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 2023

FINANCIAL HIGHLIGHTS

Revenue from continuing operations increased by approximately 3.9% to approximately RMB2,912.7 million in 2023 from approximately RMB2,804.5 million in 2022.

Gross profit from continuing operations increased by approximately 29.0% to approximately RMB512.8 million in 2023 from approximately RMB397.6 million in 2022.

Profit for the year from continuing operations amounted to approximately RMB1.5 million in 2023 as compared with loss in 2022 amounted to approximately RMB473.9 million. Loss attributable to owners of the Company from continuing operations amounted to approximately RMB9.3 million in 2023 as compared with loss in 2022 amounted to approximately RMB460.3 million.

No recognition of impairment of goodwill and other intangible assets and amortisation of other intangible assets from continuing operations in 2023 as compared with that of RMB122.7 million in 2022.

Reversal of certain financial assets impairment losses of RMB49.3 million recorded in 2023 as compared with recognition of these financial assets impairment losses in 2022 of RMB141.7 million.

Loss per share from continuing operations amounted to RMB0.4 cents in 2023 as compared with loss per share of RMB19.7 cents in 2022.

The Board did not recommend the payment of a final dividend for the year 2023 (2022: 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 consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 (the "Year") together with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000* (Re-presented)
CONTINUING OPERATIONS			
REVENUE	4	**2,912,733**	2,804,524
Cost of sales		**(2,399,951)**	(2,406,972)
Gross profit		**512,782**	397,552
Other income and gains	4	**52,188**	27,736
Distribution and selling expenses		**(116,357)**	(171,199)
Administrative expenses		**(264,221)**	(193,700)
Reversal of/(provision for) impairment losses on financial assets		**38,837**	(139,480)
Other expenses		**(17,480)**	(132,552)
Financial costs	5	**(164,709)**	(273,135)
PROFIT/(LOSS) BEFORE INCOME TAX	6	**41,040**	(484,778)
Income tax (expense)/credit	7	**(39,562)**	10,829
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**1,478**	(473,949)
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION, NET OF TAX		**(2,749)**	(546,645)
LOSS FOR THE YEAR		**(1,271)**	(1,020,594)

	Notes	**2023**	2022
		RMB'000	*RMB'000*
			(Re-presented)
Attributable to:			
Owners of the Company			
— from continuing operations		**(9,316)**	(460,316)
— from discontinued operation		**(4,572)**	(531,916)
		(13,888)	(992,232)
NON-CONTROLLING INTERESTS			
— from continuing operations		**10,794**	(13,633)
— from discontinued operation		**1,823**	(14,729)
		12,617	(28,362)
		(1,271)	(1,020,594)
LOSS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (RMB cents)		**(0.40)**	(19.7)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (RMB cents)	9	**(0.60)**	(42.6)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
		(Re-presented)
LOSS FOR THE YEAR	**(1,271)**	(1,020,594)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(29,128)**	(108,581)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**(963)**	(23,525)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(30,091)**	(132,106)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(31,362)**	(1,152,700)
Attributable to:		
Owner of the Company		
— from continuing operations	**(39,407)**	(592,422)
— from discontinued operation	**(4,572)**	(531,916)
	(43,979)	(1,124,338)
Non-controlling interests		
— from continuing operations	**10,794**	(13,633)
— from discontinued operation	**1,823**	(14,729)
	12,617	(28,362)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**180,466**	173,134
Right-of-use assets		**77,859**	259,059
Other intangible assets		**177,958**	254,566
Goodwill		**100,650**	124,651
Investment in an associate		**—**	32,972
Deferred tax assets		**22,190**	27,389
Total non-current assets		**559,123**	871,771
CURRENT ASSETS			
Inventories		**295,784**	408,066
Trade and bills receivables	10	**690,423**	1,569,191
Prepayments, other receivables and other assets	11	**124,075**	224,517
Pledged deposits		**10**	1,810
Cash and cash equivalents		**203,130**	294,290
Assets classified as held for sale		**1,553,642**	—
Total current assets		**2,867,064**	2,497,874
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,571,642**	1,689,059
Trade payables	12	**404,508**	666,533
Contract liabilities		**33,843**	43,347
Other payables and accruals	13	**646,590**	893,330
Lease liabilities		**27,154**	89,114
Tax payable		**58,229**	118,401
Liabilities associated with assets classified as held for sale		**979,425**	—
Total current liabilities		**3,721,391**	3,499,784
NET CURRENT LIABILITIES		**(854,327)**	(1,001,910)

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**29,601**	119,158
Deferred tax liabilities	**66,693**	85,429
Other long-term payables	**6,944**	7,133
Total non-current liabilities	**103,238**	211,720
NET LIABILITIES	**(398,442)**	(341,859)
EQUITY		
Equity attributable to owners of the Company		
Share capital	**46,576**	46,576
Reserves	**(504,077)**	(455,445)
	(457,501)	(408,869)
Non-controlling interests	**59,059**	67,010
CAPITAL DEFICIENCY	**(398,442)**	(341,859)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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 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 colour photographic paper, industrial NDT x-ray films and PWB films, and trading of imaging equipment; and
- manufacture and sale of medical dry films, medical wet films and dental films, and distribution of medical equipment and diagnostic reagents.

