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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2393)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

Revenue increased by approximately 13.2% to approximately RMB4,447.0 million in 2018 from approximately RMB3,926.9 million in 2017.

Gross profit increased by approximately 8.4% to approximately RMB1,198.8 million in 2018 from approximately RMB1,105.8 million in 2017.

Profit for the year decreased by approximately 0.3% to approximately RMB349.5 million in 2018 from approximately RMB350.6 million in 2017.

Profit attributable to owners of the parent increased by approximately 0.7% to approximately RMB251.7 million in 2018 from approximately RMB250.0 million in 2017.

Earnings per share remained at RMB11.5 cents in 2018 and 2017.

Current assets increased by approximately 19.0% to approximately RMB3,147.7 million in 2018 from approximately RMB2,645.6 million in 2017.

Current liabilities decreased by approximately 5.6% to approximately RMB2,073.9 million in 2018 from approximately RMB2,197.9 million in 2017.

Net assets increased by approximately 68.8% to approximately RMB1,153.9 million in 2018 from approximately RMB683.7 million in 2017.

Equity attributable to owners of the parent increased by approximately 69.8% to approximately RMB1,142.6 million in 2018 from approximately RMB672.8 million in 2017.

The Board did not recommend the payment of a final dividend for the year 2018 (2017: HK5.5 cents per share).

ANNUAL 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 2018 (the "Year") together with comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	4	**4,446,954**	3,926,877
Cost of sales		**(3,248,123)**	(2,821,057)
Gross profit		**1,198,831**	1,105,820
Other income and gains	4	**32,576**	33,444
Selling and distribution expenses		**(231,658)**	(174,564)
Administrative expenses		**(316,861)**	(285,805)
Impairment loss on financial assets		**(9,356)**	—
Other expenses		**(23,268)**	(17,557)
Finance costs	5	**(131,657)**	(130,006)
Share of profit and loss of an associate		**(8,920)**	(1,414)
PROFIT BEFORE TAX	6	**509,687**	529,918
Income tax expense	7	**(160,152)**	(179,343)
PROFIT FOR THE YEAR		**349,535**	350,575
Attributable to:			
Owners of the parent		**251,746**	249,968
Non-controlling interests		**97,789**	100,607
		349,535	350,575
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year	9	**RMB11.5 cents**	RMB11.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
PROFIT FOR THE YEAR	**349,535**	350,575
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8,498)**	82,736
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(8,498)**	82,736
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(8,498)**	82,736
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**341,037**	433,311
Attributable to:		
Owners of the parent	**243,248**	332,704
Non-controlling interests	**97,789**	100,607
	341,037	433,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**127,816**	113,653
Prepaid land lease payments		**13,971**	14,298
Intangible assets		**1,594,363**	1,725,117
Goodwill		**945,276**	963,820
Investment in an associate		**9,166**	18,086
Deferred tax assets		**9,421**	6,719
Total non-current assets		**2,700,013**	2,841,693
CURRENT ASSETS			
Inventories		**876,432**	775,404
Trade and bills receivables	10	**1,377,280**	1,114,834
Prepayments, other receivables and other assets	11	**129,467**	100,654
Pledged deposits		**43,237**	20,029
Cash and cash equivalents		**721,325**	634,657
Total current assets		**3,147,741**	2,645,578
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**304,221**	319,402
Trade and bills payables	12	**701,644**	642,297
Contract liabilities		**21,059**	—
Other payables and accruals	13	**877,877**	1,065,627
Tax payable		**169,101**	170,605
Total current liabilities		**2,073,902**	2,197,931
NET CURRENT ASSETS		**1,073,839**	447,647
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,773,852**	3,289,340

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**1,378,380**	1,420,877
Deferred tax liabilities	**427,204**	475,826
Other long term payables	**814,370**	708,986
Total non-current liabilities	**2,619,954**	2,605,689
NET ASSETS	**1,153,898**	683,651
EQUITY		
Equity attributable to owners of the parent		
Share capital	**48,179**	43,116
Reserves	**1,094,439**	629,664
	1,142,618	672,780
Non-controlling interests	**11,280**	10,871
TOTAL EQUITY	**1,153,898**	683,651

