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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

Revenue increased by approximately 30.0% to approximately RMB3,926.9 million in 2017 from approximately RMB3,021.8 million in 2016.

Gross profit increased by approximately 44.3% to approximately RMB1,105.8 million in 2017 from approximately RMB766.3 million in 2016.

Profit for the year increased by approximately 29.9% to approximately RMB350.6 million in 2017 from approximately RMB269.9 million in 2016.

Profit attributable to owners of the parent increased by approximately 24.3% to approximately RMB250.0 million in 2017 from approximately RMB201.0 million in 2016.

Earnings per share increased by 25.0% to RMB11.5 cents in 2017 from RMB9.2 cents in 2016.

The Board recommends the payment of a final dividend of HK5.5 cents (2016: HK4.4 cents) per share.

FINAL RESULTS

The board (the "Board") of directors (the "Directors) of Yestar Healthcare Holdings Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Year").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**3,926,877**	3,021,831
Cost of sales		**(2,821,057)**	(2,255,498)
Gross profit		**1,105,820**	766,333
Other income and gains	4	**33,444**	31,414
Selling and distribution expenses		**(174,564)**	(116,807)
Administrative expenses		**(285,805)**	(226,649)
Other expenses		**(17,557)**	(7,922)
Finance costs	5	**(130,006)**	(62,564)
Share of profit and loss of an associate		**(1,414)**	—
PROFIT BEFORE TAX	6	**529,918**	383,805
Income tax expense	7	**(179,343)**	(113,877)
PROFIT FOR THE YEAR		**350,575**	269,928
Attributable to:			
Owners of the parent		**249,968**	201,031
Non-controlling interests		**100,607**	68,897
		350,575	269,928
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year	9	**RMB11.5 cents**	RMB9.2 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**350,575**	269,928
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**82,736**	(23,572)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**82,736**	(23,572)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**82,736**	(23,572)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**433,311**	246,356
Attributable to:		
Owners of the parent	**332,704**	177,459
Non-controlling interests	**100,607**	68,897
	433,311	246,356

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**113,653**	108,017
Prepaid land lease payments		**14,298**	14,625
Intangible assets		**1,725,117**	957,033
Goodwill		**963,820**	481,718
Investments in an associate		**18,086**	—
Deferred tax assets		**6,719**	5,148
Prepayments, deposits and other receivables		**—**	458,640
Total non-current assets		**2,841,693**	2,025,181
CURRENT ASSETS			
Inventories		**775,404**	455,127
Trade and bills receivables	10	**1,114,834**	650,749
Prepayments, deposits and other receivables	11	**100,654**	52,155
Pledged deposits		**20,029**	542
Cash and cash equivalents		**634,657**	1,272,663
Total current assets		**2,645,578**	2,431,236
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**319,402**	225,250
Trade and bills payables	12	**642,297**	366,588
Other payables and accruals	13	**1,065,627**	490,096
Tax payable		**170,605**	121,689
Total current liabilities		**2,197,931**	1,203,623
NET CURRENT ASSETS		**447,647**	1,227,613
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,289,340**	3,252,794
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,420,877**	1,458,539
Deferred tax liabilities		**475,826**	266,533
Other long term payables		**708,986**	575,494
Total non-current liabilities		**2,605,689**	2,300,566
NET ASSETS		**683,651**	952,228

	2017	2016
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Share capital	**43,116**	43,116
Reserves	**629,664**	898,665
	672,780	941,781
Non-controlling interests	**10,871**	10,447
TOTAL EQUITY	**683,651**	952,228

1. CORPORATE AND GROUP INFORMATION

Yestar Healthcare Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2012 as an exempted company with limited liability under the Companies 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 year, 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, distribution of medical equipment and diagnostic reagents.

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group does not have any subsidiary being classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014–2016 Cycle	Amendments to IFRSs including:
Amendments to IFRS 1	*First-time Adoption of International Financial Reporting Standards*[1]
Amendments to IAS 28	*Investments in Associates and Joint Ventures*[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRSs including:
Amendments to IFRS 3	*Previously held interest in a joint operation*[2]
Amendments to IFRS 11	*Previously held interest in a joint operation*[2]
Amendments to IAS 12	*Income tax consequences of payment on financial instruments classified as equity*[2]
Amendments to IAS 23	*Borrowing cost eligible for capitalisation*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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, sale of medical equipment and diagnostic reagents.

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

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.

