Yestar Healthcare Holdings Company Limited
巨星醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Yestar Healthcare Holdings Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board, together with the comparative figures for the corresponding period of 2017, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**2,042,108**	1,762,600
Cost of sales		**(1,477,636)**	(1,267,840)
Gross profit		**564,472**	494,760
Other income and gains	4	**12,821**	11,851
Selling and distribution expenses		**(108,204)**	(82,217)
Administrative expenses		**(150,865)**	(134,915)
Other expenses		**(5,028)**	(3,048)
Finance costs	5	**(64,126)**	(62,347)
Share of profit and loss of an associate		**(3,599)**	—
PROFIT BEFORE TAX	6	**245,471**	224,084
Income tax expense	7	**(83,706)**	(76,119)
PROFIT FOR THE PERIOD		**161,765**	147,965
Attributable to:			
Owners of the parent		**118,270**	106,893
Non-controlling interests		**43,495**	41,072
		161,765	147,965
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period	9	**RMB5.44 cents**	RMB4.91 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**161,765**	147,965
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**853**	21,890
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**853**	21,890
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**853**	21,890
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**162,618**	169,855
Attributable to:		
Owners of the parent	**119,123**	128,783
Non-controlling interests	**43,495**	41,072
	162,618	169,855

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2018

	Notes	**30 June 2018 Unaudited** ***RMB'000***	31 December 2017 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**106,348**	113,653
Prepaid land lease payments		**14,135**	14,298
Intangible assets		**1,659,627**	1,725,117
Goodwill		**963,820**	963,820
Investments in an associate		**14,487**	18,086
Deferred tax assets		**6,960**	6,719
Total non-current assets		**2,765,377**	2,841,693
CURRENT ASSETS			
Inventories		**904,373**	775,404
Trade and bills receivables	10	**1,179,114**	1,114,834
Prepayments, deposits and other receivables		**130,806**	100,654
Pledged deposits		**25,740**	20,029
Cash and cash equivalents		**367,912**	634,657
Total current assets		**2,607,945**	2,645,578
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**286,142**	319,402
Trade and bills payables	11	**627,161**	642,297
Contract liabilities		**13,109**	—
Other payables and accruals	12	**949,486**	1,065,627
Tax payable		**138,672**	170,605
Total current liabilities		**2,014,570**	2,197,931
NET CURRENT ASSETS		**593,375**	447,647
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,358,752**	3,289,340

	Note	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,443,429**	1,420,877
Deferred tax liabilities		**456,920**	475,826
Other long term payables	12	**759,731**	708,986
Total non-current liabilities		**2,660,080**	2,605,689
NET ASSETS		**698,672**	683,651
EQUITY			
Equity attributable to owners of the parent			
Share capital		**43,116**	43,116
Reserves		**644,591**	629,664
		687,707	672,780
Non-controlling interests		**10,965**	10,871
TOTAL EQUITY		**698,672**	683,651

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

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

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

The Company is an investment holding company. During the six months ended 30 June 2018 (the "Period"), the Company's subsidiaries were involved in the following principal activities:

- manufacture and sale of color photographic paper, industrial NDT x-ray films and PWB films, and trading of imaging equipment; and

- manufacture and sale of medical dry films, medical wet films and dental films, and distribution of medical equipment and diagnostic reagents.

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

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2018 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the Period, have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "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 consolidated financial statements for the year ended 31 December 2017.

2.2 New standards, interpretation 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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that recognise the cumulative effect of the initial application as an adjustment to the opening balance of equity at 1 January 2018.

Several other amendments and interpretations are applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

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

(a) Imaging printing products: manufacture and sale of color photographic paper, industrial NDT x-ray films, and trading of imaging equipment; and

(b) Medical products and equipment: manufacture and sale of medical dry films, medical wet films and dental films, and sale of medical equipment and reagents.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit 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 2018 and 2017, respectively:

Six months ended 30 June 2018 (unaudited)	**Imaging printing products** *RMB'000*	**Medical products and equipment** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	311,238	1,730,870	2,042,108
Segment results	17,158	242,197	259,355
Reconciliation:			
Corporate and other unallocated expenses			(13,884)
Profit before tax			245,471
Other segment information:			
Depreciation of items of property, plant and equipment	4,125	4,545	8,670
Amortisation of prepaid land lease payments	163	—	163
Amortisation of intangible assets	189	65,301	65,490
Share of profit and loss of an associate	—	3,599	3,599
Loss on disposal of items of property, plant and equipment	4	19	23
Operating lease rentals	603	8,369	8,972
Capital expenditure*	208	1,207	1,415