2.1 BASIS OF PREPARATION

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

Going concern basis

As at 31 December 2023, the Group had net current liabilities and total deficiency in net assets of approximately RMB854,327,000 and RMB398,442,000, respectively. Besides, the Group did not repay a principal of US$29,176,000 (equivalent to approximately RMB206,645,000) and overdue interests of US$27,717,000 (equivalent to approximately RMB196,313,000 for the senior notes as at 31 December 2023. As a result, the senior notes and the interests with an aggregate amount of US$222,224,000 (equivalent to approximately RMB1,573,945,000) became default and were payable on demand. In addition, the Group had bank borrowings of RMB194,010,000, among which bank borrowings of RMB170,010,000 are subject to repayment or renewal in the next twelve months after the end of the reporting period. These conditions indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in the preparation of a cash flow forecast cover a 18-month period from the end of the reporting period for assessing whether the Group will have sufficient financial resources to continue as a going concern. Management has also performed a sensitivity analysis by considering a reasonable change in operating cash flows on the forecast period and the headroom of the available working capital. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(a) The Group has been actively negotiating with senior notes holders such that no action will be taken by the holders to demand immediate repayment of the principal and unpaid interest.

On 7 December 2023, the Company announced a proposed offshore debt restructuring of the existing liabilities outstanding under the 9.5% senior notes due 2026 issued by the Issuer in the principal amount of US$194,506,648 by way of a Cayman scheme (the "Scheme"). The Scheme can be approved by a majority in number, representing at least 75% in value, of the holders of Notes who are present and voting at the scheme meeting convened in respect of the Scheme.

By an order made on 19 January 2024 (the "Scheme Convening Order"), the Grand Court of the Cayman Islands (the "Cayman Court") has directed that a meeting of Scheme Creditors (the "Scheme Meeting") be convened for the purpose of considering and, if thought fit, approving the Scheme on 19 February 2024.

On 19 February 2024, a total of 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 participated in the scheme meeting with 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 voting in favour of the Scheme (being a majority in number of the Scheme Creditors attending and voting at the Scheme Meeting either in person or by proxy and representing 100% of the total value of the Scheme Creditors attending and voting). As such, the Scheme has been approved by the requisite majorities of the scheme creditors. The Scheme will be subject to subsequent approval and sanction of the Court.

On 28 February 2024, the Court granted the approval and sanction to the Scheme.

On 14 March 2024, the Group has fully settled the redemption payment of US$60,500,000 (equivalent to approximately RMB434,738,000). Related work fee, consent fee and reimbursement of legal fee totaled US$11,197,000 (equivalent to approximately RMB80,459,000) were incurred. The proposed debt restructuring was completed.

Further details of the debt restructuring referred to the Company's announcements dated 7 December 2023, 24 January 2024, 20 February 2024, 1 March 2024, 11 March 2024; and 14 March 2024;

(b) The Group has been actively negotiating with existing lenders for the renewal of or extension for repayment of outstanding borrowings;

(c) The Group will continue to negotiate with various financial institutions and identify various options for financing the Group's working capital and commitments in the foreseeable future; and

(d) The Group has implemented measures to develop new markets, speed up the collection of outstanding accounts receivables, and control costs and expenses so as to generate adequate net cash inflows.

The Directors, including members of the audit committee, have reviewed the Group's cash flow forecast prepared by management which covers a period of 18-month from the end of the reporting period and relevant sensitivity analysis. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

Notwithstanding the above, the validity of the going concern basis would be dependent upon the following:

(i) successfully negotiating with the Group's existing lenders for the renewal of or extension for repayment of outstanding borrowings;

(ii) successfully negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future; and

(iii) successfully developing new markets, speeding up the collection of outstanding accounts receivables, and controlling costs and expenses so as to generate adequate net cash inflows.

These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated net amortisation values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

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 2023. 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 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).

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Except for Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies, none of these new or amended IFRSs has a material impact on the Group's results and financial position for the current or prior year and financial statements disclosures.

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following amendments to IFRSs, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[2]
Amendments to IAS 1	Non-Current Liabilities with Covenants[2]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 No mandatory effective date yet determined but available for adoption.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company is currently assessing the impact of these new accounting standards and amendments. The Group does not expect these amendments to have a material impact on the Group's financial statements.

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 colour 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.

Year ended 31 December 2023

	Continuing operations			Discontinued operation	
	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Subtotal *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Year ended 31 December 2023					
Segment revenue: *(note 4)*					
Sales to external customers	236,767	2,675,966	2,912,733	1,792,346	4,705,079
Intersegment sales	85,013	107,909	192,922	234	193,156
Reconciliation					
Elimination of intersegment sales	(85,013)	(107,909)	(192,922)	(234)	(193,156)
Revenue	236,767	2,675,966	2,912,733	1,792,346	4,705,079
Segment results	24,791	1,127	25,918	44,190	70,108
Reconciliation					
Corporate and other unallocated expenses			15,122		15,122
(Loss)/profit before tax			41,040		85,230
Segment assets	134,647	1,720,847	1,855,494	1,553,642	3,409,136
Reconciliation:					
Corporate and other unallocated assets			17,051		17,051
Total assets			1,872,545		3,426,187

	Continuing operations			Discontinued operation	
	Imaging printing products	Medical products and equipment	Subtotal	Medical products and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023					
Segment liabilities	**152,749**	**2,669,457**	**2,822,206**	**979,425**	**3,801,631**
Reconciliation:					
Corporate and other unallocated liabilities			**22,998**		**22,998**
Total liabilities			**2,845,204**		**3,824,629**

	Continuing operations				Discontinued operation	
	Imaging printing products	Medical products and equipment	Corporate and unallocated	Subtotal	Medical products and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment information:						
Depreciation of property, plant and plant, and equipment	4,734	18,120	—	22,854	15,681	38,535
Depreciation of right-of-use assets	1,556	33,988	—	35,544	67,451	102,995
Amortisation of intangible assets	53	22,556	—	22,609	6,917	29,526
Share of profit of an associate	—	—	—	—	(1,341)	(1,341)
Impairment losses recognised/(reversed) in the statement of profit or loss	(15,414)	15,646	(33,464)	(33,232)	37,093	3,861
Gain on disposal of property, plant and equipment	(14)	(394)	—	(408)	(32)	(440)
Gain on disposal of right-of-use assets	—	—	—	—	(291)	(291)
Interest income	(222)	(1,747)	(422)	(2,391)	(461)	(2,852)
Finance costs	1,459	163,250	—	164,709	55,202	219,911
Impairment loss on disposal group classified as held for sale	—	—	—	—	34,000	34,000
Gain on extinguishment of a portion of senior notes	—	(24,705)	—	(24,705)	—	(24,705)
Capital expenditure*	4,940	73,164	—	78,104	15,349	93,453