Year ended 31 December 2017

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	597,301	3,329,576	3,926,877
Segment results	35,218	534,398	569,616
Reconciliation:			
Corporate and other unallocated expenses			(39,698)
Profit before tax			529,918
Segment assets	518,056	4,901,326	5,419,382
Reconciliation:			
Corporate and other unallocated assets			67,889
Total assets			5,487,271
Segment liabilities	169,982	4,227,416	4,397,398
Reconciliation:			
Corporate and other unallocated liabilities			406,222
Total liabilities			4,803,620
Other segment information:			
Depreciation of items of property, plant and equipment	9,346	8,597	17,943
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	356	120,430	120,786
Share of profit and loss of an associate	—	1,414	1,414
Investments in an associate	—	18,086	18,086
Loss/(Gain) on disposal of items of property, plant and equipment	(119)	1,907	1,788
Operating lease rentals	5,440	18,876	24,316
Capital expenditure*	6,320	18,634	24,954

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

Year ended 31 December 2016

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	704,455	2,317,376	3,021,831
Segment results	47,650	348,868	396,518
Reconciliation:			
Corporate and other unallocated expenses			(12,713)
Profit before tax			383,805
Segment assets	696,679	3,232,092	3,928,771
Reconciliation:			
Corporate and other unallocated assets			527,646
Total assets			4,456,417
Segment liabilities	222,534	2,627,082	2,849,616
Reconciliation:			
Corporate and other unallocated liabilities			654,573
Total liabilities			3,504,189
Other segment information:			
Depreciation of items of property, plant and equipment	11,020	9,626	20,646
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	556	71,313	71,869
Gain on disposal of items of property, plant and equipment	(377)	—	(377)
Operating lease rentals	5,992	15,885	21,877
Capital expenditure	1,874	10,337	12,211

Information about major customers

During the year ended 31 December 2017, the Group had one customer from whom the revenue raised by selling medical imaging products and printing imaging products of RMB984,910,000 (2016: RMB1,013,817,000) accounted for more than 25% (2016: more than 34%) of the Group's total revenue during the year.

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 segment information required by IFRS 8 *Operating Segments* is not presented.

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable; and the value of services rendered during the year.

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**3,866,692**	3,006,149
Rendering of services	**60,185**	15,682
	3,926,877	3,021,831
Other income and gains		
Government grants *(note)*	**22,898**	22,612
Interest income	**4,888**	3,179
Fair value gains on derivative financial instruments	**—**	1,238
Gains from disposal of available-for-sale investments	**1,099**	—
Foreign exchange gains	**4,026**	3,417
Others	**533**	968
	33,444	31,414

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:

	2017	2016
	RMB'000	*RMB'000*
Finance costs		
Interest on bank loans, overdrafts and other borrowings	**123,239**	55,348
Cash discount	**6,605**	6,716
Interest arising from discounted bills	**162**	500
	130,006	62,564

6. **PROFIT BEFORE TAX**

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**2,771,907**	2,219,195
Cost of service provided	**49,150**	36,303
Depreciation of items of property, plant and equipment	**17,943**	20,646
Amortisation of prepaid land lease payments	**327**	327
Amortisation of other intangible assets	**120,786**	71,869
Research and development costs	**593**	1,058
Minimum lease payments under operating leases	**24,316**	21,877
Auditors' remuneration	**2,600**	2,668
Employee benefit expense		
Wages and salaries	**144,418**	130,050
Pension scheme contributions	**11,633**	9,402
	156,051	139,452
Foreign exchange differences, net	**8,216**	(3,133)
Impairment of inventories	**1,722**	761
Impairment/(reversal) of trade receivables	**2,283**	(2,199)
Loss/(gain) on disposal of items of property, plant and equipment	**1,788**	(377)

7. **INCOME TAX**

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

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

Hong Kong profits tax is to be provided at the rate of 16.5% (2016: 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 year.

The provision for current income tax in Mainland China 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.

The major components of income tax charge for the year are as follows:

	2017	2016
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**192,366**	122,445
Deferred	**(13,023)**	(8,568)
Total tax charge for the year	**179,343**	113,877

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries in which the Company and the majority of its subsidiaries are domiciled (i.e., in their respective countries of incorporation) to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**529,918**		383,805	
Tax at an applicable tax rate	**132,480**	25.0%	95,951	25.0%
Lower tax rate for certain loss making entities in different jurisdictions	**29,055**	5.5%	7,082	1.8%
Adjustments to current tax of previous periods	**(578)**	(0.1%)	(2,847)	(0.7%)
Expenses not deductible for tax	**865**	0.1%	2,078	0.6%
Tax losses not recognised	**27**	0.0%	—	—
Profit and loss attributable to an associate	**354**	0.1%	—	—
Withholding tax paid for the dividends to an immediate holding company in Hong Kong	**—**	—	2,106	0.5%
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**17,140**	3.2%	9,507	2.5%
Tax charge at the effective rate	**179,343**	33.8%	113,877	29.7%

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Proposed final — HK5.5 cents (2016: HK4.4 cents) per ordinary share	**100,000**	85,612

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,175,200,000 in issue during the year ended 31 December 2017 (2016: 2,175,200,000).