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power on the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 2, amendments to IFRS 4, amendments to IAS 40 and *Annual Improvements to IFRSs 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement			**IFRS 9 measurement**	
	Note	**Category**	**Amount**	**ECLs**	**Amount**	**Category**
			RMB'000	*RMB'000*	*RMB'000*	
Financial assets						
Trade and bills receivables	*(i)*	L&R[1]	1,122,994	(8,160)	1,114,834	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R	40,137	—	40,137	AC
Pledged deposits		L&R	20,029	—	20,029	AC
Cash and cash equivalents		L&R	634,657	—	634,657	AC
			1,817,817	(8,160)	1,809,657	
Financial liabilities						
Trade and bills payables		AC	642,297	—	642,297	AC
Financial liabilities included in other payables and accruals		AC	975,569	—	975,569	AC
Other long term payables		AC	700,909	—	700,909	AC
Interest-bearing bank and other borrowings		AC	1,740,279	—	1,740,279	AC
			4,059,054	—	4,059,054	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The gross carrying amounts of the trade and bills receivables under the column "IAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in note 10 and note 11 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under IFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	8,160	—	8,160
Financial assets included in prepayments, other receivables and other assets	—	—	—
	8,160	—	8,160

Impact on reserves and retained profits

There was no impact of transition to IFRS 9 on reserves and retained profits.

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

		Increase/ (decrease)
	Note	*RMB'000*
Liabilities		
Other payables and accruals	(iii)	(34,289)
Contract liabilities	(iii)	34,289
Total liabilities		—
Equity		
Retained profits		—
Non-controlling interests		—
		—

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

The consolidated statement of profit or loss for the year ended 31 December 2018 are the same if IFRS15 would have not been adopted.

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
		IFRS 15	**Previous IFRS 15**	**Increase/ (decrease)**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	(iii)	877,877	898,936	(21,059)
Contract liabilities	(iii)	21,059	—	21,059
Total liabilities		898,936	898,936	—

The Group is in the business of the manufacture and sale of imaging products, medical products and equipment and the provision of maintenance services. The equipment and services are sold both on their own in separately identified contracts with customers.

(i) Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from the sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(ii) Rendering of services

The Group's medical products and equipment segment provides maintenance services. These services are sold separately. The Group has concluded that revenue from the rendering of services should be recognised over time during the services period when the services are rendered. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amount of revenue recognition.

(iii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB34,289,000 from other payables and accruals to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB21,059,000 was reclassified from other payables and accruals to contract liabilities in relation to the consideration received from customers in advance for the sale of goods and the rendering of services.

(c) IFRIC-Int 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
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 2018

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Segment revenue: *(note 4)*			
Sales to external customers	581,489	3,865,465	4,446,954
Segment results	31,495	497,841	529,336
Reconciliation:			
Corporate and other unallocated expenses			(19,649)
Profit before tax			509,687
Segment assets	381,385	5,146,829	5,528,214
Reconciliation:			
Corporate and other unallocated assets			319,540
Total assets			5,847,754
Segment liabilities	158,836	4,253,951	4,412,787
Reconciliation:			
Corporate and other unallocated liabilities			281,069
Total liabilities			4,693,856
Other segment information:			
Depreciation of items of property, plant and equipment	7,820	13,806	21,626
Amortisation of prepaid land lease payments	327	—	327
Amortisation of intangible assets	370	130,623	130,993
Share of loss of an associate	—	8,920	8,920
Gain on disposal of items of property, plant and equipment	(228)	—	(228)
Impairment loss recognised in the statement of profit or loss	293	29,170	29,463
Operating lease rentals	8,425	16,105	24,530
Capital expenditure*	7,338	29,200	36,538

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

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 loss of an associate	—	1,414	1,414
Investment in an associate	—	18,086	18,086
(Gain)/loss on disposal of items of property, plant and equipment	(119)	1,907	1,788
Impairment loss recognised in the statement of profit or loss	1,240	2,765	4,005
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.

Information about major customers

During the year ended 31 December 2018, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB987,765,000 (2017: RMB984,910,000) which accounted for more than 22% (2017: more than 25%) of the Group's total revenue during the year.

