



YESTAR INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2393

Interim Report **2014**

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2 CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hartono James (*Chairman*)
 Ms. Wang Ying
 Mr. Chan To Keung
 Ms. Wang Hong (*Chief Financial Officer*)
 Ms. Zhang Qi
 Ms. Heng Yinmei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming
 Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
 Mr. Sutikno Liky

AUDIT COMMITTEE

Dr. Hu Yiming (*Chairman*)
 Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
 Mr. Sutikno Liky

NOMINATION COMMITTEE

Mr. Sutikno Liky (*Chairman*)
 Mr. Karsono Tirtamarta (Kwee Yoe Chiang)
 Dr. Hu Yiming

REMUNERATION COMMITTEE

Mr. Karsono Tirtamarta (Kwee Yoe Chiang) (*Chairman*)
 Dr. Hu Yiming
 Mr. Sutikno Liky

COMPANY SECRETARY

Mr. Koo Cheuk On Timmie

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
 Mr. Koo Cheuk On Timmie

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants
 22/F., Citic Tower
 1 Tim Mei Avenue
 Central
 Hong Kong

REGISTERED OFFICE

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 Cayman Islands

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COMPLIANCE ADVISOR

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PRINCIPAL BANKERS

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 Hong Kong Branch
 Bank of Communications Shanghai Tianyaoqiao Road
 Sub-branch
 Bank of China Gaoxin Sub-branch
 Guangxi Beibu Gulf Bank Gaoxin Sub-branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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 KY1-1111
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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 Hong Kong

STOCK CODE

2393

COMPANY WEBSITE
<http://www.yestarcorp.com>

4 MANAGEMENT DISCUSSION AND ANALYSIS

Yestar International Holdings Company Limited (“Yestar” or the “Company”, together with its subsidiaries, the “Group”) is one of the leading providers of a broad range of imaging products in the PRC. The Group principally engages in the processing and distribution of various Fujifilm imaging products, namely medical imaging products, color photographic paper products and industrial imaging products. Besides, the Group also manufactures and sells dental films and non-destructive testing (NDT) x-ray films under the house brand “Yes!Star”.

BUSINESS REVIEW

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

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

meters). With such efforts, the Group has successfully increased our market share in the professional color photographic segment.

MEDICAL IMAGING BUSINESS — ACCOUNTED FOR 48.6% OF OVERALL REVENUE

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

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

Revenue

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

Gross profit margin of core products

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

COLOR PHOTOGRAPHIC PAPER BUSINESS — ACCOUNTS FOR 35.6% OF OVERALL REVENUE

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

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

Revenue breakdown of core products

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

Gross profit margins of core products

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

INDUSTRIAL IMAGING PRODUCTS — ACCOUNTED FOR 14.4% OF OVERALL REVENUE

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

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

PROSPECTS

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

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

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

FINANCIAL REVIEW

For the six months ended 30 June 2014, the Group recorded positive performance. Driven by the strong growth in medical film business and professional color photographic paper, the Group's revenue for the Period surged by approximately 34.7% to approximately RMB693.9 million as compared with approximately RMB515.0 million in the corresponding period in 2013. Gross profit increased by approximately 22.3% to approximately RMB109.1 million (six months ended 30 June 2013: approximately RMB89.2 million), whereas gross profit margin decreased slightly by approximately 1.6 percentage points to 15.7% (six months ended 30 June 2013: 17.3%). The slight decrease in gross profit margin is mainly attributable to the change in product mix as medical film business, which has a comparatively lower gross profit margin and become the dominating revenue contributor during the Period.

Profit attributable to owners of the parent grew significantly by approximately 30.7% year-on-year to approximately RMB37.3 million. Net profit margin maintained stable at 5.4% (six months ended 30 June

2013: 5.5%). Earnings per share for the Period was RMB8 cents (six months ended 30 June 2013: RMB8 cents).

