments	163	—	163
Amortization of intangible assets	318	2	320
Loss/(gain) on disposal of items of property, plant and equipment	235	(14)	221
Operating lease rentals	1,679	889	2,568
Capital expenditure*	3,363	879	4,242

Six months ended 30 June 2013 (unaudited)	Imaging printing products *RMB'000*	Medical imaging products *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	297,707	217,278	514,985
Segment results	11,813	30,122	41,935
Reconciliation:			
Corporate and other unallocated expenses			—
Profit before tax			41,935
Other segment information:			
Depreciation of items of property, plant and equipment	4,909	1,032	5,941
Amortization of prepaid land lease payments	163	—	163
Amortization of intangible assets	254	7	261
Loss on disposal of items of property, plant and equipment	109	—	109
Operating lease rentals	3,102	612	3,714
Capital expenditure*	19,776	404	20,180

Total segment assets and liabilities as at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014 Unaudited ***RMB'000***	31 December 2013 Audited *RMB'000*
Segment assets		
Imaging printing products	**380,475**	437,915
Medical imaging products	**236,816**	231,798
Total	**617,291**	669,713
Reconciliation:		
Corporate and other unallocated assets	**32,388**	66,273
Total assets	**649,679**	735,986
Segment liabilities		
Imaging printing products	**156,130**	226,691
Medical imaging products	**140,206**	162,797
Total	**296,336**	389,488
Reconciliation:		
Corporate and other unallocated liabilities	**6,096**	4,313
Total liabilities	**302,432**	393,801

* *Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.*

Information about major customers

During the six months ended 30 June 2014, the Group had one customer from whom the revenue raised by medical imaging products and printing imaging products of RMB413,722,000 individually accounted for more than 10% of the Group's total revenue during the period.

During the six months ended 30 June 2013, the Group had one customer from whom the revenue raised by medical imaging products and printing imaging products of RMB261,326,000 individually accounted for more than 10% of the Group's total revenue during the period.

Geographical information

Since the Group solely operates business in the People's Republic of China ("PRC") and all of the non-current assets of the Group are located in the PRC, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**693,886**	514,985
Other income and gains		
Government grants *(note)*	**4,040**	1,413
Foreign exchange gain	**—**	2,334
Interest income	**2,613**	422
Others	**186**	24
	6,839	4,193

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	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Finance costs		
Interest on interest-bearing loans wholly repayable within five years	**2,913**	2,189
Guarantee fee	**(115)**	230
Interest arising from discounted bills	**28**	2
Total finance costs	**2,826**	2,421

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold	**584,745**	425,762
Employee benefit expense including		
— Wages and salaries	**32,634**	29,170
— Pension scheme contribution	**2,988**	3,258
	35,622	32,428
Research and development costs	**1,046**	802
Depreciation of items of property, plant and equipment	**6,814**	5,941
Amortisation of prepaid land lease payments	**163**	163
Amortisation of other intangible assets	**320**	261
Provision for impairment of inventories	**—**	848
Minimum lease payments under operating leases	**2,568**	3,714
Loss on disposal of items of property, plant and equipment	**221**	109

7. INCOME TAX EXPENSE

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

Major components of income tax are as follows:

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current tax		
— Income tax in the PRC for the period	**13,128**	11,954
— Deferred tax	**2,946**	1,451
Income tax expense for the period	**16,074**	13,405

8. DIVIDENDS

Dividends attributable to the interim period

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2013: Nil).

The proposed final dividend of HKD8.9 cents per ordinary share for the year ended 31 December 2013 was declared payable and approved by the shareholders at the annual general meeting of the Company on 15 May 2014.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of earnings per share is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB37,325,000 (six months ended 30 June 2013: RMB28,555,000) and on 466,875,000 ordinary shares in issue during the Period (six months ended 30 June 2013: 337,500,000 ordinary shares).

Diluted earnings per share amounts are equal to basic earnings per share amounts for the Period and six months ended 30 June 2013 as no diluting events occurred.

10. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables	**6,660**	7,206
Bills receivable	**10,164**	9,642
	16,824	16,848

An aged 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	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 90 days	**5,755**	6,040
91 to 180 days	**275**	1,006
181 to 365 days	**630**	160
	6,660	7,206

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2014 Unaudited *RMB'000*	31 December 2013 Audited *RMB'000*
Neither past due nor impaired	**6,169**	6,376
Past due but not impaired		
Less than 90 days	**251**	680
91 to 180 days	**240**	150
	6,660	7,206

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 30 June 2014, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognized Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB1,268,800 (31 December 2013: RMB700,000). The Derecognized Bills have a maturity from one to three months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the Period, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the continuing involvement, both during the Period or cumulatively.

