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 2019

FINANCIAL HIGHLIGHTS

Revenue increased by approximately 10.3% to approximately RMB4,903.3 million in 2019 from approximately RMB4,447.0 million in 2018.

Gross profit increased by approximately 5.5% to approximately RMB1,265.3 million in 2019 from approximately RMB1,198.8 million in 2018.

Profit for the year decreased by approximately 13.8% to approximately RMB301.3 million in 2019 from approximately RMB349.5 million in 2018. Excluding the impairment loss on goodwill of one of the subsidiary for an amount of RMB39.9 million, profit for the year only decreased by 7.3% as compared with the corresponding period in 2018.

Profit attributable to owners of the parent decreased by approximately 19.5% to approximately RMB202.7 million in 2019 from approximately RMB251.7 million in 2018.

Earnings per share decreased to RMB8.5 cents in 2019 from RMB11.5 cents in 2018.

The Board did not recommend the payment of a final dividend for the year 2019 (2018: Nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Yestar Healthcare Holdings Company Limited ("Yestar" or 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 2019 (the "Year") together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
REVENUE	4	**4,903,268**	4,446,954
Cost of sales		**(3,637,961)**	(3,248,123)
Gross profit		**1,265,307**	1,198,831
Other income and gains	4	**39,275**	32,576
Selling and distribution expenses		**(296,962)**	(231,658)
Administrative expenses		**(357,145)**	(316,861)
Impairment loss on financial assets		**(9,469)**	(9,356)
Other expenses		**(47,791)**	(23,268)
Finance costs	5	**(133,156)**	(131,657)
Share of profit and loss of an associate		**(9,166)**	(8,920)
PROFIT BEFORE TAX	6	**450,893**	509,687
Income tax expense	7	**(149,639)**	(160,152)
PROFIT FOR THE YEAR		**301,254**	349,535
Attributable to:			
Owners of the parent		**202,673**	251,746
Non-controlling interests		**98,581**	97,789
		301,254	349,535
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year	9	**RMB8.5 cents**	RMB11.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000*
PROFIT FOR THE YEAR	**301,254**	349,535
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(22,137)**	(73,454)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(22,137)**	(73,454)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(22,137)**	(73,454)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**279,117**	276,081
Attributable to:		
Owners of the parent	**180,536**	178,292
Non-controlling interests	**98,581**	97,789
	279,117	276,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**144,670**	127,816
Right-of-use assets		**273,529**	—
Prepaid land lease payments		**—**	13,971
Other intangible assets		**1,463,778**	1,594,363
Goodwill		**905,338**	945,276
Investment in an associate		**—**	9,166
Deferred tax assets		**13,415**	9,421
Total non-current assets		**2,800,730**	2,700,013
CURRENT ASSETS			
Inventories		**781,423**	876,432
Trade and bills receivables	10	**1,560,585**	1,377,280
Prepayments, other receivables and other assets	11	**181,924**	129,467
Financial assets at fair value through profit or loss		**32,000**	—
Pledged deposits		**118,707**	43,237
Cash and cash equivalents		**546,186**	721,325
Total current assets		**3,220,825**	3,147,741
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**296,948**	304,221
Trade and bills payables	12	**599,206**	701,644
Contract liabilities		**21,835**	21,059
Other payables and accruals	13	**1,644,959**	877,877
Lease liabilities		**89,075**	—
Tax payable		**141,568**	169,101
Total current liabilities		**2,793,591**	2,073,902
NET CURRENT ASSETS		**427,234**	1,073,839
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,227,964**	3,773,852

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**1,383,551**	1,443,336
Lease liabilities	**131,284**	—
Deferred tax liabilities	**394,582**	427,204
Other long term payables	**7,700**	814,370
Total non-current liabilities	**1,917,117**	2,684,910
NET ASSETS	**1,310,847**	1,088,942
EQUITY		
Equity attributable to owners of the parent		
Share capital	**47,519**	48,179
Treasury shares	**(4,166)**	—
Reserves	**1,129,319**	1,029,483
	1,172,672	1,077,662
Non-controlling interests	**138,175**	11,280
TOTAL EQUITY	**1,310,847**	1,088,942

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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, except for wealth management products which have been measured at fair value. 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 2019. 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 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, amendments to IAS 19 and *Annual Improvements to IFRSs 2015–2017 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 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognises based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Electing to use the transition practical expedient allowing the standard to apply only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	232,275
Decrease in prepaid land lease payments	(13,971)
Decrease in prepayments, other receivables and other assets	(32,194)
Increase in total assets	186,110
Liabilities	
Increase in lease liabilities	186,110
Increase in total liabilities	186,110
Decrease in retained profits	—
Decrease in non-controlling interests	—

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018:	208,845
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	11,968
Weighted average incremental borrowing rate as at 1 January 2019	5.79%
Discounted operating lease commitments as at 1 January 2019	186,110
Lease liabilities as at 1 January 2019	186,110

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales.

Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
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 2019

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Segment revenue: (note 4)			
Sales to external customers	**497,173**	**4,406,095**	**4,903,268**
Segment results	**14,959**	**466,860**	**481,819**
<u>*Reconciliation:*</u>			
Corporate and other unallocated expenses			**(30,926)**
Profit before tax			**450,893**
Segment assets	**375,192**	**5,473,495**	**5,848,687**
<u>*Reconciliation:*</u>			
Corporate and other unallocated assets			**172,868**
Total assets			**6,021,555**
Segment liabilities	**217,613**	**4,119,097**	**4,336,710**
<u>*Reconciliation:*</u>			
Corporate and other unallocated liabilities			**373,998**
Total liabilities			**4,710,708**
Other segment information:			
Depreciation of items of property, plant and equipment	**7,161**	**17,533**	**24,694**
Depreciation of items of right-of-use assets/ recognition of prepaid land lease payments	**2,456**	**91,497**	**93,953**
Amortisation of intangible assets	**299**	**130,762**	**131,061**
Share of loss of an associate	**—**	**9,166**	**9,166**
Impairment loss recognised in the statement of profit or loss, net	**3,119**	**51,406**	**54,525**
Loss/(Gain) on disposal of items of property, plant and equipment	**34**	**(123)**	**(89)**
Capital expenditure*	**939**	**41,492**	**42,431**

* Capital expenditure consists of additions to property, plant and equipment, and intangible assets.

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	501,791	533,286
Reconciliation:			
Corporate and other unallocated expenses			(23,599)
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			346,025
Total liabilities			4,758,812
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
Impairment loss recognised in the statement of profit or loss, net	293	29,170	29,463
Gain on disposal of items of property, plant and equipment	(228)	—	(228)
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 and intangible assets.

Information about major customers

During the year ended 31 December 2019, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB931,874,000 (2018: RMB987,765,000) which accounted for more than 19% (2018: more than 22%) of the Group's total revenue during the year.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**4,859,194**	4,411,263
Rendering of services	**44,074**	35,691
	4,903,268	4,446,954

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments

	Imaging printing products *RMB'000*	**Medical products and equipment** *RMB'000*	**Total** *RMB'000*
Timing of revenue recognition			
Goods transferred at a point time	**497,173**	**4,362,021**	**4,859,194**
Services transferred over time	**—**	**44,074**	**44,074**
Total revenue from contracts with customers	**497,173**	**4,406,095**	**4,903,268**

For the year ended 31 December 2018

Segments

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *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 to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments

	Imaging printing products	**Medical products and equipment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from contracts with customers			
External customers	**497,173**	**4,406,095**	**4,903,268**
Intersegment sales	**330,670**	**790,981**	**1,121,651**
	827,843	**5,197,076**	**6,024,919**
Intersegment adjustments and eliminations	**(330,670)**	**(790,981)**	**(1,121,651)**
Total revenue from contracts with customers	**497,173**	**4,406,095**	**4,903,268**

For the year ended 31 December 2018

Segments

	Imaging printing products	Medical products and equipment	Total
	RMB'000	*RMB'000*	*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:

	2019 *RMB'000*	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**13,205**	19,749
Rendering of services	**7,854**	14,540
	21,059	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 amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**21,835**	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.

	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Government grants *(note)*	**32,323**	28,430
Interest income	**5,837**	2,178
Net gain on financial assets at fair value through profit or loss	**705**	1,493
Net gain on disposal of fixed assets	**89**	—
Others	**321**	475
	39,275	32,576

Note:

The amount represents the 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:

	2019	2018
	RMB'000	*RMB'000*
Finance costs		
Interest on bank loans, overdrafts and other borrowings	**120,256**	123,039
Cash discount	**—**	8,026
Interest on lease liabilities	**10,474**	—
Interest arising from discounted bills	**2,426**	592
	133,156	131,657

6. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**3,637,961**	3,248,123
Depreciation of property, plant and equipment	**24,694**	21,626
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**93,953**	327
Amortisation of other intangible assets	**131,061**	130,993
Research and development costs	**463**	357
Minimum lease payments under operating leases	**—**	24,530
Lease payments not included in the measurement of lease liabilities	**29,645**	—
Auditors' remuneration	**3,000**	3,000
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**210,279**	155,441
Pension scheme contributions	**15,378**	13,274
	225,657	168,715
Foreign exchange differences, net	**3,239**	3,319
Impairment of inventories	**5,118**	1,563
Impairment of trade receivables, net	**9,469**	9,356
Impairment of goodwill*	**39,938**	18,544
Gain on disposal of items of property, plant and equipment	**(89)**	(228)

* 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% (2018:16.5%) on the estimated assessable profits arising in Hong Kong.