The calculation of basic and diluted earnings per share is based on:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	**249,968**	201,031
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(thousands)*	**2,175,200**	2,175,200
Basic and diluted earnings per share *(RMB cents)*	**11.5**	9.2

The diluted earnings per share amount is equal to the basic earnings per share amount for the years ended 31 December 2017 and 2016, as there were no diluting events during the years ended 31 December 2017 and 2016.

10. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**1,088,837**	633,854
Bills receivable	**34,157**	17,411
Impairment	**(8,160)**	(516)
	1,114,834	650,749

The Group grants different credit periods to customers. The Group generally requires its customers to make payments at various stages of a sale transaction. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Certain customers are required to make partial payment before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are unsecured and non-interest-bearing.

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**704,557**	415,033
91 to 180 days	**231,008**	124,938
181 to 365 days	**121,340**	90,729
1 to 2 years	**21,571**	2,638
2 to 3 years	**2,201**	—
	1,080,677	633,338

The movements in provision for impairment of trade receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**516**	2,715
Acquisition of subsidiaries	**5,361**	—
Impairment losses recognised	**2,512**	—
Impairment losses reversed	**(229)**	(2,199)
	8,160	516

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB8,160,000 (2016: RMB516,000) with a carrying amount before provision of RMB40,644,000 (2016: RMB2,887,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and all of the receivables are expected to be unrecovered.

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

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**927,244**	557,559
Past due but not impaired:		
Less than 90 days	**114,614**	62,129
91 to 365 days	**5,224**	11,279
Over 365 days	**1,111**	—
	1,048,193	630,967

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.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Current portion:		
Prepayments	**56,272**	26,330
Value added tax input	**4,245**	7
Deposits and other receivables	**40,137**	25,818
	100,654	52,155
Non-current portion:		
Prepayments for the proposed acquisitions of equity interests *(note (a))*	**—**	458,640

Note (a):

Prepayments for the proposed acquisitions of equity interests in 2016 represent the prepayments for the acquisitions of 70% equity interests of Guangzhou Hongen Medical Diagnostic Technologies Company Limited ("Hongen") and Shenzhen De Run Li Jia Company Ltd. ("Derunlijia") amounting to RMB201,600,000 and RMB257,040,000, respectively.

The acquisitions are completed in 2017.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

12. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**606,625**	291,012
Bills payable	**35,672**	75,576
	642,297	366,588

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**598,090**	289,365
91 to 180 days	**5,705**	953
181 to 365 days	**117**	232
1 to 2 years	**399**	320
Over 2 years	**2,314**	142
	606,625	291,012

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

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

13. OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'000	*RMB'000*
Current portion:		
Advances from customers	**23,106**	111,039
Other payables	**200,756**	100,607
Value added tax payable	**46,174**	20,368
Payroll and welfare payable	**20,778**	20,182
Interest payable	**26,313**	28,007
Put options in relation to non-controlling interests *(note)*	**675,000**	209,893
Amounts due to non-controlling shareholders	**73,500**	—
	1,065,627	490,096
Non-current portion:		
Deferred government grant	**8,077**	8,267
Put options in relation to non-controlling interests *(note)*	**700,909**	567,227
	708,986	575,494

Note: Put options in relation to non-controlling interests represent the rights granted to the non-controlling shareholders to dispose of the 30% interests in each of Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd. (collectively the "Anbaida Group Companies"), Hongen, Derunlijia, Guangzhou Shengshiyuan Trading Company Limited ("Shengshiyuan") and Beijing Kaihongda Technology Company Limited ("Kaihongda") to the Group during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Hongen, Derunlijia, Shengshiyuan and Kaihongda as below:

a) Pursuant to the share purchase agreement entered 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 interest in Anbaida Group Companies and 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 reach the annual guarantee profits. The maximum consideration will not exceed RMB675 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical calculated by the following formula:

   (Annual guarantee profit − 2015 net profit/2016 net profit/2017 net profit)*2

b) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Wang Kaijun, Mr. Zhang Shuqiang, Ms. Song Yalin, and Mr. Ma Boming on 13 October 2016, Yestar Medical acquired the 70% equity interest in Hongen. Yestar Medical is obligated to acquire the remaining 30% equity interest in Hongen if the respective net profits of Hongen in 2017, 2018 and 2019 reach the annual guarantee profits. The maximum consideration will not exceed RMB270 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical calculated by the following formula:

   (Annual guarantee profit − 2017 net profit/2018 net profit/2019 net profit)*2

   In addition, the Group is obligated to distribute the retaining earnings of the respective subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding to the remaining 30% equity interest by Yestar Medical.