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled as at 30 June 2014 amounted to RMB750,000 (31 December 2013: RMB2,181,000). The carrying amount of the assets that the Group continued to recognize as at 30 June 2014 amounted to RMB750,000 (31 December 2013: RMB2,181,000) and that of the associated liabilities as at 30 June 2014 amounted to RMB750,000 (31 December 2013: RMB2,181,000).

11. TRADE AND BILLS PAYABLES

	30 June 2014	31 December 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade payables	**141,612**	135,342
Bills payable	**45,246**	79,980
	186,858	215,322

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

	30 June 2014	31 December 2013
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 90 days	**141,573**	135,259
91 to 180 days	**18**	64
181 to 365 days	**5**	19
1 to 2 years	**16**	—
Over 2 years	**—**	—
	141,612	135,342

The outstanding bills payable were issued to FUJIFILM (China) Investment Co., Ltd., a major supplier of the Group, for the purchase of raw materials. Pursuant to the purchase agreement, the outstanding bills payable and certain trade payables were secured by a pledge of certain inventories.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Yestar has once again recorded an outstanding results for the six months ended 30 June 2014 (the "Period"). This was mainly driven by the significant growth of the medical imaging business and professional color photographic paper. Medical imaging business, in particular, recorded a strong year-on-year increase in revenue by approximately 55.2% and has become the main revenue contributor of the Group in the Period. To further capitalize on the booming medical imaging business, the Group successfully launched a new product line during the Period, namely medical thermal dry film, which offers crystal clear image with higher resolution. Such advantages provide a reliable basis for clinical diagnosis.

In addition to the encouraging performance of the medical film business, the Group has geared up during the Period to capture greater market share in the color photographic paper industry through well-planned marketing campaigns and promotions. The Group organized a series of product introduction seminars targeting retailers, photo studios and photo processing labs in major cities in the PRC, coupled with our promotion measures, both of our professional color photographic papers and minilab color photographic papers recorded impressive growth. The sales volume of professional color photographic paper, in particular, surged by approximately 34.5% year-on-year, reaching approximately 11.2 million square meters (six months ended 30 June 2013: approximately 8.3 million square meters). With such efforts, the Group has successfully increased our market share in the professional color photographic segment.

Medical imaging business — accounted for 48.6% of overall revenue

The Group is the sole processer of Fujifilm medical film in the PRC. Medical film is a consumable mainly used for radiologic diagnosis. Besides, the Group also engages in processing, marketing and selling of dental film products under our house brand "Yes!Star".

The medical imaging business recorded a significant increase of approximately 55.2% in revenue for the Period and has overtaken the color photographic paper business to be the main revenue contributor of the Group during the Period. In particular, driven by the increase in health conscious and the surge demand on preventive diagnosis, medical film recorded a substantial growth at 55.2% to approximately RMB337.1 million, accounting for 48.6% of the overall revenue. To broaden the product offering and capitalize on the PRC's growing medical imaging industry, the Group launched a new product line namely — medical thermal dry film during the Period, which contributed to its revenue of approximately RMB17.7 million within 3 months.

Revenue

Six months ended 30 June	2013 *(RMB'000)*	**2014** ***(RMB'000)***	**Year-on-year change**
Medical film	217,278	**337,137**	55.2%

Gross profit margin of core products

Six months ended 30 June	2013	**2014**	**Year-on-year change**
Medical film	13.6%	**12.2%**	(1.4) p.p.

Color photographic paper business — accounts for 35.6% of overall revenue

The Group is the sole processor and distributor of Fujifilm color photographic paper in the PRC. During the Period, the Group has focus on expanding its market share in the professional color photographic paper market. Worked hands in hands with professional photographer associations, the Group initiated a series of marketing campaigns targeting the end user markets such as photo processing labs and photo studios across the PRC. With our well-established sales and distribution network, such marketing campaigns were carried out in a disciplined and effective way and gained fruitful results for the Group.

During the Period, color photographic paper business contributed a revenue of approximately RMB247.0 million, growing at approximately 10.7% year-on-year while revenue generated from professional color photographic paper increased year-on-year by approximately 19.6% to approximately RMB153.4 million, taking up approximately 62.1% of this segment revenue. The sales volumes of professional color photographic papers and minilab photographic papers increased by approximately 34.5% and 9.9%, reaching approximately 11.2 million square meters and approximately 6.9 million square meters respectively. The overall gross profit margin for the segment maintained at 21.3%, as compared with 22.1% in the corresponding period of last year.