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

Year ended 31 December 2022

	Continuing operations			Discontinued operation	
	Imaging printing products	Medical products and equipment	Subtotal	Medical products and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Year ended 31 December 2022					
Segment revenue: *(note 4)*					
Sales to external customers	263,629	2,540,895	2,804,524	1,489,458	4,293,982
Intersegment sales	96,294	100,157	196,451	234	196,685
Reconciliation					
Elimination of intersegment sales	(96,294)	(100,157)	(196,451)	(234)	(196,185)
Revenue	263,629	2,540,895	2,804,524	1,489,458	4,293,982
Segment results	(150,331)	(285,708)	(436,039)	(622,564)	(1,058,603)
Reconciliation					
Corporate and other unallocated expenses			(48,739)		(48,739)
Loss before tax			(484,778)		(1,107,342)
Segment assets	99,291	1,645,970	1,745,261	1,619,281	3,364,542
Reconciliation:					
Corporate and other unallocated assets			5,103		5,103
Total assets			1,750,364		3,369,645

	Continuing operations			Discontinued operation	
	Imaging printing products	Medical products and equipment	Subtotal	Medical products and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Year ended 31 December 2022					
Segment liabilities	100,335	2,671,125	2,771,460	916,989	3,688,449
Reconciliation:					
Corporate and other unallocated liabilities			23,055		23,055
Total liabilities			2,794,515		3,711,504

	Continuing operations				Discontinued operation	
	Imaging printing products	Medical products and equipment	Corporate and unallocated	Subtotal	Medical products and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Re-presented)		(Re-presented)	(Re-presented)	
Other segment information:						
Depreciation of property, plant and equipment	6,012	15,615	—	21,627	15,610	37,237
Depreciation of right-of-use assets	2,523	33,629	—	36,152	72,896	109,048
Amortisation of intangible assets	66	29,793	—	29,859	54,632	84,491
Share of profit of an associate	—	—	—	—	(19,731)	(19,731)
Impairment losses recognised in the statement of profit or loss	96,892	125,015	61,057	282,964	659,723	942,687
Gain on disposal of property, plant and equipment	(4)	(336)	—	(340)	—	(340)
Gain on disposal of right-of-use assets	—	(4)	—	(4)	—	(4)
Interest income	(1,499)	(1,179)	(2,283)	(4,961)	(618)	(5,579)
Finance costs	1,322	271,813	—	273,135	25,440	298,575
Capital expenditure*	30	11,285	—	11,315	14,466	25,781

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

Information about a major customer

During the year ended 31 December 2023, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB664,781,000 (2022: RMB667,784,000), which accounted for 22.8% (2022: 23.8%) of the Group's total revenue from continuing operations 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:

	2023 ***RMB'000***	2022 *RMB'000* (Re-presented)
Continuing operations		
Revenue from contracts with customers	**2,912,733**	2,804,524

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2023

Segments

	Imaging printing products ***RMB'000***	**Medical products and equipment** ***RMB'000***	**Total** ***RMB'000***
Continuing operations			
Types of goods or services			
Sale of goods	**227,093**	**2,635,087**	**2,862,180**
Rendering of services	**9,674**	**40,879**	**50,553**
Total revenue from contracts with customers	**236,767**	**2,675,966**	**2,912,733**
Timing of revenue recognition			
Goods transferred at a point in time	**227,093**	**2,635,087**	**2,862,180**
Services transferred over time	**9,674**	**40,879**	**50,533**
Total revenue from contracts with customers	**236,767**	**2,675,966**	**2,912,733**

Year ended 31 December 2022

Segments

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000* (Re-presented)	Total *RMB'000* (Re-presented)
Continuing operations			
Types of goods or services			
Sale of goods	260,913	2,488,459	2,749,372
Rendering of services	2,716	52,436	55,152
Total revenue from contracts with customers	263,629	2,540,895	2,804,524
Timing of revenue recognition			
Goods transferred at a point in time	260,913	2,488,459	2,749,372
Services transferred over time	2,716	52,436	55,152
Total revenue from contracts with customers	263,629	2,540,895	2,804,524

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

	2023 ***RMB'000***	2022 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**24,528**	48,732
Rendering of services	**18,819**	26,142
	43,347	78,874

(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 30 to 90 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 amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December is as follows:

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**33,843**	43,347

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

(iii) Other income and gains

	2023	2022
	RMB'000	*RMB'000*
		(Re-presented)
Continuing operations		
Government grants *(note a)*	**11,384**	10,094
Compensation income *(note b)*	**11,022**	—
Interest income	**2,391**	4,961
Foreign exchange differences, net	**—**	10,032
Net gain on disposal of property, plant and equipment	**408**	340
Gain on disposal of right-of-use assets	**—**	4
Gain on extinguishment of a portion of senior notes	**24,705**	—
Others	**2,278**	2,305
	52,188	27,736

Note:

(a) 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.