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:

	2019	2018
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**186,255**	211,476
Deferred	**(36,616)**	(51,324)
Total tax charge for the year	**149,639**	160,152

A reconciliation of the tax expense applicable to profit before tax at the statutory rates 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:

	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**450,893**		509,687	
Tax at applicable tax rates	**112,723**	**25%**	127,421	25%
Lower tax rate for certain loss making entities in different jurisdictions	**19,366**	**4.3%**	23,790	4.7%
Adjustments to current tax of previous periods	**(498)**	**(0.1%)**	(221)	(0.0%)
Expenses not deductible for tax	**14,984**	**3.3%**	5,958	1.2%
Tax losses not recognised	**1,363**	**0.3%**	974	0.2%
Loss attributable to an associate	**2,291**	**0.5%**	2,230	0.4%
Income not subject to tax	**(590)**	**(0.1%)**	—	—
Tax charge at the effective rates	**149,639**	**33.2%**	160,152	31.4%

The share of tax attributable to an associate amounting to RMB9,166,000 (2018: RMB8,920,000) is included in "Share of profits and losses of an associate" in the consolidated statement of profit or loss.

8. DIVIDENDS

There was no proposed final dividend for the year ended 31 December 2019 (2018: Nil) 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 2,390,627,000 in issue during the year ended 31 December 2019 (2018: 2,182,562,000).

The calculation of basic earnings per share is based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**202,673**	251,746
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(thousands)*	**2,390,627**	2,182,562
Basic earnings per share *(RMB cents)*	**8.5**	11.5

The diluted earnings per share amounts were equal to the basic earnings per share amounts for the years ended 31 December 2019 and 2018, as there were no diluting events during the years ended 31 December 2019 and 2018.

10. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**1,565,120**	1,367,828
Bills receivable	**22,450**	26,968
Impairment	**(26,985)**	(17,516)
	1,560,585	1,377,280

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are 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:

	2019 *RMB'000*	2018 *RMB'000*
Within 90 days	**978,265**	840,067
91 to 180 days	**339,484**	321,194
181 to 365 days	**166,842**	168,620
1 to 2 years	**48,113**	17,752
2 to 3 years	**5,431**	2,679
	1,538,135	1,350,312

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

	2019 *RMB'000*	2018 *RMB'000*
At beginning of year	**17,516**	8,160
Impairment losses, net	**9,469**	9,356
At end of year	**26,985**	17,516

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 2019

		Past due			
	Not past due	**Less than 6 month**	**7 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**0.41%**	**1.12%**	**7.37%**	**28.71%**	**1.72%**
Gross carrying amount	**1,002,983**	**446,784**	**71,362**	**43,991**	**1,565,120**
Expected credit losses	**4,075**	**5,018**	**5,260**	**12,632**	**26,985**

As at 31 December 2018

		Past due			
	Not past due	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.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	RMB'000	*RMB'000*
Prepayments	**61,689**	86,190
Value added tax input	**6,899**	1,660
Deposits and other receivables	**56,829**	41,617
Financial assets measured at amortised cost	**56,507**	—
	181,924	129,467

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

Financial assets measured at amortised cost were entrusted investments due within one year, and the contractual cash flows were solely collection of principal and interest with fixed annual interest rate of 6%.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

12. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**571,453**	652,547
Bills payable	**27,753**	49,097
	599,206	701,644

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

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**545,706**	585,052
91 to 180 days	**12,284**	60,858
181 to 365 days	**11,235**	1,077
1 to 2 years	**2,151**	5,301
Over 2 years	**77**	259
	571,453	652,547

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

	2019	2018
	RMB'000	*RMB'000*
Current portion:		
Other payables	**100,913**	103,898
Value added tax payable	**49,394**	50,425
Payroll and welfare payable	**26,097**	20,391
Interest payable	**29,236**	28,163
Payables for acquisitions of non-controlling interests *(note)*	**1,439,319**	675,000
	1,644,959	877,877
Non-current portion:		
Deferred government grant	**7,700**	7,889
Put options in relation to non-controlling interests *(note)*	**—**	806,481
	7,700	814,370

Note:

Payables for acquisitions of non-controlling interest represent the Group has contractual obligations to acquire the remaining 30% interesting in each of Anbaida Group Companies, Hongen, Shengshiyuan and Kaihongda as at the end of the reporting period.