Revenue breakdown of core products

Six months ended 30 June	2013 *(RMB'000)*	**2014** ***(RMB'000)***	**Year-on-year change**
Professional color photographic paper	128,206	**153,391**	19.6%
Minilab color photographic paper	94,984	**93,581**	(1.5%)
Total	223,190	**246,972**	10.7%

Gross profit margins of core products

Six months ended 30 June	2013	**2014**	**Year-on-year change**
Professional color photographic paper	23.9%	**20.9%**	(3.0) p.p.
Minilab color photographic paper	19.6%	**21.9%**	2.3 p.p.
Overall	22.1%	**21.3%**	(0.8) p.p.

Industrial imaging products — accounted for 14.4% of overall revenue

The Group markets, sells and distributes Fujifilm NDT x-ray films, and processes Fujifilm PWB (printed wire board) films. Leveraging the technology know-how and distribution channels, the Group also manufactures, markets and sells NDT x-ray film under the house brand "Yes!Star" since 2011. NDT x-ray film is widely used to detect metal defects for industrial manufacturers in the automotive, aviation and the petro industries. PWB film is a soft electronic board used in almost all small electronic devices including smartphones and tablets.

The revenue of the industrial imaging business segment surged from approximately RMB64.1 million in first half of 2013 to approximately RMB99.6 million in first half of 2014, representing an outstanding growth of approximately 55.5%. NDT x-ray film and PWB film accounted for approximately 20.4% and approximately 79.6% of the segment revenue respectively.

Prospects

In June 2014, the Group launched a new professional color photographic paper line under the house brand Yes!Star. This new product line mainly targets the mass market and act as a complement to the Group's mid to high-end focused Fujifilm products. In the second half this year, the Group targets to capture greater market share in the professional color photographic paper industry. Such well-rounded product portfolio together with our continuous efforts on marketing and promotion will enhance the Group's competitiveness in the market and set us a stronger foothold in the professional photographic industry.

The continuous increase of health awareness in the PRC has translated into the surging demands on preventive and medical diagnostic screening, which in turn has created enormous opportunities for medical imaging device and consumable industries. Taking X-ray imaging market as an example, according to the research from GlobalData, the PRC is expected to witness continuous growth in its diagnostic X-ray imaging market at a Compound Annual Growth Rate of 9.6%. It is expected the market will reach the billion US dollar mark by 2020 (2012: $528 million). With the enormous market potentials ahead, the Group aims to further solidify our position in the PRC's medical industry. After the successful introduction of the high-end focused thermal-dry film for Fujifilm in the first half of 2014, the Group plans to introduce another thermal-dry film product line under our house brand Yes!Star in the second half of 2014 to cater the demands from the mass market. Together with the new consumable line, the Group plans to launch Yes!Star branded medical dry films and medical dry film printers as well as Fujifilm branded dental films in the second half of the year to provide a completed thermal imaging solutions for medical institutes. Such new product lines will be distributed via our extensive sales and marketing network and will further establish Yes!Star as an influential brand in the PRC's medical industry.

The Group is an important business partner of the Fujifilm Group in the PRC. With our well-established sales and distribution platform, the Group has been successfully assisting various Fujifilm imaging products to venture the PRC market in the last decade. This outstanding track record has translated into trust-worthy and entrenched business relationship. Leverage on our strong marketing and distribution capability as well as our market knowledge, the Group will continue to broaden our strategic cooperation with Fujifilm in the PRC by launching new product lines and co-develop products in the medical field. Our long-term goal is to become a leading player in the PRC's medical industry. After setting a strong foothold in the medical imaging consumable industry, the Group is aiming to tap into the medical device industry in the near future. With such target in mind, the Group is actively exploring potential Merger and Acquisition opportunities along the course of our business.

Financial Review

For the six months ended 30 June 2014, the Group recorded positive performance. Driven by the strong growth in medical film business and professional color photographic paper, the Group's revenue for the Period surged by approximately 34.7% to approximately RMB693.9 million as compared with approximately RMB515.0 million in the corresponding period in 2013. Gross profit increased by approximately 22.3% to approximately RMB109.1 million (six months ended 30 June 2013: approximately RMB89.2 million), whereas gross profit margin decreased slightly by approximately

1.6 percentage points to 15.7% (six months ended 30 June 2013: 17.3%). The slight decrease in gross profit margin is mainly attributable to the change in product mix as medical film business, which has a comparatively lower gross profit margin and become the dominating revenue contributor during the Period.

Profit attributable to owners of the parent grew significantly by approximately 30.7% year-on-year to approximately RMB37.3 million. Net profit margin maintained stable at 5.4% (six months ended 30 June 2013: 5.5%). Earnings per share for the Period was RMB8 cents (six months ended 30 June 2013: RMB8 cents).