LIQUIDITY AND FINANCIAL RESOURCES

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

TRADE RECEIVABLES AND INVENTORY

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

SELLING AND DISTRIBUTION EXPENSES

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

ADMINISTRATIVE EXPENSES

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

FINANCE COSTS

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

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

FOREIGN EXCHANGE EXPOSURE

Most of the revenue-generating operations of the Group were transacted in Chinese Yuan which is the presentation currency of the Group. For the six months ended 30 June 2014, the Group was exposed to the foreign currency risk arising from the purchasing in US Dollars. The Group will monitor its foreign currency exposure closely.

CAPITAL STRUCTURE

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

CAPITAL COMMITMENTS

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

HUMAN RESOURCES MANAGEMENT

As at 30 June 2014, the Group had 698 (31 December 2013: 719) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB35.6 million for the six months ended 30 June 2014 as compared to approximately RMB32.4 million for the six months ended 30 June 2013. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

SIGNIFICANT INVESTMENTS HELD

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

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of assets

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

Contingent liabilities

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

USE OF PROCEEDS

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

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

INTERIM DIVIDEND

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

UPDATE ON DIRECTORS’ INFORMATION

Pursuant to rule 13.51B(1) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the change of directors’ information of the Company are as follows:

The monthly salary of Mr. Hartono James, the Chairman and an executive Director of the Company, increased from RMB102,032 to RMB123,200 since 1 January 2014.

The monthly salary of Ms. Wang Ying, an executive Director of the Company, increased from RMB65,000 to RMB72,800 since 1 January 2014.

The monthly salary of Mr. Chan To Keung, an executive Director of the Company, increased from RMB68,200 to RMB80,000 since 1 January 2014.

The monthly salary of Ms. Wang Hong, an executive Director of the Company, increased from RMB30,000 to RMB33,600 since 1 January 2014.

The monthly salary of Ms. Zhang Qi, an executive Director of the Company, increased from RMB35,800 to RMB40,000 since 1 January 2014.

The monthly salary of Ms. Heng Yinmei, an executive Director of the Company, increased from RMB31,800 to RMB36,000 since 1 January 2014.

The monthly salary of each of Dr. Hu Yiming, Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky, all are independent non-executive Directors of the Company, increased from RMB15,000 to RMB17,000 since 1 March 2014.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all the shareholders of the Company on 18 September 2013, the Company has conditionally adopted the Share Option Scheme.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as our Board may approve from time to time.

Participants under the Share Option Scheme include the following:

- 2.1 any director, chief executive or employee (whether full-time or part-time) of each member of our Group;
- 2.2 any discretionary objects of a discretionary trust established by any director, chief executive or employee (whether full time or part time) of each member of our Group;
- 2.3 a company beneficially owned by any director, chief executive or employee (whether full time or part time) of each member of our Group;
- 2.4 any consultant, professional and other advisor to each member of our Group (including their employees, partners, directors or executives or any persons, firms or companies proposed to be appointed for providing such services); and

- 2.5 any director, chief executive or employee (whether full-time or part-time) of Capital Group and its subsidiaries from time to time;

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix IV to the Prospectus. The principal terms of the Share Option Scheme are summarized as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 18 September 2013 and will remain in force until 17 September 2023. The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme and their terms of issue.

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a Business Day;
- (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (c) the nominal value of a Share.

Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company, being a date not later than 21 business days from the date upon which it is made. The exercise period of any option granted under the Share Option Scheme shall not be longer than ten years commencing on the date of grant and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

An offer shall be deemed to have been accepted by the Grantee and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the offer duly signed by the grantee together with a remittance in favor of our Company of HK\$1.0 by way of consideration for the granting thereof is received by our Company within the acceptance period as specified in the offer letter, and the option to which the offer relates shall be deemed to have been granted on the offer date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 45,000,000 shares, being 10% of the total number of Shares in issue immediately following completion of the Global Offering but without taking into account any Shares to be issued upon exercise of the over-allotment option, unless the Company obtains an approval from our shareholders in general meeting for refreshing the 10% limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Any further grant of options in excess of this 1% limit must be separately approved by the shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

As at 30 June 2014, no option has been granted by the Company to subscribe for Share of the Company.