Put options in relation to non-controlling interests represent the rights granted to the non-controlling shareholders to dispose of the 30% interests in each of Hongen, Derunlijia, Shengshiyuan and Kaihongda to the Group.

The details 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 have reached the annual guarantee profits. The maximum consideration shall 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 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB270 million. Since Hongen has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Ma to purchase the relevant equity interest and a share purchase agreement was signed on 27th March 2020.

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 have reached the annual guarantee profits. The maximum consideration shall 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

   Since Derunlijia has not met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical do not have contractual obligation to purchase the remaining 30% equity interest.

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 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB120 million. Since Shengshiyuan has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as of the announcement date.

e) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Pang 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 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB71.28 million. Since Kaihongda has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Pang to purchase the remaining 30% equity interest. No agreement was reached as of the announcement date.

MANAGEMENT DISCUSSION AND ANALYSIS

About Yestar

Yestar together with its subsidiaries (the "Group") is one of the largest distributors and service providers of In Vitro Diagnostic ("IVD") products in the Peoples Republic of China (the "PRC"). The Group principally engages in the distribution of IVD products in cities of Beijing, Shanghai, Guangzhou and Shenzhen, and in provinces of Anhui, Fujian, Guangdong, Hainan, Hunan, Jiangsu, Hebei and the autonomous region Inner Mongolia. 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

Since late 2018, Chinese authorities have launched a national centralized procurement pilot program in four municipalities and seven local cities, namely the "4+7 Bulk Procurement" policy, aiming to slash drug prices and advance reforms in the national healthcare sector. This was followed by a circular from The State Council on 19 July 2019,《治理高值醫用耗材改革方案》, emphasizing the use of platform for the price-monitoring and centralized procurement of high-value medical consumables. Together, the healthcare sector has slowly shifted from a margin-driven to a volume-driven marketing strategy, as healthcare players became increasingly focus on market share, regional penetration, and local network in order to capture the opportunity. For that specific purpose, the adoption and reliance over established medical distributors, such as Yestar, also became increasingly critical.

On 24 October 2019, China's National Healthcare Security Administration has issued two key technical documents that introduced diagnosis-related groups (DRGs), a patient classification which standardizes payment under the national medical insurance schemes《關於印發疾病診斷相關分組 (DRG) 付費國家試點技術規範和分組方案的通知》. Under the DRG model, patients will be classified into DRGs with similar clinical symptoms and resource needs on the basis of their age, gender, length of stay and clinical diagnosis, and medical fees and insurance payments will thus be based on DRG classification instead of each specific patient. From such grouping, it shows the progress and determination of the Chinese government to implement the Hierarchical medical System, which gradually shifts resources from top-tier hospitals to basic medical institutions, aiming to expand coverage and raise efficiency of its medical services. Given the downward movement of resources, and hence budget, key medical players are increasingly looking for close collaborations with medical distributors for better market penetration.

BUSINESS OVERVIEW

Increased penetration of top-tier hospitals

Yestar retained a strong and solid network among hospitals in China, as they have generated approximately 70% of medical revenue of the Group, versus only 30% coming from distributors. To further capture opportunities coming from the volume-based tendering policy, the Group has been aggressively boosting the installation of Roche's newest modular analyzer, the cobas e801 module in top-tier hospitals. Cobas e801 is compatible with other lab automation systems, and is capable of testing more than 90 types of immunoassays, including 9-minute STAT, and can deliver up to 1,200 tests per hour, which is three time faster than other existing products, across up to 192 reagent positions. It suits well for top-tier hospitals with massive amount of patients, as the system is highly automated, allowing the continuous loading of reagents and consumables and has a high uptime while requiring less hands-on time, improving the overall efficiency. Through the installation of such closed-end system, the Group would be able to raise stickiness of top-tier hospitals, while also laying a solid foundation for lab automation in the PRC as a whole. During the Year, the number of Cobas e801 installed by Yestar accounted for 27% of Roche's 2019 total installation in the PRC.

Given the well-documented cost efficiency of lab automation, it is expected that the upgrade will persist among hospitals in the PRC. With Roche being the market leader in the area, accounting for 35% of market shares in 2019, Yestar, who also involved in 27% of Roche's 2019 total lab automation installation in the PRC, is expected to benefit. The remaining 65% of market share also represents a huge market for Yestar to further penetrate.