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 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

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**4,411,263**	3,866,692
Rendering of services	**35,691**	60,185
	4,446,954	3,926,877

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments

	Imaging printing products	**Medical products and equipment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Timing of revenue recognition			
Goods transferred at a point time	**581,489**	**3,829,774**	**4,411,263**
Services transferred over time	**—**	**35,691**	**35,691**
Total revenue from contracts with customers	**581,489**	**3,865,465**	**4,446,954**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	**581,489**	**3,865,465**	**4,446,954**
Intersegment sales	**331,134**	**67,976**	**399,110**
	912,623	**3,933,441**	**4,846,064**
Intersegment adjustments and eliminations	**(331,134)**	**(67,976)**	**(399,110)**
Total revenue from contracts with customers	**581,489**	**3,865,465**	**4,446,954**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**19,749**
Rendering of services	**14,540**
	34,289
Revenue recognised from performance obligations satisfied in previous periods	**—**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due within 180 to 360 days from delivery, except for new customers, where payment in advance is normally required.

Rendering of services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. The service contracts which are related to the rendering of maintenance services are for periods of one year or less, or are billed based on the time incurred.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	**21,059**

The remaining performance obligations, relating to the rendering of maintenance services is expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Government grants *(note)*	**28,430**	22,898
Interest income	**2,178**	4,888
Net gain on financial assets at fair value through profit or loss	**1,493**	1,099
Foreign exchange gains	**—**	4,026
Others	**475**	533
	32,576	33,444

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:

	2018	2017
	RMB'000	*RMB'000*
Finance costs		
Interest on bank loans, overdrafts and other borrowings	**123,039**	123,239
Cash discount	**8,026**	6,605
Interest arising from discounted bills	**592**	162
	131,657	130,006

6. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**3,248,123**	2,821,057
Depreciation of items of property, plant and equipment	**21,626**	17,943
Amortisation of prepaid land lease payments	**327**	327
Amortisation of other intangible assets	**130,993**	120,786
Research and development costs	**357**	593
Minimum lease payments under operating leases	**24,530**	24,316
Auditors' remuneration	**3,000**	2,600
Employee benefit expense		
Wages and salaries	**155,441**	144,418
Pension scheme contributions	**13,274**	11,633
	168,715	156,051
Foreign exchange differences, net	**3,319**	8,216
Impairment of inventories	**1,563**	1,722
Impairment of trade receivables, net	**9,356**	2,283
Impairment of goodwill*	**18,544**	—
(Gain)/loss on disposal of items of property, plant and equipment	**(228)**	1,788

* The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss, which is non-recurring loss in nature.

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% (2017: 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 Corporate 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:

	2018 *RMB'000*	2017 *RMB'000*
Current — PRC		
Charge for the year	**211,476**	192,366
Deferred	**(51,324)**	(13,023)
Total tax charge for the year	**160,152**	179,343

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:

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**509,687**		529,918	
Tax at an applicable tax rate	**127,421**	**25%**	132,480	25.0%
Lower tax rate for certain loss making entities in different jurisdictions	**23,790**	**4.7%**	29,055	5.5%
Adjustments to current tax of previous periods	**(221)**	**(0.0%)**	(578)	(0.1%)
Expenses not deductible for tax	**5,958**	**1.2%**	865	0.1%
Tax losses not recognised	**974**	**0.2%**	27	0.0%
Loss attributable to an associate	**2,230**	**0.4%**	354	0.1%
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**—**	**—**	17,140	3.2%
Tax charge at the effective rate	**160,152**	**31.4%**	179,343	33.8%

8. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Proposed final — Nil (2017: HK5.5 cents) per ordinary share	**—**	100,000

There was no proposed final dividend for the year ended 31 December 2018 (2017: HK5.5 cents per share) which would be 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 2,182,562,000 in issue during the year ended 31 December 2018 (2017: 2,175,200,000).

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	**251,746**	249,968
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(thousands)*	**2,182,562**	2,175,200
Basic and diluted earnings per share *(RMB cents)*	**11.5**	11.5

The diluted earnings per share amount is equal to the basic earnings per share amount for the years ended 31 December 2018 and 2017, as there were no diluting events during the years ended 31 December 2018 and 2017.