Apart from the aforesaid Share Option Scheme, at no time during the six months ended 30 June 2014 was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

(the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of directors	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests				
James Hartono	66,352,500	—	—	66,352,500	—	66,352,500	14.21%

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short

positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules relating to the required standard of dealings by the directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at the date of this report, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of

the Company which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Jeane Hartono	Beneficial owner	169,222,500	36.25%
James Hartono	Beneficial owner	66,352,500	14.21%
Rico Hartono	Beneficial owner	66,352,500	14.21%
Chen Chen Irene Hartono	Beneficial owner	29,868,750	6.40%

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Substantial shareholders' interests and/or short position in shares and underlying shares of the company" above, as at 30 June 2014, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

COMPETITION AND CONFLICT OF INTERESTS

During the Period, none of the directors, the management 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.

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

Pursuant to a resolution passed by the Board on 18 September 2013, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors.

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

CORPORATE GOVERNANCE PRACTICES

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

During the Period, the Directors consider that the Company has complied with all the code provisions of the CG Code contained in Appendix 14 to the Listing Rules, save for the following:

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

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

AUDIT COMMITTEE

The Audit Committee of the Company was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the relevant Code Provisions. The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company’s financial reporting system and internal control procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company’s senior management for the review, supervision and discussion of the Company’s financial reporting and internal control procedures and ensure that the management has discharged its duty to have an effective internal control system.

The Audit Committee comprises three Independent Non-executive Directors, namely Dr. Hu Yiming (Chairman of the Audit Committee), Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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For the six months ended 30 June 2014

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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30 June 2014

	Notes	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	101,126	104,352
Prepaid land lease payments		15,443	15,606
Intangible assets		2,540	2,524
Deferred tax assets		7,187	8,350
		126,296	130,832
CURRENT ASSETS			
Inventories	11	274,807	272,704
Trade and bills receivables	12	16,824	16,848
Prepayments, deposits and other receivables		22,380	29,259
Pledged deposits		1,040	3,316
Cash and cash equivalents		208,332	283,027
		523,383	605,154
CURRENT LIABILITIES			
Interest-bearing loans	13	78,597	117,212
Trade and bills payables	14	186,858	215,322
Other payables and accruals		17,601	37,066
Tax payable		4,541	7,371
Dividend payables		—	3,384
		287,597	380,355
NET CURRENT ASSETS		235,786	224,799
TOTAL ASSETS LESS CURRENT LIABILITIES		362,082	355,631
NON-CURRENT LIABILITIES			
Other payables		8,739	9,133
Deferred tax liabilities		6,096	4,313
		14,835	13,446
NET ASSETS		347,247	342,185

30 June 2014

	Notes	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
EQUITY			
Equity attributable to owners of the parent:			
Issued capital		37,044	37,044
Reserves		300,902	263,261
Proposed final dividend	8	—	32,667
		337,946	332,972
Non-controlling interests		9,301	9,213
TOTAL EQUITY		347,247	342,185

 Director

 Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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For the six months ended 30 June 2014

	Attributable to equity holders of the parent								Non-controlling interests	Total equity
	Issued capital	Share premium account*	Contributed surplus*	Statutory reserve fund*	Retained earnings*	Proposed final dividend	Exchange fluctuation reserve*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	37,044	85,688	84,991	18,330	75,369	32,667	(1,117)	332,972	9,213	342,185
Total comprehensive income for the period	—	—	—	—	37,325	—	475	37,800	88	37,888
Final dividend declared	—	(159)	—	—	—	(32,667)	—	(32,826)	—	(32,826)
Transfer from retained earnings	—	—	—	3,961	(3,961)	—	—	—	—	—
At 30 June 2014 (unaudited)	37,044	85,529	84,991	22,291	108,733	—	(642)	337,946	9,301	347,247

	Attributable to equity holders of the parent								Non-controlling interests	Total equity
	Issued capital	Share premium account*	Contributed surplus*	Statutory reserve fund*	Retained earnings*	Proposed final dividend	Exchange fluctuation reserve*	Total		
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (audited)	—	—	111,526	10,989	17,638	—	—	140,153	8,950	149,103
Total comprehensive income for the period	—	—	—	—	28,555	—	—	28,555	(25)	28,530
Transfer from retained earnings	—	—	—	3,137	(3,137)	—	—	—	—	—
At 30 June 2013 (unaudited)	—	—	111,526	14,126	43,056	—	—	168,708	8,925	177,633

* These reserve accounts comprise the consolidated reserves of RMB300,902,000 (31 December 2013: RMB263,261,000) in the interim condensed consolidated statement of financial position.