Liquidity and financial resources

The Group maintained a sound financial position during the Period. As at 30 June 2014, the Group had a cash and bank balance of approximately RMB209.4 million. The total interest-bearing loans of the Group as at 30 June 2014 was approximately RMB78.6 million, and the gearing ratio and current ratio were approximately 22.6% and 1.82, respectively. Gearing ratio is defined as the total interest-bearing loans of the Group divided by total equity.

Trade receivables and inventory

Trade and bills receivables as at 30 June 2014 were approximately RMB16.8 million, and inventory amounted to approximately RMB274.8 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by about 25.5% from approximately RMB24.3 million for the six months ended 30 June 2013 to approximately RMB30.5 million for the six months ended 30 June 2014, and accounted for about 4.7% and 4.4%, respectively, of the Group's revenue for the respective reporting periods.

Administrative Expenses

The Group's administrative expenses increased by about 0.8% from approximately RMB24.4 million for the six months ended 30 June 2013 to approximately RMB24.6 million for the six months ended 30 June 2014, and accounted for about 4.7% and 3.5%, respectively, of the Group's revenue for the respective reporting periods. This was mainly attributable to the increase in staff remuneration.

Finance Costs

Finance costs of the Group increased by about 16.7%, from approximately RMB2.4 million for the six months ended 30 June 2013 to approximately RMB2.8 million for the six months ended 30 June 2014. This was mainly attributable to the increase in average interest-bearing loans during the Period.

For the Period, interest rates of the interest-bearing loans ranged from 2.0% to 7.75%, compared with 3.3% to 7.5% for the six months ended 30 June 2013.

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 six months ended 30 June 2014, the Group was exposed to the foreign currency risk arising from the purchasing in US Dollars. The Group will monitor its foreign currency exposure closely.

Capital structure

The shares of the Company were listed on the Stock Exchange on 11 October 2013. There has been no change in capital structure of the Company since 31 December 2013. The capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

Capital commitments contracted but not provided for in the financial statement of the Group at 30 June 2014 amounted to approximately RMB1.4 million (31 December 2013: approximately RMB3.8 million).

Human Resources Management

As at 30 June 2014, the Group had 698 (31 December 2013: 719) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB35.6 million for the six months ended 30 June 2014 as compared to approximately RMB32.4 million for the six months ended 30 June 2013. 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 and medical insurance, central pension scheme as well as share options.

Significant investments held

Except for investment in subsidiaries during the six months ended 30 June 2014, the Group did not hold any significant investment in equity interest in any other company.

Material acquisitions and disposals of subsidiaries and affiliated companies

For the six months ended 30 June 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges of assets

As at 30 June 2014, the Group did not have any charges on its assets (as at 31 December 2013: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

USE OF PROCEEDS

The net proceeds of the global offering including net proceeds of the exercise of the over-allotment option received by the Company were approximately HK$130 million, after deduction of the underwriting fees and commission and expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future plans and use of proceeds — Use of proceeds" in the prospectus dated 27 September 2013 (the "Prospectus"). The Directors are not aware of material change to the planned use of proceeds as at the date of this announcement. Any net proceed that was not applied immediately have been placed on the short-term interest bearing deposits with authorized financial institutions in Hong Kong as at the date of this announcement.

During the Period, the Company has applied and utilized the net proceeds from the global offering of approximately RMB600,000 for the purchase of equipment and start-up cost for establishment of integrated print centres.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

Pursuant to a resolution passed by the Board on 18 September 2013, 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.

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

CORPORATE GOVERNANCE PRACTICES

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

During the Period, the Directors consider that the Company has complied with all the code provisions of the CG Code contained in Appendix 14 to the 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.

Under Code Provision E.1.2 of the CG Code, the chairmen of the audit, remuneration, nomination committees should attend annual general meeting. Mr. Sutikno Liky, the Chairman of nomination committee, did not attend the 2014 annual general meeting of the Company due to flight delay to Hong Kong. The Company will ensure that chairman of the board as well as all committees should arrive the place of annual general meeting or general meeting at least one day before that meeting to be held so that they are available to answer questions from shareholders at the annual general meeting or general meeting.

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 Code Provisions. 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 and internal control procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting and internal control procedures and ensure that the management has discharged its duty to have an effective internal control system.

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 six months ended 30 June 2014 are unaudited but have been reviewed by the Audit Committee of the Company, which is of the opinion that the interim financial information of the Group comply with the applicable accounting principles, practices adopted by the Group, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM REPORT

The Company's interim report containing information required to be disclosed pursuant to Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.yestarcorp.com and will be dispatched to the shareholders in due course.

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

Hong Kong, 14 August 2014

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