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

(Annual guarantee profit − 2017 net profit/2018 net profit/2019 net profit)*2

In addition, the Group is obligated to distribute the retaining earnings of the respective subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding to the remaining 30% equity interest by Yestar Medical.

d) 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 reach the annual guarantee profits. The maximum consideration will not exceed RMB120 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical calculated by the following formula:

    (Annual guarantee profit − 2017 net profit/2018 net profit/2019 net profit)*2

    In addition, the Group is obligated to distribute the retaining earnings of the respective subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding to the remaining 30% equity interest by Yestar Medical.

e) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Pan Haibin, Mr. Xie Dingjie, Ms. An Hong, Mr. Yu Huimin, Mr. Zhu Yongping and Mr. Zhao Xiangsheng 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 reach the annual guarantee profits. The maximum consideration will not exceed RMB71.28 million. In the event that the net profit in any of these years is less than the annual guarantee profit, the non-controlling equity interest holders shall pay compensation to Yestar Medical calculated by the following formula:

    (Annual guarantee profit − 2017 net profit/2018 net profit/2019 net profit)*2

    In addition, the Group is obligated to distribute the retaining earnings of the respective subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding to the remaining 30% equity interest by Yestar Medical.

The obligation to acquire the remaining 30% equity interests of Anbaida Group Companies would be executable within one year, so the directors disclosed these liabilities as current portion.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the Year, the concept of "Healthy China" was again promoted in the 19th National Congress in the PRC, with the national healthcare reform continued to prevail. Under the reform, the government is expected to raise existing healthcare standard, as well as to create a modern hospital management system across the country through the implementation of various policies, including the hierarchical medical system. The policy aims to increase the resource allocation to lower-tier hospitals in order to improve their respective service quality, eventually easing the burden of tertiary hospitals in the form of substitutes. As the policy would make medical services more accessible, this would hopefully open up a bigger IVD market for Yestar for future business growth.

On the other hand, in the face of fierce competition from basic medical institutions regarding medical imaging, testing and pathological examination, the "13th Five Year Plan — Further development of healthcare reform" also encourages enterprises to form chained Independent Clinical Laboratory ("ICL") and establishes standardize services and management model. This represents another important initiative in refining the medical service system, optimizing resource allocation, and enhancing medical technologies and efficiencies through market profit signal.

BUSINESS REVIEW

About Yestar Healthcare

The Group is one of the largest In Vitro Diagnostic ("IVD") products distributors and service providers in the Peoples Republic of China (the "PRC"). As of 31 December 2017, the Group has a distribution and servicing network covering 6 provinces and 4 tier-one cities in total 1,340 hospitals and clinics in the PRC.

Horizontal Expansion into the Northern China Market through the Acquisition of Beijing Kaihongda

During the Year, the Group has maintained its network expansion through merger and acquisitions ("M&A"). On 20 September 2017, the Group announced the acquisition of 70% equity interest of Beijing Kaihongda Technology Company Limited ("Beijing Kaihongda"), a primary distributor of Rosche Diagnostics Products with well-established sales network in Beijing Municipality in the PRC, at a cash consideration of RMB105 million. Upon the completion of the acquisition, Yestar is now equipped with an IVD distribution network covering all top first-tier cities in China, where citizens have a doubled average disposable income than the national average, and the Group was able to leverage on such sales network to further drive sales of consumables and medical film products to local hospitals, while solidifying the Group's position as one of the leading and largest distributors for Roche Diagnostic Products.

In addition to its established sales network, pursuant to the sale and purchase agreement between the Group and Beijing Kaihongda, an accumulated profit guarantee from Beijing Kaihongda for the three calendar years from 2017 to 2019 for a total of RMB54.6 million net profit after tax was made. The acquisition has been completed in October 2017, and the guaranteed net profit of RMB15 million to the Group's financial results for the Year was also achieved.

Vertical Expansion into the Downstream Independent Clinical Laboratory Market through Investment in Shanghai Zhongkerunda

According to Industry Whitepaper and analyst report, IMS analysis and Industry Experts Interview, the China Independent Clinical Laboratory ("ICL") market is forecasted to maintain a 22% CARG growth from Year 2015, reaching RMB74 billion by Year 2025, due to the advancement of government medical reforms initiatives.