For the six months ended 30 June 2014

		For the six months ended 30 June	
	Notes	2014 Unaudited RMB'000	2013 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		53,487	41,935
Adjustments for:			
Finance costs		2,826	2,421
Interest income		(2,613)	(422)
Provision for impairment of inventories	6	—	848
Depreciation of items of property plant and equipment	6	6,814	5,941
Amortisation of prepaid land lease payments	6	163	163
Amortisation of other intangible assets	6	320	261
Loss on disposal of items of property, plant and equipment	6	221	109
		61,218	51,256
Decrease/(increase) in trade and bills receivables		24	(54,040)
Decrease/(increase) in prepayments, deposits and other receivables		7,379	(11,091)
Increase in inventories		(2,103)	(59,596)
(Decrease)/increase in trade and bills payables		(28,464)	86,129
(Decrease)/increase in other payables and accruals		(19,465)	6,868
Decrease/(increase) in pledged deposits		2,276	(80)
		20,865	19,446
Income tax paid		(15,958)	(27,097)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 Unaudited RMB'000	2013 Unaudited RMB'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		4,907	(7,651)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(3,906)	(19,056)
Additions to prepaid land lease payments		—	(911)
Purchases of intangible assets		(336)	(213)
Proceeds from disposal of items of property, plant and equipment		97	1
Interest received from term deposits		1,719	421
Acquisition of entities under common control		—	(6,131)
Decrease in an amount due from a director		—	1,358
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(2,426)	(24,531)
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing loans		187,518	50,032
Repayment of bank loans		(226,133)	—
Dividend paid		(36,210)	(36,576)
Interest paid		(2,826)	(2,421)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(77,651)	11,035
NET DECREASE IN CASH AND CASH EQUIVALENTS		(75,170)	(21,147)
Cash and cash equivalents at beginning of period		283,027	160,393
Effect of foreign exchange rate changes, net		475	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD		208,332	139,246

For the six months ended 30 June 2014

		For the six months ended 30 June	
	Notes	2014 Unaudited RMB'000	2013 Unaudited RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and non-pledged bank balances		119,832	77,146
Non-pledged time deposits		88,500	62,100
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION		208,332	139,246

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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For the six months ended 30 June 2014

1. CORPORATE INFORMATION

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

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 October 2013 (the “Listing”).

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

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

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

For the six months ended 30 June 2014

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New standards, interpretations and amendments adopted by the Group

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

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

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

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

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

Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

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

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

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

For the six months ended 30 June 2014

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

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

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

IFRIC 21 Levies

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

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

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

3. OPERATING SEGMENT INFORMATION

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

- a) Imaging printing products: manufacture and sale of color photographic paper, industrial NDT x-ray film, PWB films and trading of imaging equipment.
- b) Medical imaging products: manufacture and sale of medical dry films, medical wet films and dental film.

For the six months ended 30 June 2014

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2014 and 2013, respectively:

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

For the six months ended 30 June 2014

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2014 and 2013, respectively: (continued)

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

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

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Segment assets		
Imaging printing products	380,475	437,915
Medical imaging products	236,816	231,798
Total	617,291	669,713
<i>Reconciliation:</i>		
Corporate and other unallocated assets	32,388	66,273
Total assets	649,679	735,986

For the six months ended 30 June 2014

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Segment liabilities		
Imaging printing products	156,130	226,691
Medical imaging products	140,206	162,797
Total	296,336	389,488
<i>Reconciliation:</i>		
Corporate and other unallocated liabilities	6,096	4,313
Total liabilities	302,432	393,801