(b) The amount represents the compensations received from the vendor of equity interest in Derunlijia in connection with profit guarantee for the acquisition of 70% equity interest in Derunlijia. As the actual net profit achieved by Derunlijia for the year ended 31 December 2019 was less than the annual actual guarantee profit, the vendor of Derunlijia was obliged and paid the compensation of approximately RMB9.8 million and related interest of approximately RMB1.2 million to the Group pursuant to the share transfer agreement dated 27 October 2016.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Re-presented)
Continuing operations		
Interest on bank loans, overdrafts and other borrowings	**141,686**	247,177
Interest on overdue equity acquisition consideration	**19,058**	21,540
Interest on lease liabilities	**3,710**	4,022
Interest arising from discounted bills	**255**	396
	164,709	273,135

6. PROFIT/(LOSS) BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
		(Re-presented)
Continuing operations		
Auditor's remuneration	**3,350**	4,100
Cost of inventories sold and services provided (including the related depreciation and amortisation), also included:	**2,399,951**	2,406,972
Impairment of inventories	**5,605**	20,754
Depreciation of property, plant and equipment	**22,854**	21,627
Depreciation of right-of-use assets	**35,545**	36,152
Amortisation of other intangible assets	**22,611**	29,859
Research and development costs	**35,735**	21,151
Lease payments not included in the measurement of lease liabilities	**8,175**	11,462
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	**152,625**	153,390
Pension scheme contributions	**10,872**	11,407
	163,497	164,797
Foreign exchange differences, net	**7,197**	(10,032)
Impairment of goodwill*	**—**	1,439
Impairment of other intangible assets*	**—**	121,291

* The impairment of goodwill and other intangible assets 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% (2022: 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 profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Yestar Medical was accredited as a high and new technology enterprise ("HNTE") in the year ended 31 December 2019. The HNTE certificate needs to be renewed every three years so as to enable Yestar Medical to enjoy the preferential CIT rate of 15%. For the year ended 31 December 2023, Yestar Medical was entitled to a Corporate Income Tax ("CIT") rate of 15% (2022: 15%) due to HNTE.

The major components of income tax charge/(credit) for the year are as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Re-presented)
Continuing operations		
Current — PRC		
Charge for the year	**45,878**	31,430
Deferred	**(6,316)**	(42,259)
Total tax charge/(credit) for the year	**39,562**	(10,829)

8. DIVIDENDS

There was no proposed final dividend for the year ended 31 December 2023 (2022: Nil) which would be subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 2,331,590,000 in issue during the year ended 31 December 2023 (2022: 2,331,590,000).

The calculation of basic loss per share is based on:

	2023	2022
	RMB'000	*RMB'000*
		(Re-presented)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation:		
— from continuing operations	**(9,316)**	(460,316)
— from discontinued operation	**(4,572)**	(531,916)
	(13,888)	(992,232)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation *(thousands)*	**2,331,590**	2,331,590
Basic loss per share *(RMB cents)*	**(0.60)**	(42.6)

Diluted loss per share are as the basic loss per share for the years ended 31 December 2023 and 2022, as there were no dilutive potential ordinary shares in existence during the years or in prior year.

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**721,832**	1,612,234
Bills receivables	**27,479**	18,667
Provision for impairment	**(58,888)**	(61,710)
	690,423	1,569,191

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:

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**320,808**	757,039
91 days to 180 days	**135,096**	481,095
181 days to 365 days	**110,678**	172,596
1 to 2 years	**60,247**	134,333
2 to 3 years	**36,115**	5,461
	662,944	1,550,524

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**61,710**	59,183
Impairment losses, net	**10,007**	2,716
Amount written off as uncollectable	**—**	(189)
Reclassified as held for sale	**(12,829)**	—
At end of year	**58,888**	61,710

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, and customer type). 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.

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 2023

			Past due		
	Not past due	**Less than 6 months**	**7 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**1.14%**	**2.46%**	**7.08%**	**47.50%**	**8.16%**
Gross carrying amount	**391,983**	**195,425**	**35,199**	**99,225**	**721,832**
Expected credit losses	**4,459**	**4,804**	**2,491**	**47,134**	**58,888**

As at 31 December 2022

			Past due		
	Not past due	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	0.54%	1.71%	5.71%	39.15%	3.83%
Gross carrying amount	1,061,177	338,453	98,664	113,940	1,612,234
Expected credit losses	5,681	5,789	5,630	44,610	61,710

Management assessed that the expected credit loss for bills receivable, which are all bank acceptance notes, was immaterial and it was not recognised (2022: Nil). Those banks who issued the bank acceptance notes are creditworthy banks with no recent history of default.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Prepayments	**52,921**	76,695
Value added tax inputs	**22,722**	23,966
Deposit and other receivables	**118,502**	209,557
Financial assets measured at amortised cost	**22,775**	56,413
	216,920	366,631
Impairment allowance	**(92,845)**	(142,114)
	124,075	224,517

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

The movements in the loss allowance for impairment of deposits, other receivables and financial assets measured at amortised cost are as follows:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**142,114**	—
Impairment losses, net	**(47,629)**	139,288
Exchange realignment	**721**	2,826
Reclassified as held for sale	**(2,361)**	—
At end of year	**92,845**	142,114

As at 31 December 2023, the impairment allowance of deposits, other receivables and financial assets measured at amortised cost were approximately RMB70,070,000 and RMB22,775,000 (2022: RMB85,701,000 and RMB56,413,000), respectively.