Stable organic growth with regional expansion

Between 2014 and 2017, the Group has completed a series of mergers and acquisitions, and organic growth has kicked in after successful integration, with revenue enjoying a 10.3% YoY increase to RMB4,903.3 million during the Year. However, network coverage remains the bread and butter of medical distributors, and Yestar continued to make stride in its geographical expansion. Riding on its entry into Hebei province last year, the Group has once again successfully expanded into Inner Mongolia, the autonomous region, as a result of its continuous upgrade on products and services offering. Since more resources will be flowed to lower-tier medical institutions under the hierarchical medical system, the Group has also strategically focused more on lower-tier hospitals in Hebei. During the Year, the Group newly penetrated into 63 hospitals, in which 90% were second-tier or lower hospitals. In terms of product range, the Group has also adapted its mix to promote middle size machines for diagnostics to cater their specific needs.

Yestar's Northern China centre was recognized as Roche's training centre

During the Year, the Group expanded three of its logistics centres located in Northern China, Eastern China and Southern China. Apart from increasing the gross floor area, the Group also divided certain areas in the Northern China hub and upgraded them for training purpose, including new seminar rooms and labs for equipment demonstration. Through the provision of product education and after-sales services to hospital personnel, lab operators, distributors and others, the Group aims to strengthen client relationship and promote the sales of latest products, Yestar was honored to have the centre recognized by Roche as its designated and authorized training centre. This offers much encouragement as it shows increasing commitment from Roche in Yestar as its major distributor, allowing the Group to radiate its services and products to nearby customers through the latest authorized training center.

Profit Guarantee in relation to the Acquisitions

Reference is made to the announcements of Yestar Healthcare Holdings Company Limited (the "Company") dated 13 October 2016, 27 October 2016, 11 November 2016 and 20 September 2017, respectively, in respect of, amongst other things, the acquisition of 70% equity interests in each of the four companies, 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 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 for each of the four companies for the year ended 31 December 2019.

The Board of the Company announces that the 2019 actual net profit after taxation for each of the four companies (except Derunlijia) is more than that of their respective annual guarantee profit undertaken by the respective vendors for the year ended 31 December 2019. As the annual guarantee profit for each of the four companies (except Derunlijia) has been fulfilled, no compensation is required to be paid by the respective vendors for each of the respective four companies (except Derunlijia) pursuant to their respective share transfer agreements. Details of the performance of profit guarantee for each of the four companies are as follows:

		For the Year Ended 31 December 2019	
Date of Announcement	**Name of Company**	**Annual Profit Guarantee**	**Actual Net Profit After Taxation**
13 October 2016	Guangzhou Hongen Medical Diagnostic Technologies Company Limited (“**Hongen**”)	RMB81.12 million	RMB81.80 million
27 October 2016	Shenzhen De Run Li Jia Company Ltd. (“**Derunlijia**”)	RMB92.00 million	RMB87.12 million
11 November 2016	Guangzhou Shengshiyuan Trading Company Limited	RMB37.20 million	RMB37.57 million
20 September 2017	Beijing Kaihongda Technology Company Limited	RMB21.60 million	RMB21.78 million

Profit Guarantee in relation to Derunlijia

Pursuant to the share transfer agreement in relation to Derunlijia, the vendors shall pay compensation to the purchaser calculated by the following formula in the event that actual net profit after taxation is less than the annual profit guarantee for the respective years ended:

(annual profit guarantee − actual net profit after taxation) x 2

The compensation shall be payable in cash by the vendors to the purchaser within 30 days after the issue of the audited report for the respective years ended.

As disclosed above, the 2019 actual net profit after taxation of Derunlijia was approximately RMB87.12 million, which falls short of the annual profit guarantee of RMB92.00 million undertaken by the vendors of Derunlijia for the year ended 31 December 2019 by approximately RMB4.88 million (the “Profit Shortfall”). Accordingly, the vendors of Derunlijia are obliged to compensate an amount of RMB9.76 million (the “Compensation Amount”) (being 2 times of the amount of Profit Shortfall) to the purchaser.

As at the date of this announcement, the purchaser of Derunlijia has issued a debit note to request the vendors of Derunlijia to pay for the Compensation Amount pursuant to the terms of the share transfer agreement, which is pending for the settlement as 30 days payment term has yet to be due.

As such, the Board considers that the obligation of the vendors of Derunlijia in relation to the annual profit guarantee for the year ended 31 December 2019 has yet to be fulfilled and the issuance of debit note for the Compensation Amount at this stage is fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further announcement will be made by the Company as and when appropriate in respect of the payment of the Compensation Amount by the vendors of Derunlijia.