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

Information about major customers

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

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

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

For the six months ended 30 June 2014

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

Note: The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Finance costs		
Interest on interest-bearing loans wholly repayable within five years	2,913	2,189
Guarantee fee	(115)	230
Interest arising from discounted bills	28	2
Total finance costs	2,826	2,421

For the six months ended 30 June 2014

6. PROFIT BEFORE TAX

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

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

7. INCOME TAX EXPENSE

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

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

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

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

For the six months ended 30 June 2014

7. INCOME TAX EXPENSE (CONTINUED)

Major components of income tax are as follows:

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

8. DIVIDENDS**(a) Dividends attributable to the interim period**

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

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

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

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

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

For the six months ended 30 June 2014

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment with a cost of RMB3,906,000 (the six months ended 30 June 2013: RMB19,056,000).

During the six months ended 30 June 2014, depreciation for property, plant and equipment was RMB6,814,000 (the six months ended 30 June 2013: RMB5,941,000).

During the six months ended 30 June 2014, property, plant and equipment with a net book value of RMB318,000 (the six months ended 30 June 2013: RMB110,000) were disposed of by the Group resulting in a net loss on disposal of RMB221,000 (the six months ended 30 June 2013: net loss of RMB109,000).

As at 30 June 2014, none of the Group's property, plant and equipment was pledged (31 December 2013: none).

11. INVENTORIES

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Raw materials	129,168	89,907
Finished goods	146,487	183,645
	275,655	273,552
Less: Provision for inventories	(848)	(848)
	274,807	272,704

The carrying amounts of inventories pledged at floating charge as security for the outstanding trade and bills payables are as follows:

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Trade and bills payables (note 14)	45,246	79,980

For the six months ended 30 June 2014

12. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

For the six months ended 30 June 2014

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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

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

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

For the six months ended 30 June 2014

13. INTEREST-BEARING LOANS

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Interest-bearing loans		
Secured	—	10,000
Unsecured	78,597	107,212
	78,597	117,212
The bank loans bear interest at rates per annum in the range of	2.00% to 7.75%	3.30% to 7.50%
Analyzed into:		
Interest-bearing loans repayable Within one year or on demand	78,597	117,212

The Group's bank loans that are secured are as follows:

	Note	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Guaranteed by:			
An independent third party	(i)	—	10,000

Note:

- (i) The loans were guaranteed by Nanning Southern Financing Guarantee Co., Ltd. (“南寧南方融資性擔保有限公司”, formerly known as “南寧南方擔保有限公司”, the “Guarantor”), an independent third party of the Group.

14. TRADE AND BILLS PAYABLES

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

For the six months ended 30 June 2014

14. TRADE AND BILLS PAYABLES (CONTINUED)

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

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

The outstanding bills payable were issued to FUJIFILM (China) Investment Co., Ltd., a major supplier of the Group, for the purchase of raw materials. Pursuant to the purchase agreement, the outstanding bills payable and certain trade payables were secured by a pledge of certain inventories as set out in note 11.

15. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties:

	For the six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Nature of transactions		
Loans provided to a fellow subsidiary Shanghai MG	—	23,467
Loans received from a shareholder Rico Hartono	—	6,286
Consulting fee Capital Group Pte. Ltd.	—	467

In the opinion of the directors, all related party transactions as set out above were conducted on normal commercial terms.

For the six months ended 30 June 2014

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Short-term employee benefits	3,268	2,728
Pension scheme contributions	87	84
	3,355	2,812

16. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to four years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Within a year	3,653	4,020
In the second to fifth years, inclusive	1,644	3,357
	5,297	7,377

17. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Contracted, but not provided for: — Plant and machinery	1,438	3,755

For the six months ended 30 June 2014

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, dividend payables, financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of interest-bearing loans has been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing loans as at 30 June 2014 was assessed to be insignificant. The fair value of interest-bearing loans at the end of the reporting period approximated to their corresponding carrying amounts.

Fair value hierarchy

At the end of the Period, the Group had no financial asset or liability measured at fair value.

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 14 August 2014.