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,367,828**	1,088,837
Bills receivable	**26,968**	34,157
Impairment	**(17,516)**	(8,160)
	1,377,280	1,114,834

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 payments 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 ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**840,067**	704,557
91 to 180 days	**321,194**	231,008
181 to 365 days	**168,620**	121,340
1 to 2 years	**17,752**	21,571
2 to 3 years	**2,679**	2,201
	1,350,312	1,080,677

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**8,160**	516
Acquisition of subsidiaries	**—**	5,361
Impairment losses, net	**9,356**	2,283
At end of year	**17,516**	8,160

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	**Less than 6 month**	**7 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	0.55%	0.97%	10.21%	36.71%	1.33%
Gross carrying amount	946,300	378,741	26,748	16,039	1,367,828
Expected credit losses	5,204	3,692	2,732	5,888	17,516

The expected credit loss for bills receivables, which are all bank acceptance notes, is approximate to zero. Those banks who issue bank acceptance notes are creditworthy banks with no recent history of default.

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB8,160,000 with a carrying amount before provision of RMB40,644,000.

The individually impaired trade receivables as at 31 December 2017 related 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 ageing analysis of the trade receivables at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	927,244
Past due but not impaired:	
Less than 90 days	114,614
91 to 365 days	5,224
Over 365 days	1,111
	1,048,193

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 ***RMB'000***	2017 *RMB'000*
Prepayments	**86,190**	56,272
Value added tax input	**1,660**	4,245
Deposits and other receivables	**41,617**	40,137
	129,467	100,654

Deposits and other receivables mainly represent rental deposits and deposits with suppliers.

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

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**652,547**	606,625
Bills payable	**49,097**	35,672
	701,644	642,297

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

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**585,052**	598,090
91 to 180 days	**60,858**	5,705
181 to 365 days	**1,077**	117
1 to 2 years	**5,301**	399
Over 2 years	**259**	2,314
	652,547	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.

13. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Current portion:		
Advances from customers	—	23,106
Deferred income	—	14,540
Other payables	**103,898**	186,216
Value added tax payable	**50,425**	46,174
Payroll and welfare payable	**20,391**	20,778
Interest payable	**28,163**	26,313
Put options in relation to non-controlling interests *(note)*	**675,000**	675,000
Amounts due to non-controlling shareholders	—	73,500
	877,877	1,065,627
Non-current portion:		
Deferred government grant	**7,889**	8,077
Put options in relation to non-controlling interests *(note)*	**806,481**	700,909
	814,370	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 Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Haole Industrial Co., Ltd., Shanghai Chaolian Trading Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd.(collectively the "Anbaida Group Companies"), Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd. ("Hongen"), Shenzhen De Run Li Jia Co., Ltd. ("Derunlijia"), Guangzhou Shengshiyuan Trading Co., Ltd. ("Shengshiyuan") and Beijing Kaihongda Technologies Co., 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 the years from 2015 to 2017, Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as of the report 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 which is 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 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 which is 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 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 which is 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 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 which is 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.

MANAGEMENT DISCUSSION AND ANALYSIS

About Yestar Healthcare

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

MARKET OVERVIEW

From the "Healthy China 2030" plan that aims to improve the national healthcare welfare, specific guidelines are given to refine the current medical system which stimulate the demand for disease diagnosis, accelerating of the growth of the IVD market. Under "Hierarchical Medical System", lower tier hospitals are facing an increasing demand for disease diagnosis and treatment for common diseases, thus triggering the need for IVD reagents and devices. Partnering with Roche Diagnostics China and leveraging on its extensive distribution network, the Group possesses the capability to deliver both tertiary hospitals and lower tier hospitals with the products that best fit their needs. Combining its value-adding service scope and brand reputation the Group built over the past few years, the Group is well positioned to grasp on the market opportunity.

In addition, specific guidance is also enforced on the upgrade of county-level hospitals, leading to an enhancement in the number of tertiary hospitals. The significant rise in the numbers of tertiary and secondary hospitals outlines a prosperous business environment with ample opportunities for the Group to capture.

BUSINESS OVERVIEW

Consolidating Leading Position in Tertiary Hospitals while Expanding to Secondary Hospital Market

For the year ended 31 December 2018 (the "Year"), with its high quality services in product marketing, after-sales support, logistic and delivering, the Group continued to deepen its established foothold in tertiary hospitals. As at 31 December 2018, the Group has established direct sales and services relationships with 413 hospitals (三級醫院), representing an increase of 11.0% year-on-year ("YOY"), from 372 hospitals in the previous year. In addition to solidifying its position in the prevailing market, the Group has also devoted substantial efforts in expanding its coverage in secondary and lower-tier hospitals. As at 31 December 2018, the Group increased its network coverage to 1,078 secondary hospitals.