Six months ended 30 June 2017 (unaudited)	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	260,173	1,502,427	1,762,600
Segment results	10,003	226,549	236,552
Reconciliation:			
Corporate and other unallocated expenses			(12,468)
Profit before tax			224,084
Other segment information:			
Depreciation of items of property, plant and equipment	4,941	4,144	9,085
Amortisation of prepaid land lease payments	163	—	163
Amortisation of intangible assets	237	60,241	60,478
(Gain)/loss on disposal of items of property, plant and equipment	(69)	1,464	1,395
Operating lease rentals	2,445	7,755	10,200
Capital expenditure*	825	12,275	13,100

Total segment assets and liabilities as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Segment assets		
Imaging printing products	**412,349**	518,056
Medical products and equipment	**4,856,764**	4,901,326
Total	**5,269,113**	5,419,382
Reconciliation:		
Corporate and other unallocated assets	**104,209**	67,889
Total assets	**5,373,322**	5,487,271

	30 June 2018	31 December 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
Segment liabilities		
Imaging printing products	**121,535**	169,982
Medical products and equipment	**4,124,592**	4,227,416
Total	**4,246,127**	4,397,398
Reconciliation:		
Corporate and other unallocated liabilities	**428,523**	406,222
Total liabilities	**4,674,650**	4,803,620

* *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 2018, the Group had one individual customer from whom the revenue derived by selling medical imaging products and imaging printing products of RMB454,437,000 (six months ended 30 June 2017: RMB467,297,000) accounted for about 22.3% (six months ended 30 June 2017: 26.5%) of the Group's total revenue during the Period.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE, OTHER INCOME AND GAINS

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 Period.

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

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**2,013,317**	1,745,889
Rendering of services	**28,791**	16,711
	2,042,108	1,762,600
Goods transferred at a point in time	**2,013,317**	1,745,889
Services transferred over time	**28,791**	16,711
	2,042,108	1,762,600
Other income and gains		
Government grants *(note)*	**10,402**	6,762
Interest income	**1,198**	2,839
Foreign exchange gain	**—**	1,956
Net gain on financial assets at fair value through profit or loss	**1,117**	—
Others	**104**	294
	12,821	11,851

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	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Finance costs		
Interest on bank loans, overdraft and other borrowings	**60,826**	62,071
Cash discount for collection of trade receivables	**3,000**	218
Interest arising from discounted bills	**300**	58
	64,126	62,347

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**1,477,322**	1,267,840
Depreciation of items of property, plant and equipment	**8,670**	9,085
Amortisation of prepaid land lease payments	**163**	163
Amortisation of other intangible assets	**65,490**	60,478
Research and development costs	**133**	166
Fair value loss, net:		
derivative financial instruments	**—**	995
Minimum lease payments under operating leases	**8,972**	10,200
Employee benefit expense including		
— Wages and salaries	**73,297**	59,678
— Pension scheme contributions	**6,944**	5,506
	80,241	65,184
Foreign exchange differences, net	**4,693**	(1,956)
Impairment of inventories	**314**	—
Impairment of trade receivables *(note 10)*	**2,258**	3,901
Loss on disposal of items of property, plant and equipment	**23**	1,395

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 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 Period are as follows:

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current charged for the Period	**91,853**	84,961
Deferred	**(8,147)**	(8,842)
Total tax charge	**83,706**	76,119

8. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2017: Nil).

The proposed final dividend of HK5.5 cents per ordinary share for the year ended 31 December 2017 was declared, payable and approved by the shareholders at the annual general meeting of the Company on 15 May 2018. The final dividend was paid in full on 10 July 2018.

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

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB118,270,000 (six months ended 30 June 2017: RMB106,893,000) and the weighted average number of ordinary shares of 2,175,200,000 in issue during the Period (six months ended 30 June 2017: 2,175,200,000 ordinary shares).

The diluted earnings per share amounts were equal to the basic earnings per share amounts for the Period and the six months ended 30 June 2017 as no diluting events occurred.