In order to capture this enormous growing opportunity, in May 2017, Shanghai Emphasis Investment Management Consulting Co., Ltd. ("Emphasis Investment"), a non-wholly owned subsidiary of the Company, Shanghai Runda Medical Technology Co., Ltd. and Chinese Academy of Sciences have jointly established a medical and clinical laboratory, Shanghai ZhongkeRunda Medical Laboratory Testing Co., Ltd. (the "Laboratory"), in Shanghai, the PRC. The Laboratory principal engages in the operation of a complex comprising an integrated medical laboratory, a quality control management centre and an information technology service centre. Such investment in ICL marks a significant milestone in the Group venture into the growing market, and with Emphasis Investment holding a 39% interest in the Laboratory, the Group will be entitled to a share profit of associates in the future.

Excellent M&A Integration Capability

In 2014, after acquiring 70% equity interest in Yestar Biotech (Jiangsu) Company Limited ("Yestar Biotech (Jiangsu)", formerly known as "Jiangsu Uno Technology Development Company Limited"), the Group has sent its management team to Yestar Biotech (Jiangsu) to introduce additional value-added services, standardize its service quality, integrate the two different procurement systems to improve operational efficiency and to streamline its operational flow for better resources allocation. Since then, Yestar Biotech (Jiangsu) has performed well and fulfilled its profit guarantee for the three years ended 31 December 2014, 2015 and 2016, amounted to a total of RMB163 million. Pursuant to the audited financial statements of Yestar Biotech (Jiangsu) for the year ended 31 December 2015 and 2016, it has also generated an extra net profit after taxation of approximately RMB6.99 million to the Group on top of the overall profit guarantee of RMB163 million, further demonstrating Yestar's excellent integration capabilities as well as its stringent internal control. During the Year, pursuant to the share transfer agreement, the Group has acquired the remaining 30% equity interest in Yestar Biotech (Jiangsu) at a consideration of approximately RMB209.9 million.

Fulfillment of Profit Guarantee in relation to the Acquisitions

Reference is made to the announcements of the Company in respect of, amongst other things, the acquisition of 70% equity interests in each of the five companies ("Five Acquired Companies") (as defined below), all are principally engaged in distribution of medical devices including in-vitro diagnostic products.

Pursuant to the respective share transfer agreement for each of the five companies, there is a provision of profit guarantee (the audited consolidated net profit after taxation in accordance with the IFRS) undertaken by the respective vendors of each of the Five Acquired Companies for the year ended 31 December 2017.

The Directors is pleased to announce that the 2017 actual net profit for each of the Five Acquired Companies is more than the respective annual guarantee profit undertaken for the year ended 31 December 2017. As the annual guarantee profit for each of the Five Acquired Companies has been fulfilled, no compensation is required to be paid by the respective vendors for each of the respective Five Acquired Companies pursuant to the respective share transfer agreement. Details of fulfillment of profit guarantee for each of the Five Acquired Companies as follows:

		For the Year Ended 31 December 2017	
Date of Announcement	**Name of Acquired Company**	**Annual Guarantee Profit**	**Actual Net Profit After Taxation**
10 April 2015	Shanghai Emphasis Group Companies (Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd.) (Collectively "Shanghai Anbaida")	RMB225.0 million	RMB284.1 million
13 October 2016	Guangzhou Hongen Medical Diagnostic Technologies Company Limited	RMB48.0 million	RMB49.2 million
27 October 2016	Shenzhen De Run Li Jia Company Ltd.	RMB51.0 million	RMB52.8 million
11 November 2016	Guangzhou Shengshiyuan Trading Company Limited	RMB23.8 million	RMB24.4 million
20 September 2017	Beijing Kaihongda Technology Company Limited (Together with Shanghai Anbaida, collectively the "Five Acquired Companies")	RMB15.0 million	RMB15.6 million

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2017, the Group performed a year end annual impairment test on goodwill and other intangible assets by performing discounted free cash flow forecasts of the Five Acquired Companies and Yestar Biotech (Jiangsu). Taking into consideration their projection on future results of cash-generating performance, the Board do not aware of any computed value of the discounted cash flow which is lower than the carrying amount of goodwill and other intangible assets as at 31 December 2017. The Group did not recognise any impairment loss for goodwill and other intangible assets in relation to the Five Acquired Companies and Yestar Biotech (Jiangsu) as of 31 December 2017.

Use of proceeds from Issuance of Senior Notes

The net proceeds of the Senior Notes, after deduction of underwriting commissions and other expenses, amounted to approximately US$195.60 million.