The Directors of the Company also confirmed that there is no change to the terms of guarantee as stated in all respective share transfer agreement for each of the four companies since its execution up to the date of this announcement.

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2019, 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. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated and each intangible asset. The recoverable amount of each cash-generating unit and individual asset is the higher of its fair value less costs of disposal and its value in use using a cash flow projection based on a financial budget covering a five-year period.

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 RMB39.9 million (2018: 18.5 million), which was due to its lower recoverable amounts in relation to the estimated future business performance and hence the value of the discounted cash flow of that subsidiary taking into account the budgeted gross profit margin and estimated growth rate of different product mixture, which are the assumptions adopted in value-in-used calculation.

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 scheduled use of proceeds as disclosed in the announcement of the Company dated 30 November 2018 was based on the best estimation of future market conditions and business strategy of the Group at the time of preparing the announcement, while the net proceeds were applied with consideration of the actual development of business and market. As at the date of this announcement, the Company intends to use the net proceeds as planned as disclosed in the related announcement. The Directors are not aware of any possible material change to the planned use of proceeds from the allotment of the Subscription Shares as at the date of this announcement.

The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with licensed bank in Hong Kong and the PRC.

As at 31 December 2019, the net proceeds from the allotment of the Subscription Shares have been applied and utilized as follows:

Use of Proceeds from the Subscription Shares

Intended use of net proceeds	**Amount of net proceeds allocated**	**Actual amount utilized for the year ended 31 December 2019**	**Total remaining net proceeds available as at 31 December 2019**	**Amount to be utilized for the six months ending 30 June 2020**	**Amount to be utilized for the year ending 31 December 2020**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Possible acquisition to expand market share	163.88	—	163.88	163.88	—
Repayment of interest bearing borrowings to reduce finance cost	163.88	163.88	—	—	—
General working capital	81.94	40.97	40.97	20.97	20.00
Total	409.70	204.85	204.85	184.85	20.00

The Company expects to utilize the balance of net proceeds from the Subscription Shares by the year ending 31 December 2020 as disclosed above.

FINANCIAL REVIEW

During the Year, the Group achieved a revenue of RMB4,903.3 million (2018: RMB4,447.0 million), representing a 10.3% year-over-year ("yoy") growth. The increment was mainly driven by the increase in sales volume resulted from the IVD business growth, particularly from lower-tier hospitals and some of the new top-tier hospitals. Gross profit also increased by 5.5% to RMB1,265.3 million (2018: RMB1,198.8 million). The increase was mainly driven by the volume growth from medical business. Gross profit margin decreased by 1.2p.p. to 25.8% (2018: 27.0%), primarily attributable to the decrease in product market price as a result of the"4+7 Bulk Procurement" policy.

In order to meet its mid-to-long term goal of ensuring future volume consumption, the Group has since dedicated additional resources to drive the installation of Cobas e801 and lab automation in hospitals, thus leading to a 28.2% yoy increase in selling and distribution expenses for the Year. Administrative expenses also recorded a 12.7% yoy increase, mainly attributable to the increase in manpower for driving business growth. Operating profit margin therefore has decreased to 9.2% (2018: 11.5%), with profit attributable to owners of the parent reducing by 19.5% yoy to RMB202.7 million (2018: RMB251.7 million). Profit margin was at 4.1% (2018: 5.7%). Basic earnings per share was amounted to RMB8.5 cents (2018: RMB11.5 cents).

Medical Business — 89.9% of Overall Revenue

Benefitted from the strategic plans on network expansion, the Group recorded a segment revenue of approximately RMB4,406.1 million for the Year (2018: RMB3,865.5 million), representing an approximately 14.0% growth as compared with that of last year 2018. Segment gross profit margin slightly dropped 1.6p.p. to approximately 26.9% as compared to that of approximately 28.5% of last year.

During the Year, Yestar well-executed its network expansion plan and has successfully penetrated into the Inner Mongolia, an autonomous region. As of 31 December 2019, Yestar had a medical consumable distribution network covering 8 provinces and 4 tier-1 cities in the PRC.

Apart from geographical expansion, the Group also raised its market shares of lower-tier hospitals located in its existing network. During the Year, Yestar has newly penetrated into tier-2 hospitals, driving a further growth in sales volume.