10. TRADE AND BILLS RECEIVABLES

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Trade receivables	**1,158,932**	1,088,837
Bills receivable	**30,600**	34,157
Impairment	**(10,418)**	(8,160)
	1,179,114	1,114,834

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

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Within 90 days	**742,855**	704,557
91 to 180 days	**202,983**	231,008
181 to 365 days	**154,731**	121,340
1 to 2 years	**39,338**	21,571
2 to 3 years	**8,607**	2,201
	1,148,514	1,080,677

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

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
At beginning of period	**8,160**	516
Acquisition of subsidiaries	**—**	5,361
Impairment losses recognised *(note 6)*	**2,258**	2,512
Impairment losses reversed	**—**	(229)
	10,418	8,160

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB10,418,000 (31 December 2017: RMB8,160,000), with a carrying amount before provision of RMB41,771,000 (31 December 2017: RMB40,644,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

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

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Neither past due nor impaired	**996,787**	927,244
Past due but not impaired:		
Less than 90 days	**112,360**	114,614
91 to 365 days	**4,077**	5,224
Over 365 days	**3,937**	1,111
	1,117,161	1,048,193

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. TRADE AND BILLS PAYABLES

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Trade payables	**589,905**	606,625
Bills payable	**37,256**	35,672
	627,161	642,297

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

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Within 90 days	**585,644**	598,090
91 to 180 days	**3,756**	5,705
181 to 365 days	**90**	117
1 to 2 years	**415**	399
Over 2 years	**—**	2,314
	589,905	606,625

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

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

12. OTHER PAYABLES AND ACCRUALS

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Current portion:		
Advances from customers	**—**	23,106
Other payables	**105,314**	200,756
Dividend payables	**100,865**	—
Interest payable	**27,091**	26,313
Value-added tax payable	**24,283**	46,174
Payroll and welfare payable	**16,933**	20,778
Put-options in relation to non-controlling interests *(Note)*	**675,000**	675,000
Amounts due to non-controlling shareholders	**—**	73,500
	949,486	1,065,627

	30 June 2018 Unaudited *RMB'000*	31 December 2017 Audited *RMB'000*
Non-current portion:		
Deferred government grant	**7,983**	8,077
Put-options in relation to non-controlling interests *(Note)*	**751,748**	700,909
	759,731	708,986

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 Anbaida Group Companies, namely Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Investment Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd., Guanzhou Hongen Medical Diagnostic Technologies Company Limited Trading ("Hongen"), Shenzhen De Run Li Jia Company Ltd. ("Derunlijia"), Guangzhou Shengshiyuan Trading Company Ltd. ("Shengshiyuan") and Beijing Kaihongda Technologies Company Ltd. ("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. Since Anbaida Group Companies has met the annual guarantee profit targets for 2015 to 2017, Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as of the announcement date.

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 subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding 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 in 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 subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding 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 subsidiary attributable to the non-controlling equity interest holders by 31 December 2019 before the completion of acquisition regarding 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 and Mr. Zhu Yongping on 20 September 2017, Yestar Medical acquired the 70% equity interest in Kaihongda. Yestar Medical is obligated to acquire the remaining 30% equity interest in Kaihongda if the respective net profits of Kaihongda in 2017, 2018 and 2019 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Yestar Healthcare Holdings Company Limited ("Yestar" or the "Company", together with its subsidiaries, the "Group") is one of the largest distributors and service providers of In Vitro Diagnostic ("IVD") products in the Peoples Republic of China (the "PRC").

MARKET OVERVIEW

Continuous Growth of the Flourishing IVD Market

The IVD market in the PRC has been vigorously expanding in the past decade, where its market size had reached approximately RMB50.0 billion in 2017 according to a report by Guangzheng Hang Seng. The growth was driven by i) ageing population; ii) increase in chronic disease; and iii) the raise of health conscious brought by the rising middle class population. In addition, favourable policies from the recent reformation of the medical system in the PRC also contributed to the growth of the market.

With its well-stablished distribution network and solid relationship with Roche Diagnostics China, the market dominator, Yestar is competent to seize the opportunities from the flourishing market.

BUSINESS OVERVIEW

Stepping into the Hebei Market

In October 2017, Yestar has completed its acquisition of 70% equity interests in Kaihongda, contributed to its expansion to the tier 1 distribution license from Roche Diagnostics China. Leveraging on the current network and synergies formed with Kaihongda, the Group had built presence in Hebei and entered into Hebei Market during the Period.

RESULTS OVERVIEW

Continuing its excellence, Yestar had once again outperformed in the six months ended 30 June 2018 ("the Period"). Yestar recorded a 15.9% year-on-year ("yoy") increase in its revenue and amounted to approximately RMB2,042.1 million. The growth was driven by the i) prosperous growth of the IVD sector in the PRC; ii) the consolidated results from the previous six acquisitions; which has built Yestar an extensive distribution network that covers the most affluent provinces; and iii) the improvement in its non-medical segment. The overall gross profit achieved a yoy increase of approximately 14.1%, reaching approximately RMB564.5 million (six months ended 30 June 2017: approximately RMB494.8 million), with gross profit margin maintaining at a stable level of 27.6% (six months ended 30 June 2017: 28.1%).