The Company intends to use the net proceeds to refinance existing indebtedness, fund capital expenditure of the Group and/or finance further acquisitions and for general corporate purposes as planned as disclosed in the announcement of the Company dated 9 September 2016.

As at 31 December 2017, the Company had fully applied and utilized the net proceeds from issuance of senior notes as follows:

Use of proceeds from issuance of senior notes	**Refinance existing indebtedness** *(million)*	**Capital expenditure** *(million)*	**Finance further acquisitions** *(million)*	**General corporate purposes** *(million)*	**Total** *(million)*
Planned use of proceeds					US$195.60
Utilized as at 31 December 2016	(US$13.69)		(US$66.12)		(US$79.81)
Utilized as at 31 December 2017	(US$19.29)		(US$77.71)	(US$18.79)	(US$115.79)
Unused proceeds as at 31 December 2017					US$0

The Directors are not aware of any material change to the planned use of proceeds from the Senior Notes as at the date of this announcement.

Increase in Shareholding

On 11 April 2017, Mr. Hartono James (as purchaser) ("Mr. Hartono") and Ms. Hartono Jeane (as seller) ("Ms. Hartono"), (each a substantial shareholder of the Company) entered into a sale and purchase agreement in respect of 217,520,000 ordinary shares of HK$0.025 each in the issued share capital of the Company, representing 10.0% of the total number of issued shares.

FINANCIAL REVIEW

The Group is principally engaged in the distribution of IVD products in Shanghai, Shenzhen, Beijing, Anhui, Fujian, Guangdong, Hainan, Hunan and Jiangsu Provinces and the manufacturing of medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc. for Fujifilm in the PRC. The Group also manufactures, markets and sells dental film and medical dry film products under the house brand "Yes!Star".

Since listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2013, the Company has been constantly delivering remarkable results to its shareholders. Without exception, Yestar proudly presents its outstanding financial results for the Year. Benefiting from the consolidated financial results of the all acquired subsidiaries for the last few years as well as the increasing average demand of IVD products, the Group achieved an overall revenue of approximately RMB3,926.9 million for the Year, representing approximately 30.0% year-on-year ("yoy") increase when comparing with the corresponding period of last year (2016: approximately RMB3,021.8 million). Gross profit also surged by approximately 44.3% yoy to approximately RMB1,105.8 million (2016: approximately RMB766.3 million), with gross profit margin rising by approximately 2.8 p.p. to approximately 28.2% (2016: approximately 25.4%), due to the increase in bargaining power in procurement.

Despite the amortization expenses arising from acquisitions and interest expenses from the issuance of Senior Notes, profit attributable to the owners of the parents increased by approximately 24.3% yoy to approximately RMB250.0 million, mainly due to the outstanding performance of our IVD business and the consolidation of financial information of the previous acquired companies. Net profit margin remained as to approximately 8.9% for the Year (2016: approximately 8.9%). Earnings per share for the Year reaches RMB11.5 cents (2016: RMB9.2 cents), representing an increase of 25% over the same period in 2016. The Board of Directors recommends a final dividend of HK5.5 cents per share for the Year. (2016: HK4.4 cents per share).

Medical Business — 84.8% of Overall Revenue

Contributed by the increasing in average demand of IVD products and an the previous acquisitions, the medical consumable business recorded a strong revenue growth of approximately 43.7% yoy to approximately RMB3,329.6 million (2016: approximately RMB2,317.4 million). Segment gross profit margin also rose by 2.6p.p. to approximately 30.2% (2016: approximately 27.6%). The surge was mainly due to the increased bargaining power in procurement and reduce in logistic cost brought by the Group's enlarged distribution and servicing network.

Expanding Distribution Network of the IVD Business

Upon the completion of acquiring Beijing Kaihongda in October 2017, the Group has expanded its IVD distribution network from the Southern and Eastern China to the Northern China Region. As of 31 December 2017, Yestar has a medical consumable distribution network covering 6 provinces and 4 tier-one cities in the PRC, serving some of the most affluent populations in the PRC.

Numbers of Hospitals and Clinics Covered **For the year ended 31 December**	**2017**	2016	Yoy change
Provinces			
Anhui Province	**70**	70	0%
Fujian Province	**59**	59	0%
Guangdong Province	**284**	249	14.1%
Hainan Province	**35**	21	66.7%
Jiangsu Province	**260**	260	0%
Hunan Province	**13**	—	N/A
First tier cities			
Beijing	**158**	—	N/A
Guangzhou	**108**	78	38.5%
Shanghai	**303**	258	17.4%
Shenzhen	**50**	47	6.4%
Overall	**1,340**	1,042	28.6%

Non-medical Business — 15.2% of Overall Revenue

Apart from the medical business segment, other businesses of the Group mainly consist of manufacturing, marketing, distribution and sale of Fujifilm color photographic paper (professional and minilab) as well as the 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".