Capturing Opportunities from the "Two Invoices" System

The PRC government has launched the "Two-Invoices" System and centralized procurement policy to avoid hospitals funding their operational profit by selling overpriced medications. The "Two-Invoices" system was meant to streamline the distribution channels of pharmaceutical products and medical consumable products, therefore, those who enjoy operating scale, vast distribution network and solid customer base will continue to thrive. With its direct sales network with hospitals and comprehensive service offering, the Group is well-positioned to capture more market shares from the "Two-Invoices" system. During the Year, the Group had invested about RMB4.5 million to strengthen its logistic system, distribution channel and had increased its warehouse area.

Forming Strategic Partnership with Fujifilm to Co-explore Opportunities

On 30 November 2018, Yester entered into a subscription agreement with FUJIFILM Corporation ("Fujifilm"), a wholly-owned subsidiary of FUJIFILM Holdings Corporation. Pursuant to the terms of subscription agreement, Yestar has allotted and issued 230,000,000 shares at a price of HK$1.79 per share to Fujifilm, representing 9.56% of the enlarged total issued shares of Yestar. The subscription agreement does not only deepen the collaboration between Yestar and Fujifilm, but also highlight the strategic meaning of the collaboration. By combining the distribution channel that Yestar has built and the technological competency of Fujifilm, two partners will be capable to co-develop new products, co-offer new services along the value chain of the medical industry in the PRC.

Increasing Contribution from House Brand "Yes!Star"

Apart from the major advancements in the IVD business, the Group has also recorded a revenue growth in its house brand "Yes!Star". The Group manufactures, markets and sells dental film under the "Yes!Star" brand, which has been a success in the mass market. In 2018, the Group launched its dry film printer and dry film products as a complementary to Fujifilm's current product range, targeting the increasingly booming demands from the secondary and lower-tier hospitals.

Fulfillment of Profit Guarantee in relation to the Acquisitions

Reference was made to the announcements of the Company in respect of, amongst other things, the acquisition of 70% equity interests in each of the four companies ("Four 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 Four Acquired 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 Four Acquired Companies for the year ended 31 December 2018.

The Directors is pleased to announce that the 2018 actual net profit for each of the Four Acquired Companies is more than the respective annual guarantee profit undertaken for the year ended 31 December 2018. As the annual guarantee profit for each of the Four Acquired Companies has been fulfilled, no compensation is required to be paid by the respective vendors for each of the respective Four Acquired Companies pursuant to the respective share transfer agreement. Details of fulfillment of profit guarantee for each of the Four Acquired Companies as follows:

		For the Year Ended 31 December 2018	
Date of Announcement	**Name of Acquired Company**	**Annual Guarantee Profit**	**Actual Net Profit After Taxation**
13 October 2016	Guangzhou Hongen Medical Diagnostic Technologies Company Limited	RMB62.40 million	RMB62.59 million
27 October 2016	Shenzhen De Run Li Jia Company Limited	RMB68.00 million	RMB68.01 million
11 November 2016	Guangzhou Shengshiyuan Trading Company Limited	RMB29.75 million	RMB30.98 million
20 September 2017	Beijing Kaihongda Technology Company Limited (collectively the "Four Acquired Companies")	RMB18.00 million	RMB18.54 million

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2018, the Group performed a year end annual impairment test on goodwill and other intangible assets (which included distribution rights and customer relationship) by performing discounted free cash flow forecasts for each of the acquired subsidiaries in previous years, namely Shanghai Anbaida Group Companies, the Four Acquired Companies and Yestar Biotech (Jiangsu) Co., Ltd. Taking into consideration their respective projection on future results of cash-generating performance and financial results, the Group recorded an impairment loss on goodwill in one of the non wholly-owned subsidiaries for an amount of approximately RMB18.5 million, as the computed value of the discounted cash flow of that subsidiary is lower than its carrying amount as at 31 December 2018.

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

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

The Company intends to use the net proceeds as planned as disclosed in the announcement of the Company dated 30 November 2018. The Directors are not aware of any material change to the planned use of proceeds from from the allotment of the Subscription Shares as at the date of this announcement.