Profit attributable to owners of the parents also increased to approximately RMB118.3 million, representing a rise of approximately 10.6% (six months ended 30 June 2017: RMB106.9 million), which was led by the increase in revenue during the Period. Net profit margin decreased from 6.1% to 5.8%, representing a decrease of 0.3 p.p.

Earnings per share for the Period amounted to RMB5.44 cents (six months ended 30 June 2017: RMB4.91 cents). The board of directors (the "Board") has resolved not to declare any interim dividend for the Period (six months ended 30 June 2017: Nil).

MEDICAL BUSINESS — 84.8% OF OVERALL REVENUE

The Group is principally engaged in the distribution of IVD products in Beijing, Guangzhou, Shanghai, Shenzhen Cities, Anhui, Fujian, Guangdong, Hainan, Hebei, Hunan, 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 (medical dry film and medical dry film printer) under the house brand "Yes!Star".

Since 2013, the Group has been continuously investing and developing its products under Yes!Star brand, carrying the aim to tapping into all tiers of hospitals. Under the Group's dedication, Yes!Star medical film had achieved great success. With its well-developed plant where class 1,000 cleanroom equipped with advanced technology, the accumulative sales for the film reached 2 million meter square. In June 2018, Yestar medical dry film printer was also launched. Within one month, there were more than 100 units of machines sold, representing another remarkable accomplishment.

Benefitted by the increasing demand of IVD products as well as the contribution from the recently acquired Kaihongda, the medical consumable business recorded a revenue growth of approximately 15.2% yoy to approximately RMB1,730.9 million (six months ended 30 June 2017: approximately RMB1,502.4 million). Segment gross profit margin remained flat and recorded a slight decrease by approximately 0.1p.p. to approximately 30.0% (six months ended 30 June 2017: approximately 30.1%).

OTHER 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 Period, revenue of other businesses of the Group recorded an increase of approximately 19.6% yoy to approximately RMB311.2 million (six months ended 30 June 2017: approximately RMB260.2 million). Segment gross profit margin recorded a decrease of approximately 2.0p.p. yoy, reaching approximately 14.5%. (six months ended 30 June 2017: approximately 16.5%). The growth of the revenue was attributable to the increase of market share during the Period, driven by the improvement of products. In the long run, the Group will carry on its heavy emphasis on the medical segment; while continuing the operation of colour photographic paper and industrial imaging products as the market is stable and capable of providing the Group with consistent cash flow that facilitates other operational needs. As the sole distributor of Fujifilm colour photographic paper in the PRC, the Group will continue to expand its market share and maintain its tight-bonds with Fujifilm.

PROSPECTS — CONSOLIDATION ALONG SUPPLY CHAIN

According to the recently published Annual Report on Development of Health Management and Health Industry in China by Zhongguancun Xinzhiyuan Health Management Institute ("中關村新智源健康管理研究院") and Central South University in May 2018, there is a population of approximately 300 million (approximately 21% of the entire population) in China suffering from chronic diseases with 50% in age above 60 years old. On top of the severity of chronic diseases, ageing population is also a daunting issue in China. From the National Plan on Population Development issued by the State Council, it is forecasted that by 2030, 25% of the entire population will be 60 years old or above. Under these factors, the market size of IVD is expected to reach RMB111 billion by 2022 with CAGR of 19.0% according to the *"China In Vitro Diagnostics ("IVO") Market, Forecast, Companies Analysis, Registration Rules" by Renub Research*.

Being one of the leading IVD distributors in the PRC with an extensive network that covers the affluent regions within China, Yestar shall be benefitted under this favourable market environment and is highly confident of the upcoming performance of its medical segment, especially the distribution of IVD products which is supported by the burgeoning IVD market.

Along with its channeling expansion, the Group will also proactively seek opportunities to extend its business scope vertically along the supply chain, in order to provide one-stop solutions for its clients. The inclusion of this new value-added service provides Yestar an opportunity to further converge with the tier-three and tier-two public hospitals in China, increasing its penetration in the market. Under this establishment, Yestar can build its presence in the downstream of the supply chain, widening its service range.