During the Year, revenue of other businesses of the Group recorded a decrease of approximately 15.2% yoy to approximately RMB597.3 million (2016: approximately RMB704.5 million). Segment gross profit margin also remained stable at approximately 17.0% for the Year (2016: approximately 18.0%). In the long run, the Group will place a heavy emphasis on the development of medical segment; however, as the market of color photographic paper and industrial imaging products remain stable, the Group will continue its operation in order to capture its positive and stable cash contribution. Being the sole distributor of Fujifilm color photographic paper in the PRC, Yestar will continue with the existing business operation and strengthen its relationship with Fujifilm.

Liquidity and Financial Resources

The Group continued to have a strong and healthy financial position for the Year with cash and cash equivalents of approximately RMB634.7 million as at 31 December 2017 (2016: approximately RMB1,272.7 million). The decrease in cash and cash equivalents was attributable to the settlement of consideration of previous acquisitions of the Five Acquired Companies (except Shanghai Anbaida) during the Year.

As at 31 December 2017, the Group's gearing ratio was approximately 72% (2016: approximately 64%), calculated as the total debt which includes the interest-bearing bank loans and other borrowings divided by total equity plus total debt as at the end of December 2017. The increase in gearing ratio was mainly attributable to the decrease in total equity by approximately RMB471.1 million arising from the put option during the Year.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2017 was approximately RMB1,740.3 million (2016: approximately RMB1,683.8 million). Except for the Senior Notes and a short-term loan of HK$65 million, all borrowings of the Group are principally denominated in Chinese Yuan (RMB), which is also the presentation currency of the Group.

The current ratio as at the end of December 2017 was approximately 1.20 (2016: approximately 2.0), based on current assets of approximately RMB2,645.6 million and current liabilities of approximately RMB2,197.9 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 49.5% to approximately RMB116.8 million in 2016 to approximately RMB174.6 million in 2017, and accounted for about 3.9% and about 4.4%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the increase in distribution expenses for our IVD products during the Year.

Administrative Expenses

The Group's administrative expenses increased by about 26.1% from approximately RMB226.6 million in 2016 to approximately RMB285.8 million in 2017, and accounted for about 7.5% and about 7.3%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the consolidation in administrative expenses of Five Acquired Companies and Yestar Biotech (Jiangsu) upon their completion of the acquisition and amortization of the intangible assets of the Group for an aggregate amount of approximately RMB120.2 million during the Year.

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 RMB130.0 million (2016: approximately RMB62.6 million) for the Year. The increase in finance costs was mainly due to the full year interest expenses from issuance of the Senior Notes in the aggregate principal amount of US$200 million during the Year as compared with approximately four months interest expenses in 2016.

For the Year, interest rates of the interest-bearing loans ranged from 4.61% to 6.18%, while those for the year ended 31 December 2016 ranged from 5.22% to 7.80%.

Foreign Exchange Exposure

Most of the revenue-generating operations of the Group were transacted in Chinese Yuan which is the presentation currency of the Group. For the Year, the Group was exposed to foreign currency risk arising from the purchasing and Senior Notes in US Dollars. The Group will monitor its foreign currency exposure closely to minimize the exchange risk.

Share Capital and Capital structure

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

Human Resources and Remuneration Policies

As at 31 December 2017, the Group had 951 (2016: 901) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB156.1 million for the Year as compared to approximately RMB139.5 million for the year ended 31 December 2016. 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. For the Year, bonus was paid to Directors by the Company. Other staff benefits include provision of welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance and central pension scheme.

Significant investments held

Save as disclosed above in relation to the acquisitions of Five Acquired Companies and except for investment in subsidiaries and associate during the Year, the Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments and capital assets

The Group did not have any other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of assets

As at 31 December 2017, none of the Group's property, plant and equipment was pledged (2016: Nil). In addition, bank loans of approximately RMB305.4 million were secured by the pledge of 70% of equity interests for each of Shenzhen De Run Li Jia Company Ltd, Guangzhou Shenshiyuan Trading Company Limited and Shanghai Anbaida; and 100% of equity interests of Yestar (Guangxi) Imaging Technology Co., Ltd. The shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited, two wholly-owned subsidiaries of the Company, were pledged to the holders of the Senior Notes.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2017 (2016: Nil).