12. TRADE PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**382,869**	635,960
91 days to 180 days	**17,540**	10,415
181 days to 365 days	**2,211**	3,082
1 to 2 years	**127**	15,773
Over 2 years	**1,761**	1,303
	404,508	666,533

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

13. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Current portion		
Other payables	**29,281**	116,578
Other tax payable	**39,442**	34,292
Payroll and welfare payable	**18,214**	20,479
Interest payable	**197,022**	66,150
Payables to non-controlling interests *(note)*	**362,631**	655,831
	646,590	893,330
Non-current portion		
Deferred government grant	**6,944**	7,133
	6,944	7,133

Notes:

Payables to non-controlling interests mainly represent the contractual obligations of the Group to acquire the remaining 5.83% interests in Anbaida Group Companies and the remaining 30% interests in each of Shengshiyuan and Kaihongda. Besides that, the amount due to a non-controlling interest is Nil (2022: RMB230,000,000), which is unsecured and interest bearing at a interest rate of 15% and will be repaid within one year as at the end of the reporting period. The details of the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Shengshiyuan and Kaihongda are as follows:

(a) Pursuant to the share purchase agreement entered into 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 interests in Anbaida Group Companies and Mr. Li Bin and Mr. Li Changgui 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 have met the annual guarantee profit targets for the years from 2015 to 2017, the Group is obligated to acquire the remaining 30% equity interest in Anbaida Group Companies. Yestar Medical reached a new separate share transfer agreement on 7 August 2020 with Mr. Li Bin and Mr. Li Changgui to acquire the remaining 30% equity interest in Anbaida Group Companies. Yestar Medical shall purchase the remaining 30% equity interest in each of Anbaida Group Companies at a consideration of RMB675 million. As at 31 December 2023, the Company completed the acquisition of a 24.17% equity interest and paid RMB543,750,000 to Mr. Li Bin and Mr. Li Changgui, the remaining unpaid amount of RMB131,250,000 (2022: RMB131,250,000) and related interest of RMB25,148,000 (2022: RMB6,090,000) was recorded in payables to non-controlling interests.

As at 31 December 2023, the carrying amount of RMB125,325,000 related to dividend payable to Mr. Li Bin and Mr. Li Changgui, which was reclassified to liabilities associated with assets classified as held for sale as set out in note 14 (2022: RMB86,275,000 was recorded in the payables to non-controlling interests).

(b) Pursuant to the share purchase agreement entered into 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 shareholders of the remaining 30% equity interest of Shengshiyuan to purchase their remaining 30% equity interest. No agreement was reached as at the date of this report.

As at 31 December 2023, the Group recognised the consideration payable of RMB112,702,000 (2022: RMB112,702,000) and dividend payable to the above shareholders of Shengshiyuan of RMB20,989,000 (2022: RMB18,420,000) in the payables to non-controlling interests.

(c) Pursuant to the share purchase agreement entered into 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 was negotiating with shareholders of the remaining 30% equity interest of Kaihongda to purchase the remaining 30% equity interest. No agreement was reached as at the date of this report.

As at 31 December 2023, the Group recognised the consideration payable of RMB65,336,000 (2022: RMB65,336,000) and dividend payable to the above shareholders of Kaihongda of RMB7,206,000 (2022: RMB5,758,000) in the payables to non-controlling interests.

14. DISCONTINUED OPERATION

On 30 December 2022, Yestar Medical ("the Vendor"), the indirect wholly-owned subsidiary of the Company, and Mr. Li Bin (the "Purchaser"), the non-controlling shareholders of the Anbaida Group Companies (the "Disposal Group"), entered into an equity transfer agreement (the "2022 Equity Transfer Agreement") to sell the 94.2% equity interests in the Disposal Group to the Purchaser, at a consideration of RMB574,750,000.

The Purchaser was the founder of the Disposal Group and was appointed as an executive Director on 18 June 2021 and resigned on 31 December 2021. As at the end of the reporting period, the Purchaser holds 164,600,600 shares, representing approximately 7.1% equity interests in the Company.

According to the 2022 Equity Transfer Agreement, the consideration is RMB574,750,000. The Purchaser agreed to pay the consideration less the outstanding amount of RMB131,250,000 and the interest expenses of RMB25,148,000 to be paid by the Vendor to the Purchaser in accordance with the 2020 Equity Transfer Agreement. Pursuant to the 2022 Equity Transfer Agreement, the dividend payable of RMB125,325,000, which representing the undistributed profits shall be payable by the Vendor to the Purchaser, is exempt from payment.

Details in relation to the 2022 Equity Transfer Agreement refer to the Company's announcement dated 30 December 2022.

The disposal of the Group's interest in the Disposal Group was to improve the liquidity and the overall financial position of the Group. On 28 December 2023, the terms of the 2022 Equity Transfer Agreement were approved by the shareholders in an extraordinary general meeting of the Company. The disposal transaction was completed subsequently on 12 January 2024. As such, the Disposal Group was classified as disposal group held for sale and are presented separately in the consolidated statement of the financial position at 31 December 2023. Since the operation of the Disposal Group represents a separate major geographical area of operations, i.e. sales and distribution of In-Vitro Diagnostic products, medical equipment and other related consumables in Shanghai, it is therefore reclassified to discontinued operation in the consolidated statement of profit or loss and other comprehensive income. Comparative figures have been restated to conform with the presentation where applicable.

The financial performance and cashflow information of the discontinued operation presented below are for the year ended 31 December 2023 and 2022.

	2023	2022
	RMB'000	*RMB'000*
Revenue	**1,792,346**	1,489,458
Cost of sales	**(1,384,473)**	(1,178,301)
Gross profit	**407,873**	311,157
Other income and gains	**10,713**	9,956
Selling and distribution expenses	**(193,391)**	(136,916)
Administrative expenses	**(91,539)**	(142,404)
Provision for impairment losses on financial assets	**(1,215)**	(2,524)
Other expenses	**(34,390)**	(656,124)
Finance costs	**(55,202)**	(25,440)
Share of profit of an associate	**1,341**	19,731
Profit/(loss) before tax	**44,190**	(622,564)
Income tax (expense)/credit	**(46,939)**	75,919
Loss for the year from discontinued operation	**(2,749)**	(546,645)
Cash flow from discontinued operation		
Net cash outflow from operating activities	**201,086**	(35,943)
Net cash outflow from investing activities	**(15,230)**	(14,466)
Net cash inflow from financing activities	**(145,412)**	19,528
Net cash inflow/(outflow)	**40,444**	(30,881)