Numbers of Hospitals and Clinics Covered

For the year ended 31 December	2018	2019	YOY change
Provinces			
Anhui	70	70	—
Fujian	66	71	—
Guangdong	348	355	+2%
Hainan	42	54	+29%
Hebei	10	32	+220%
Hunan	16	18	+13%
Jiangsu	260	260	—
Autonomous region			
Inner Mongolia	—	10	N.A.
Tier-1 cities			
Beijing	190	190	—
Guangzhou	110	110	—
Shanghai	310	315	+2%
Shenzhen	69	69	—
Overall	1,491	1,554	+4%

Non-medical Business — 10.1% 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 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 amounted to approximately RMB497.2 million (2018: RMB581.5 million), representing a decrease of approximately 14.5% as compared with that of 2018. Segment gross profit margin remained stable at 15.7% (2018: 16.7%).

Liquidity and Financial Resources

The Group continued to have a healthy financial position for the Year with cash and cash equivalents of approximately RMB546.2 million as at 31 December 2019 (2018: approximately RMB721.3 million). The decrease in cash and cash equivalents was attributable to the repurchase of shares of the Company amounted to approximately RMB42.4 million and the repayment of bank loan during the Year.

As at 31 December 2019, the Group's gearing ratio was approximately 49% (2018: approximately 49%), 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 2019.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2019 was approximately RMB1,680.5 million (2018: approximately RMB1,747.6 million). Except for the Senior Notes of USD200 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 2019 was approximately 1.15 (2018: approximately 1.52), based on current assets of approximately RMB3,221 million and current liabilities of approximately RMB2,794 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 28.2% from approximately RMB231.7 million in 2018 to approximately RMB297.0 million in 2019, and accounted for about 5.2% and about 6.1%, respectively, of the Group's revenue for the respective reporting years. This was partly attributable to the increase in revenue for the Year associated with the continuing increase in distribution expenses for our IVD products in our medical business, as well as the significant spending on the installation of medical equipment and lab automation in hospitals.

Administrative Expenses

The Group's administrative expenses increased by about 12.7% from approximately RMB316.9 million in 2018 to approximately RMB357.1 million in 2019, and accounted for about 7.1% and about 7.3%, respectively, of the Group's revenue for the respective reporting years. This was mainly attributable to the increase in maintenance cost of the medical equipment in hospitals and the increase in manpower and related staff cost, and consolidation in administrative expenses of all the previously acquired companies 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 RMB133.2 million (2018: approximately RMB131.7 million) for the Year.

For the Year, interest rates of the interest-bearing loans ranged from 2.10% to 7.43%, while those for the year ended 31 December 2018 ranged from 3.60% to 7.43%.

Foreign Exchange Exposure

Most of the revenue-generating operations of the Group were transacted in Chinese Yuan which is the presentation currency of the Group. For the 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

Except for the cancellation of shares following the repurchase of shares of the Company during and 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 2019, the Group had 1,081 (2018: 1,013) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB225.7 million for the Year as compared to approximately RMB168.7 million for the year ended 31 December 2018. 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.

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 December 2019, which is required to be disclosed under the Listing Rules.

Future plans for material investments and capital assets

The Group did not have any other plans for material investments and capital assets as at the date of this announcement.

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 2019, none of the Group's property, plant and equipment was pledged (2018: Nil). In addition, bank loans of approximately RMB48.5 million were secured by the pledge of 70% of equity interests for each of Derunlijia 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.

In addition, certain bank loans of the Group are secured by the pledge deposits amounting to RMB88,783,000 (2018: RMB42,522,000) and by the pledge of patent rights of the Group amounting to RMB30,000,000 (2018: nil).

Contingent liabilities

During the Year, a subsidiary of the Group involved with the certain arbitration claims: (i) the acquisition of 30% equity interest in Anbaida Group Companies at consideration of RMB675 million in cash; (ii) payment of interest expenses associated with the above outstanding consideration of acquisition at RMB675 million; and (iii) payment of all legal fee incurred including the fee associated with the arbitration proceeding.

On 27 November 2019, Shanghai Jinshan District People's Court has issued a court order to freeze certain assets of that subsidiary with the equivalent value of approximately RMB769.4 million including bank deposit of RMB29.9 million.

As at the date of this announcement, the arbitration has yet to be resolved. The Directors, based on the advice from the Group's legal adviser, believe that the Group has a valid defence against the arbitration claims for the related interest expenses and no provision was made as at 31 December 2019. Nevertheless, the Group has accrued the purchase consideration of RMB675 million and the certain legal fee in other payables and accruals.

Save as above, the Group had no material contingent liabilities as at 31 December 2019 (2018: Nil).

PROSPECT

Looking into the near future, the Group will continue to increase its market shares by expanding its distribution network, products and services offering.