Looking into the second half of 2018, Yestar will be devoted to optimize its current offering and reinforce its position as a one-stop solution provider within the market. To achieve the goal, the Group will continue to reinforce its well-established relationships with Roche Diagnostics China and Fujifilm, explore opportunities along the value chain; and more importantly, expand its network empire with the thirst to further enhance its market share. With all the aforementioned strategies, Yestar is positive that the Group will carry on creating and delivering fruitful results to its shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

The Group maintained a strong and sound financial position during the Period. As at 30 June 2018, the Group had a cash and cash equivalents of approximately RMB367.9 million (31 December 2017: approximately RMB634.7 million). The decrease in cash and cash equivalents were mainly attributable to the repayment of bank loans and settlement of consideration of the acquisition of Kaihongda during the Period.

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2018 was approximately RMB1,729.6 million (31 December 2017: approximately RMB1,740.3 million). Except for the Senior Notes which are denominated in USD and a short-term loan of HK$45 million, all borrowings of the Group are principally dominated in Chinese Yuan (RMB), which is the presentation currency of the Group.

The Group has secured bank loans of approximately RMB393.2 million and an unsecured bank loan of approximately RMB49.0 million.

Current Ratio

As at 30 June 2018, the Group's current ratio was approximately 1.3 (31 December 2017: approximately 1.2), based on total current assets of approximately RMB2,607.9 million and total current liabilities of approximately RMB2,014.6 million.

Gearing Ratio

As at 30 June 2018, the Group's gearing ratio was approximately 71% (31 December 2017: approximately 72%), calculated as the total debt which includes the interest-bearing bank loans and other borrowings for an aggregate amount of approximately RMB1,729.6 million divided by total equity plus total debt for an aggregate amount of approximately RMB2,428.2 million as at the end of June 2018. The slight decrease in gearing ratio was mainly attributable to the decrease in interest-bearing bank loans and other borrowings for an amount of approximately RMB10.7 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by about 31.6% from approximately RMB82.2 million for the six months ended 30 June 2017 to approximately RMB108.2 million for the Period, and accounted for approximately 4.7% and approximately 5.3%, respectively, of the Group's revenue for the respective reporting periods. Such increase was mainly attributable to the increase in distribution expenses for our IVD products during the Period.

Administrative Expenses

The Group's administrative expenses increased by about 11.8% from approximately RMB134.9 million for the six months ended 30 June 2017 to approximately RMB150.9 million for the Period, and accounted for approximately 7.7% and approximately 7.4%, respectively, of the Group's revenue for the respective reporting periods. Such increase was mainly attributable to the consolidation in administrative expenses of Kaihongda upon completion of the acquisition and the increase in salary and bonus to directors and employees of the Group during the Period.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings. The aggregate amount of interest incurred was approximately RMB64.1 million (six months ended 30 June 2017: approximately RMB62.3 million) for the Period.

For the Period, interest rates of the interest-bearing loans and Senior Notes ranged from 3.72% to 7.43%, while those for the six months ended 30 June 2017 ranged from 4.61% to 7.43%.

Foreign Exchange Exposure

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

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

Capital structure

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

Capital commitments

The Group had operating lease arrangements for certain of its office properties for an aggregate amount of approximately RMB34.0 million as at 30 June 2018 (31 December 2017: approximately RMB26.2 million).

Employees and Remuneration Policies

As at 30 June 2018, the Group had a total of 1,038 employees (six months ended 30 June 2017: 984 employees), including Directors. Total staff costs (including Directors' emoluments) were approximately RMB80.2 million for the Period (six months ended 30 June 2017: approximately RMB65.2 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

Significant investments held

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

Future plans for material investments and capital assets

The Group did not have any other plans for material investments and capital assets as at 30 June 2018.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of Assets

As at 30 June 2018, none of the Group's property, plant and equipment was pledged (31 December 2017: Nil). In addition, bank loans of approximately RMB274.3 million (31 December 2017: approximately RMB305.4 million) were secured by the pledge of 70% of equity interests in Anbaida Group Companies, 70% of the equity interests in Shengshiyuan, 70% of the equity interests in Kaihongda, 70% of the equity interests in Derunlijia and 100% of equity interests in 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 did not have any material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

Significant Event after the Reporting Period

Up to the date of this announcement, there was no significant event relevant to the business and financial performance of the Group that has come to the attention of the Directors after the Period.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2017: Nil).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

COMPETITION AND CONFLICT OF INTERESTS

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

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

AUDIT COMMITTEE

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

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

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement for the six months ended 30 June 2018 is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.yestarcorp.com.

The interim report of the Company for the six months ended 30 June 2018 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 15 August 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; and the independent non-executive Directors are Dr. Hu Yiming, Mr. Tirtamarta Karsono (Kwee Yoe Chiang) and Mr. Sutikno Liky.