The major classes of assets and liabilities of the discontinued operation classified as held for sale as at 31 December 2023 are as follows:

	2023
	RMB'000
Assets	
Property, plant and equipment*	**42,233**
Right-of-use assets*	**121,783**
Other intangible assets*	**43,222**
Goodwill*	**—**
Investment in an associate	**34,313**
Deferred tax assets	**5,706**
Inventories	**143,803**
Trade and bills receivables	**899,147**
Prepayments, other receivables and other assets	**108,652**
Cash and cash equivalents	**154,783**
Assets classified as held for sale	**1,553,642**
Liabilities	
Interest-bearing bank and other borrowings	**100,000**
Trade payables	**281,234**
Contract liabilities	**17,988**
Other payables and accruals	**265,832**
Dividend payable	**125,325**
Lease liabilities	**104,979**
Tax payable	**72,747**
Deferred tax liabilities	**11,320**
Liabilities directly associated with assets classified as held for sale	**979,425**

* An impairment loss totalled 34,000,000 was recognised against the carrying amount of goodwill, property, plant and equipment, right-of-use assets and other intangible assets of RMB24,001,000, RMB2,038,000, RMB5,876,000 and RMB2,085,000 respectively on the measurement of the disposal group to lower of its carrying amount and fair value less cost to sell has been recognised and included in discontinued activities.

MANAGEMENT DISCUSSION AND ANALYSIS

About Yestar

Yestar is one of the largest distributors and service providers of In Vitro Diagnostic ("IVD") products in the People's Republic of China (the "PRC"). The Group principally engages in the distribution of IVD products in the cities of Beijing, Guangzhou and Shenzhen, and the provinces of Anhui, Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu and 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".

Corporate Strategy, Business Model and Culture

The Group has the mission to expand and consolidate its market share making itself one of the largest distributors and service providers of IVD products in the PRC and manufacturing IVD reagents under its house brand, whilst maintaining long-term sustainable profitability and asset growth with the adoption of a predetermined business model and strategy and prudential risk and capital management framework. To enable the Group to implement the business model and enhance profitability, the Board creates a culture that respects and promotes opportunities to exchange ideas for its research and development, financial and operating procedures, the management will implement and consolidate its corporate culture across all levels of the Group. The Board plays a leading role in defining the purpose, values and strategic direction of the Group and in fostering a culture that is forward looking and competitiveness focused. The desired culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders. The Board oversight of culture encompasses a range of measures and tools over time, including workforce engagement, employee retention and training, stringent financial reporting, effective and accessible whistleblowing framework, legal and regulatory compliance (including compliance with the Code of Conduct and group policies), as well as staff safety, wellbeing and support.

To be substantiable and enhance long term value of the shareholders, for the year 2023, the Group strives to promote its IVD products and obtained 49 IVD product registration/filing certificates, including 33 for biochemical reagents, 7 for immunological reagents and 9 for the filing of cleansing agents. As at the end of 2023, the Group has obtained a total of 99 IVD product registration/filing certificates.

To consolidate our market share and position, the Group has already established an independent marketing team to make full use of its extensive marketing network and to enhance the sales of IVD products under the house brand "Yes!Star". The Group actively participates in the collective procurement bidding of medical film across the country in order to expand the market penetration of medical film developed independently by the Group.

The Board and the management have played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group; the Group's business strategic drive for business expansion; and the Group's strategic goals to motivate staff to achieve business and financial targets. Taking into account the corporate culture, the Board considers that the culture and the purpose, value and strategy of the Group are aligned.

MARKET OVERVIEW

For the year 2023, the downward trend of the global economy has gradually slowed down, while the economy of the PRC has shown positive momentum. According to the preliminary estimated data published by the National Bureau of Statistics on 17 January 2024, China's gross domestic product (GDP) for 2023 was RMB126,058.2 billion, representing a year-on-year increase of 5.2%. It symbolized a steady recovery in the national economy.

Looking back for the year 2023, the medical industry, especially the IVD market in the PRC remained growing and increasingly an important sector within the national healthcare system. The demand for medical device products and the medical healthcare market in the PRC continued to grow rapidly, and such continual growth is driven by a combination of favourable socio-economic factors (i) the growth of the PRC population's disposable income and spending on healthcare, (ii) the increase of the overall PRC population both in urban and rural area and the accelerated ageing population, (iii) the expansion of the PRC economy, and (iv) strong support from the PRC government on healthcare spending as well as on continuous technological innovation. In addition, the PRC government has issued various policies in recent years to increase infrastructure construction and capital investment in the medical field and promote the localization and innovation of medical devices. All the above promoted the rapid, steady and high-quality development of the medical healthcare industry in the PRC.

From the perspective of market size, current market size of our medical healthcare in the PRC is about USD17.5 billion in 2023, which contributed China becomes the second largest market for medical devices globally after the United States of America; while the growth rate of medical industry in the PRC is expected to reach USD 21 billion by 2028, with an annual growth rate of around 4% to 5%. The Group expects that there will be significant growth potential for the healthcare market, especially the IVD industry in the PRC, driven by strong fundamentals and evolving dynamics.

BUSINESS OVERVIEW

Research, Production and Sale of IVD Products

1. *Product Registration*

In 2023, the Group obtained 49 IVD product registration/filing certificates, including 33 for biochemical reagents, 7 for immunological reagents and 9 for the filing of cleansing agents. As at the end of 2023, the Group has obtained a total of 99 IVD product registration/filing certificates.