As at 31 December 2018, the Company has not utilized the proceeds from the allotment of the Subscription Shares.

FINANCIAL REVIEW

During the Year, the Group recorded a 13.2% growth in revenue from approximately RMB3,926.9 million to approximately RMB4,447.0, which was attributable to the significant increase in revenue contributed by our medical business and partially offset by a decrease in revenue from our non-medical business. Gross profit amounted to approximately RMB1,198.8 million, representing a growth of approximately 8.4% from RMB1,105.8 million in 2017. Gross profit margin was at 27.0% in 2018.

There was an increase in selling and distribution expenses from approximately RMB174.6 million in 2017 to approximately RMB231.7 million, representing an increase of approximately 32.7% as compared with that of last year in 2017. The increase was mainly due to our distribution costs incurred for more sales transactions taken place in proportion to our medical business during the Year. Profit attributable to owners of the parent recorded an increase of approximately 0.7% from approximately RMB250.0 million to approximately RMB251.7 million. Net profit margin was at about 5.6% in 2018. Basic earnings per share remained at RMB11.5 cents in 2018 and 2017.

Medical Business — 86.9% of Overall Revenue

Driven by the increase in sales volume of IVD products, the Group recorded a 16.1% increase in revenue from approximately RMB3,329.6 million in 2017 to RMB3,865.5 in 2018 for the medical business segment. Segment gross profit margin decreased to approximately 28.5% in 2018, as compared to 30.2% in the previous year.

Since the acquisition of Beijing Kaihongda Technology Co. Ltd in 2017, the Group has devoted much efforts to deepen its foothold and expand its market shares in the current market. During the Year, the Group successfully increased its network coverage in the

Hebei province and has further strengthen its position in northern China. As of 31 December 2018, Yestar had a medical consumable distribution network covering 7 provinces and 4 tier-1 cities in the PRC.

Non-medical Business — 13.1% of Overall Revenue

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

This segment faces a stable demand in the market and hence has generated stable cash flow for the Group in the previous years.

During the Year, revenue of non-medical businesses of the Group recorded a slight decrease of approximately 2.6% YOY from approximately RMB597.3 million last year to approximately RMB581.5 million in 2018. Segment gross profit margin decreased from 16.9% last year to approximately 16.7%.

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 RMB721.3 million as at 31 December 2018 (2017: approximately RMB634.7 million). The increase in cash and cash equivalents was attributable to the net proceeds received from the subscription of new shares from Fujifilm during the Year, which was partially offset by the repayment of interest bearing loan and the interest expenses in relation to the Senior Notes.

As at 31 December 2018, the Group's gearing ratio was approximately 59% (2017: approximately 72%), 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 2018. The decrease were attributable to the increase in our equity due to the allotment of shares and partial repayment of interest-bearing bank loans during the Year.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2018 was approximately RMB1,682.6 million (2017: approximately RMB1,740.3 million). Except for the Senior Notes and a short-term loan of USD2.9 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 2018 was approximately 1.52 (2017: approximately 1.20), based on current assets of approximately RMB3,148 million and current liabilities of approximately RMB2,074 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 32.7% to approximately RMB174.6 million in 2017 to approximately RMB231.7 million in 2018, and accounted for about 4.4% and about 5.2%, 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 for the increase in revenue in our medical business.

Administrative Expenses

The Group's administrative expenses increased by about 13.5% from approximately RMB285.8 million in 2017 to approximately RMB316.9 million in 2018, and accounted for about 7.3% and about 7.1%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the consolidation in administrative expenses of all the previously acquired companies upon completion of the acquisitions and amortization of the intangible assets of the Group for an aggregate amount of approximately RMB131.0 million (2017: RMB120.8 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 RMB131.7 million (2017: approximately RMB130.0 million) for the Year.

For the Year, interest rates of the interest-bearing loans ranged from 3.6% to 5.95%, while those for the year ended 31 December 2017 ranged from 4.61% to 6.18%.