Network Expansion

Yestar will continue its network expansion plan both horizontally and vertically. Leveraging its market presence and resources, the Group will seek opportunities to penetrate into new regions with market potential. The Group will tap into different tiers of new hospitals by promoting the newest cobas e801 module for top-tier hospitals, and by focusing more on point of sales products for lower-tier hospitals.

The Group will also proactively upgrade its two other logistics centres in Eastern China and Southern China into a multifunctional training centres, with the aim of providing one-stop and comprehensive solutions to its customers on medical products and after-sale services. With these two newly-established centres, the Group is capable to serve other national healthcare groups in the country, proactively tapping into this potential market segment in order to broaden its revenue stream and distribution network.

Collaborate with strategic partners to introduce new products

Yestar will continue to work closely with Roche on the introduction of new products and services in order to remain as one of the key beneficiaries of Roche's strong brand equity and product innovation. In the coming years, the Group will mainly focus on immunoassay and molecular diagnostics products, as there is an increasing incidence of chronic and communicable diseases that leads to the rising need for early diagnosis for immunoassay, along with the fast growing demand of early detection for cancer, infectious diseases and genetic disorders whereas for molecular diagnostics. As the people in the PRC become increasingly health-conscious, Yestar can help patients to take precautionary measures by introducing checkup products to intervene in early stages.

Meanwhile, Fujifilm, Yestar's long term and trustworthy partner, aimed to co-develop products catering the fast-growing medical market in the PRC. The Group has already tapped into some provinces in Northern China through machines installation, including Anhui, Hebei, Inner Mongolia, Jiangsu, Liaoning, Shandong and Tianjin, and will start distributing Fujifim's clinical chemistry products, which are complementary to Roche's products. Leveraging the newly-extended network through Fujifilm's partnership, the Group can introduce a broad range of high-quality products to its customers in the future.

In the face of a coronavirus outbreak, Yestar will also continue to develop medical consumables products in order to further contribute to the combat. Apart from the disinfection consumable products that were launched in February, the Group is expected to commence mass production of the medical disposable mask products in late March 2020.

With the aforementioned strategies on channel and product expansion, the Group is confident to capture more market shares in the China IVD market. Through its healthy financial position, the Group will also continue to seek for suitable merger and acquisition opportunities to enhance its market position and performance, creating more fruitful return to all shareholders.

Events after the Reporting Period

The Group has officially started production of its house brand product ''84 Disinfectant'' and deliver to hospitals in February 2020 for general cleaning and disinfecting of the surface and the environment for the combat of COVID-19. In addition, following the release of the house brand product "84 Disinfectant", the Group has also launched the high quality standard disposable medical mask production and sales in March 2020, in order to provide more personal protective equipment in domestic and global markets to further strengthen the market share in medical healthcare market.

On 27 March 2020, a wholly-owned subsidiary of the Company (the "Purchaser") entered into a share transfer agreement, pursuant to which the Purchaser conditionally agreed to acquire 20% equity interests in Hongen. The consideration is to transfer and dispose of its entire existing business of the distribution of the diagnostics products of Roche Diagnostics (Shanghai) Ltd. in Guangdong province in the PRC to the vendors with value amounted to approximately RMB77 million.

Upon signing the share transfer agreement, the obligation to acquire the all remaining 30% equity interest of Hongen shall release.

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 10 May 2019 (the "2019 AGM") to repurchase its shares not exceeding 10% of the issued shares of the Company at the date of the 2019 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 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 during the Year are set out as follows:

Month/Year of repurchase	**No. of repurchased shares**	**Consideration per share**		**Aggregate consideration paid**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
January 2019	565,000	1.87	1.76	1,023,675
April 2019	1,145,000	1.87	1.69	2,088,030
May 2019	6,220,000	1.85	1.68	10,713,170
June 2019	8,250,000	1.70	1.39	12,690,500
July 2019	7,137,500	1.45	1.00	7,801,200
Aug 2019	185,000	1.43	1.13	244,500
Sept 2019	1,057,500	1.50	1.28	1,496,000
Oct 2019	2,290,000	1.50	1.34	3,062,800
Nov 2019	3,050,000	1.40	1.34	4,105,500
Dec 2019	3,427,520	1.40	1.31	4,637,500
	33,327,500			47,862,875

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 a final dividend for the year ended 31 December 2019 (2018: Nil).

Annual General Meeting

The annual general meeting of the Company (the "AGM") will be held on 22 May 2020 (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 19 May 2020 (Tuesday) to 22 May 2020 (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, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong for registration not later than 4:30 p.m. on 18 May 2020 (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 2019 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

Shanghai, 27 March 2020

As at the date of this announcement, the executive Directors are Mr. Hartono James, Ms. Wang Ying, 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.