2. *Successful Bids for Centralised Procurements in the PRC*

In year 2023, the Group put in 17 bids for the centralised quantity-specific procurements of biochemical reagents for renal function and cardiac enzymes organised by the National Healthcare Security Administration to supply the IVD reagents of the Group's in-house brand named "Yestar Smart" (巨星思邁) to a coalition of 24 provinces and won all these bids. Biochemical reagents for renal function and cardiac enzymes are items in the biochemical test category with high added value. The winning of these centralised quantity-specific procurements was a major milestone in the Group's effort to further expand the domestic market of its in-house biochemical IVD product brand.

3. *Marketing in the PRC*

The Group commences the marketing of the IVD products of its in-house brand named "Yestar Smart" (巨星思邁) in the PRC upon obtaining the respective marketing approvals of such products. As of the date hereof, the Group has attracted over 20 second- and third-tier hospitals in Guangxi, Guangdong, Jiangsu, Hainan, Guizhou and other regions. The Group aims at providing its customers with products and services with high value for money. In view of the overall national policy to replace foreign products with domestic ones, the Group gained sales momentum by proactively carrying out the research and development ("R&D"), production and sale of cleansing agents and auxiliary consumables for the chemiluminescent immunoassay (CLIA) devices of certain international brands of auxiliary products, and rigorously expanding their markets. Fully automatic CLIA devices (model numbers: SMART-1200, SMART-2000 and SMART-9000) developed independently by the Group use auxiliary reagents based on directly chemiluminescent acridinium esters. In clinical applications, they can detect the amount of its targets in samples of human serum, blood plasma, whole blood and urine. Major targets include cardiomyopathy, functional gastrointestinal disorders, bleeding disorders and coagulopathy, tumour-associated antigens, hormones, infectious diseases and other diseases. With their unique and innovative characteristics, CLIA products provide creative testing methods and diagnostic and treatment solutions for clinical diagnosis. Moving forward, they will provide key engines of sales growth and strong support for the high-quality development of the Group.

4. *Development in Overseas Markets*

Focusing on its “YESTAR SMART” films and fully automatic CLIA products, the Group started to explore overseas markets in 2023 in collaboration with a partner with exhibition and client resources across the world.

Due to their populations and healthcare security policies, Southeast Asian countries exhibit surging demand for medical devices. Furthermore, the Group has accumulated years of experience and resources in business operations in those countries. As such, the Group has chosen Southeast Asia as its first presence for overseas market development. As at the date hereof, it has established stable partnerships with distributors in certain Southeast Asian countries. In particular, the Group commenced precise sales activities and successfully recorded bulk product sales in Vietnam. In the meantime, the Group has been in active communications and negotiations with partners in other Southeast Asian countries with the aim of creating win-win outcomes from future collaborations.

In addition to Southeast Asia, the Group also rigorously expanded into other overseas markets, such as Turkey and Malaysia. The Group will thoroughly study local market demands and formulate customised marketing strategies according to respective local features so as to constantly improve the competitive strengths of its products in the international market.

Pet Products

The pet market in the PRC is ushering in a golden age with innovative product categories and provides ample room for developing strong pet product brands. The Group entered the pet market in 2023 by launching cat litter and pet foods (such as cat foods) of its in-house brands with a view to creating new profit streams.

Conventional Film Business

In year 2023, the Group proactively promoted the laser films and thermal films of its in-house brands, commenced the consigned processing business and expanded the production capacity of industrial films, thereby setting a new record of total annual film output. Meanwhile, it also introduced the latest technologies and commercialised the results of its scientific research in order to conduct assimilation, integration and re-development with an aim to aggressively expand the film and related business. It sped up the R&D and production of 780nm laser films and laser film printers and resumed the production and sale of 135 colour film rolls in an effort to extend the scope of Yestar’s products and broaden the Group’s profit stream. The Group also puts great emphasis on the management of its intellectual properties, constantly sums up its R&D and production experience, and patents and protects innovative technologies arising from such experience in a timely manner so as to broaden the scope of its intellectual properties and bolster its long-term growth. As at the end of 2023, the subsidiary of the Group in Guangxi has been granted a total of 152 patents, utility model, software copyrights and other authorisations.

Technological R&D

To bolster its continuous R&D and innovation abilities as well as core competitive strengths, the Group attracts and retains outstanding scientists and researchers in order to lay the foundation and support for future product upgrades, R&D and innovations as well as commercialisation in the IVD field. Its subsidiary in Guangxi established an IVD R&D centre in year 2023 to integrate product R&D, talent grooming, inspection and testing, the application of results as well as other comprehensive functions. The Group has also expanded its investment in the R&D and innovation of the conventional film business, thereby developing a series of technologies, techniques, materials and equipment with enormous market potential.

Recruitment and Grooming of Talent

The Group firmly upholds the belief that talent is the most precious asset of an enterprise and, therefore, actively recruits, selects and nurtures talent, especially in the R&D, technological and marketing fields. In 2023, the Group attracted a number of outstanding members to its team by establishing a comprehensive incentive scheme.

Capitalising on its team of high-caliber members, the IVD R&D centre set up in 2023 by the Group's subsidiary in Guangxi has formulated a multi-dimensional corporate R&D system to strengthen product R&D abilities as well as technological innovation and upgrade capacities. It has also established separate sales teams with elite members for medical, imaging, pet and other product categories. Each of these teams focuses on the sale and marketing of specific products so as to respond and adjust sale strategies in a timely manner. In addition, we have also reinforced our internal training and staff ability advancement programmes so as to enhance the work skills and overall attributes of the staff and provide constant push for the Group's development.

Disposal of Anbaida Group Companies and Discontinued Operation

References are made to the announcement and the supplemental announcement of the Company dated 30 December 2022 and 23 March 2023 and the circular of the Company dated 13 December 2023 in relation to the equity transfer agreement, pursuant to which a subsidiary of the Company conditionally agreed to sell, and Mr. Li Bin conditionally agreed to acquire the shares of Anbaida Group Companies at a Consideration of RMB574,750,000 (the "Disposal").