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

Save as disclosed in this announcement in relation to the allotment of 230,000,000 shares to Fujifilm during the Year and cancellation of 565,000 shares following the repurchase of shares of the Company subsequent to 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 2018, the Group had 1,013 (2017: 951) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB168.7 million for the Year as compared to approximately RMB156.1 million for the year ended 31 December 2017. 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

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 2018, none of the Group's property, plant and equipment was pledged (2017: Nil). In addition, bank loans of approximately RMB167.7 million were secured by the pledge of 70% of equity interests for each of Shenzhen De Run Li Jia Company Limited, Guangzhou Shenshiyuan Trading Company Limited and Beijing Kaihongda 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 2018 (2017: Nil).

PROSPECT

In China, the population expanded by 5.3 million in 2018, arriving at 1.40 billion. This underpins a massive room for expansion.

Along with increasing per capital disposable income in 2018, the average expenditure on healthcare and welfare also rose by 16.1% to RMB1,685. Boosted by stronger awareness for healthcare, cross-province medication has become more common. According to data from National Healthcare Security Administration ("國家醫保局"), the number of patients who sought cross-province medication amounted to 1.32 million in 2018, 6.3 times the number of 2017. Shanghai, Beijing, Jiangsu and Guangdong were among the provinces where the most inflow of patients were seen, and they represent markets where Yestar possesses a well-established network.

Riding on such growth trend, the Group has been proactive in forming strategic partnerships to explore potentials. the Group will continue to devote resources to promote new technologies, to market and implement laboratory automation and to upgrade its logistic and warehousing network.

As one of the leading IVD product distribution and service platforms with vast networks across the PRC, the Group is pleased to see opportunities in women's healthcare market. Human Papillomavirus ("HPV") is of one the most common kind of infection, and 99% of cervical cancer cases were related to the infection of high-risk human papillomavirus. In the PRC, the number of cervical cancer patients increased from 98,500 in 2013 to 107,400 in 2017, and has become one of the most pressing illnesses that threatened women's health, as stated by Frost & Sullivan. The Group sees potentials begin to tick up, we have established a long-term collaboration with various renowned IVD researcher and product developers, and we are ready to capture the opportunities.

Currently, immune and biochemical diagnosis are the most popular IVD products, accounting for the largest market share globally, however, molecular diagnosis is an up-and-coming star with the biggest market potential. As the newest diagnostic method that detects the structural or expression change of genetic materials, molecular diagnosis is accurate and tailor-made to each patient's needs. In the future, the Group will continue to work with Roche Diagnostic to introduce such new products and services into the PRC, with an aim to provide comprehensive, effective and efficient diagnostic services to the citizens.

OTHER INFORMATION

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

The Company was authorized by its shareholders at the annual general meeting held on 15 May 2018 (the "2018 AGM") to repurchase its shares not exceeding 10% of the issued share capital of the Company at the date of the 2018 AGM until the conclusion of next annual general meeting or the revocation of the resolution for repurchase of shares, whichever is earlier. 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.

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

Details of the share repurchased of the Company on the Stock Exchange subsequent to the Year are set out as follows:

Month/Year of repurchase	No. of repurchased shares	Consideration per share Highest	Consideration per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
January 2019	565,000	1.87	1.76	1,023,675
	565,000	1.87	1.76	1,023,675

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

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

Non-Competition Undertaking from Controlling Shareholders

Each of Ms. Hartono Jeane, Mr. Hartono James, Mr. Hartono Rico and Ms. Hartono Chen Chen Irene (the "Controlling Shareholders") gave a non-competition undertaking in favour of the Company, pursuant to which each of the Controlling Shareholders undertakes and covenants with the Company that he/she will not, and will procure that none of his/her associates shall directly or indirectly, either on his/her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any right or interest in or render any services to or otherwise be involved in any business directly or indirectly in competition with, or likely to be in competition with, the image-printing business and the medical imaging business carried out by the Group in the PRC.

The Company has received the confirmation from each of the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking for the Year.

The Board comprising all independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms 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 Annual 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 did not recommend the payment of any final cash dividend for the year ended 31 December 2018 (2017: HK5.5 cents per share).

Annual General Meeting

The annual general meeting of the Company (the "AGM") will be held on 10 May 2019 (Friday). 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 7 May 2019 (Tuesday) to 10 May 2019 (Friday) (both days inclusive), during which period no transfers of shares will be registered, for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM. In order to qualify for attending and voting 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 6 May 2019 (Monday).

Publication of Annual Results Announcement and Annual Report

The Company's annual 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 2018 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, 19 March 2019

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.