PROSPECT

On 18 January 2018, the National Bureau of Statistics of China announced that the population of civilians with age over 60 has reached approximately 241 million, accounting for 17.3% of the overall population in 2017. The growing aging population would triggers more frequent medical check-up on cancer screening and chronic disease, such as cardiovascular disease and diabetes. Besides, the Ministry of Human Resources and Social Security also announced that the coverage of basic medical insurance in 2017 has increased by 58.2% to 1,177 million people when comparing with 2016. The average basic medical insurance for urban and rural residents of 2017 also increased by RMB30 yoy to RMB450 per person. The improvement in basic medical insurance system would also stimulate more frequent diagnostics demands.

Under such favourable demographic and government policy, the Group remains upbeat with its future development due to the growing demand for its IVD products. According to the research conducted by Research and Markets, the annual consumption per capita of the PRC's in-vitro diagnostic products was USD4.6 in 2017, which has enjoyed a cumulative increase of 206.7% as compared to the expenditure in 2013. Facing the fast growing IVD market, the Group will continue seeking for channel expansion opportunities in order to further consolidate its market position.

On the other hand, the Group will also look for vertical upstream expansion opportunities in order to extend its coverage along the IVD value chain. In the past, the China IVD market was dominated by foreign enterprises, in which for instance, 90% of the chemiluminescent reagents were imported from foreign brands. However, in recent years, there were notable technical breakthroughs made by domestic Chinese enterprises, offering new and quality IVD products to the market. In view of this, the Group is exploring IVD research and production targets that are complementary to Roche's product and service portfolio. Leverage on the solid partnership with Roche, the Group can offer a greater range of products and services in the long run.

The Group's further diversification into the downstream ICL market is another milestone achieved. As China continues its healthcare reform, ICL is clearly a solution for cost-effective and efficient diagnostic services. According to industry report, China's ICL market size is projected to grow at a CAGR of over 22% from 2015 to 2025, reaching RMB74.0 billion in 2025. With Roche Diagnostic as the solid backup, Yestar is able to build deeper cooperation with hospitals by providing wider range of services.

Looking forward to 2018, Yestar will continue to solidify its IVD distribution platform through channel expansion, in which the Group will actively seek for M&A opportunities to expand into new regions such as Northeast and Central China. At the same time, the Group will also look for further opportunities to diversity its position along the IVD industry value chain. Through the aforementioned strategies, the Group believes that Yestar can extend its dominance in the IVD market, while bringing better services and values to the civilians and creating greater, long-term value to its shareholders.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the Year, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

Non-Competition Undertaking from Controlling Shareholders

Each of the controlling shareholders (as defined in the Listing Rules) of the Company gave a non-competition undertaking in favour of the Company. Each of them has confirmed compliance with such non-competition undertaking. The Board comprising all the independent non-executive directors is of the view that all controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company during the Year.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

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

Corporate Governance Practices

Throughout the Year, the Directors considered that the Company has complied with all corporate governance codes ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save for the following:

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

Review of Final Results

The audited consolidated financial results of the Group for the Year have been reviewed by the audit committee of the Company and the figures in respect of the consolidated statement of profit or loss, consolidated statement comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the Year as set out in this announcement have been agreed by our auditors, Messrs. Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the Year.

Final Dividend

The Board recommends the payment of a final dividend of HK5.5 cents per share for the year ended 31 December 2017 to all shareholders whose names appear on the register of members of the Company on 8 June 2018 (Friday). Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend is expected to be paid on 5 July 2018 (Thursday).

Annual General Meeting

The annual general meeting of the Company (the "AGM") will be held on 15 May 2018 (Tuesday). The notice of the AGM will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.yestarcorp.com. and sent to the shareholders of the Company, together with the Company's annual report, in due course.

Closure of Register of Members

The Register of Members of the Company will be closed from 10 May 2018 (Thursday) to 15 May 2018 (Tuesday) (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 9 May 2018 (Wednesday).

In addition, the Board has resolved to recommend the payment of a final dividend of HK5.5 cents per share to members whose names appear on the Register of Members of the Company on 8 June 2018 (Friday). The Register of Members of the Company will also be closed between 7 June 2018 (Thursday) and 8 June 2018 (Friday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, subject to approval at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 6 June 2018 (Wednesday).

Publication of Final Results Announcement and Annual Report

The Company's final results announcement 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 annual report of the Company for year ended 31 December 2017 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

APPRECIATION

I would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

By Order of the Board
Yestar Healthcare Holdings Company Limited
巨星醫療控股有限公司
Hartono James
Chairman, CEO and Executive Director

Hong Kong, 15 March 2018

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