On 28 December 2023, the Company convened an extraordinary general meeting to approve all related resolutions in relation to the Disposal, and all resolutions were duly passed. Since all the conditions precedent under the equity transfer agreement have been fulfilled and the completion took place on 12 January 2024 in accordance with the terms of the equity transfer agreement. Following the completion, the Company has ceased to hold any equity interests in Anbaida Group Companies. Accordingly, Anbaida Group Companies have ceased to be the subsidiaries of the Company and will no longer be consolidated into the financial statements of the Group, and hence it is therefore reclassified to discontinued operation in the consolidated financial statements of the Company.

Arbitration

Reference is made to the announcement of the Company dated 11 November 2016 (the "Announcement") in respect of, amongst other things, the acquisition of 70% equity interests in Guangzhou Shengshiyuan Trading Company Limited ("Shengshiyuan"). Unless otherwise stated herein, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

During the Year and in June 2023, one of the vendors of the Shengshiyuan holding 6% of Shengshiyuan (the "Applicant") requested the Company to acquire his related equity interest in the 30% equity interest of Shengshiyuan at a consideration of RMB22,542,000, calculated according to a 10 times price to 2019 Net Profit (being RMB37,570,000), and demanded for liquidated damage from the Company for being not honor the Share Transfer Agreement to acquire the Remaining Interest for RMB9,089,936 (as accrued up to 10 May 2023) upon their fulfilment of profit guarantee for the three years ended 31 December 2019 without any separate agreement being entered among the vendors of Shengshiyuan for such acquisition.

The Group has received a notice from Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) (the "Arbitration Centre") for the commencement of arbitration procedure against the Company. The Company has submitted relevant statements of fact as well as defence documents to Arbitration Centre, and the legal representative of the Company has prepared the defence documents and the arbitration procedures.

The first hearing of the arbitration procedures has been conducted in November 2023 and there is no further statements of fact as well as supporting documents for reasoning required to be submitted to Arbitration Centre by the Company for further consideration and arbitration award purposes.

Subsequent to the Year and on 28 February 2024, the arbitration results (the "Arbitration Results") was concluded as follows:

(1) The Company shall pay the consideration of RMB22,540,473 of the related equity transfer to the Applicant;

(2) The Company shall pay the legal fee of RMB80,000 to the Applicant;

(3) The Company shall pay RMB226,827 in respect of the fee of the arbitration; and

(4) The Arbitration Centre does not support any other arbitration claims made by the Applicant.

The aforesaid Arbitration Results were final and conclusive. The Company shall fulfil the payment obligations to the Applicant in relation to the above decision within 30 days from the effective date of Arbitration Results.

Meanwhile, on 15 March 2024, the Company has applied to the Shanghai Second Intermediate People's Court for revocation of Arbitration Results concluded on 28 February 2024. The Company will keep the shareholders and potential investors of the Company informed of any further significant development in relation thereto or any notification obligation by way of announcement in relation to the acquisition of the Remaining Interest of the Target Company as and when appropriate.

For details, please refer to the announcements of the Company dated 14 June 2023 and 6 March 2024.

Offshore Debt Restructuring

In order to provide a solution for the New Senior Notes that have remained in default since December 2022 given the Company's continued liquidity situation, and provide an important exit for noteholders in a market where there is otherwise close to no trading liquidity for the New Senior Notes, during the Year and in December 2023, the Company has announced the proposed restructuring of the existing liabilities outstanding under the New Senior Notes, which is intended to be implemented by way of a Cayman Scheme (the "Restructuring Scheme").

Subsequent to the Year, notice of scheme meeting in the Grand Court of the Cayman Islands has been issued to scheme creditors for the purpose of considering and, if thought fit, approving the Restructuring Scheme, and on 28 February 2024, the Grand Court of the Cayman Islands sanctioned the Restructuring Scheme without modification. The Company has paid the redemption amount to redeem all of the outstanding Senior Notes together with accrued but unpaid interest on 14 March 2024. On 18 March 2024, the Senior Notes have all been redeemed and cancelled thereafter. After such redemption and cancellation, there was no outstanding Senior Notes and the Senior Notes has been delisted from the Singapore Exchange Securities Trading Limited.

For details, please refer to the Company's announcements dated 6 December 2023, 24 January, 8 February, 20 February, 1 March, 11 March and 14 March 2024.

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2023, 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 following acquired subsidiaries in previous years:

— Yestar Biotech (Jiangsu) Co., Ltd.

— Shanghai Anbaida Group Companies

— Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd.

— Guangzhou Shengshiyuan Trading Co., Ltd.

— Beijing Kaihongda Technologies Co., Ltd.

— Shenzhen Derunlijia 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 did not recognise any impairment loss on goodwill in the above acquired companies for the Year (2022: RMB295.4 million).

In addition, there was no impairment loss of other intangible assets (which included distribution rights and customer relationship) recognised in the consolidated statement of profit or loss as other expense for the Year (2022: RMB483.0 million).

Reversal of Financial Assets Impairment Loss under Expected Credit Loss Model

Reversal of certain financial assets impairment losses of RMB49.3 million under expected credit loss methodology recorded for the Year, while impairment losses of financial assets under expected credit loss methodology recorded RMB141.7 million for the year ended 31 December 2022, which was primarily due to the settlement of principal amount of investment products from a company and short-term loans from a business party during the Year.

FINANCIAL REVIEW

As all restrictions were lifted in 2023, the Group's overall revenue from continuing operations for the Year increased by 3.9% yoy to RMB2,912.7 million (2022: RMB2,804.5 million). Gross profit from continuing operations rose by 29.0% yoy to RMB512.8 million (2022: RMB397.6 million) and gross profit margin from continuing operations increased from 14.2% to 17.6%, mainly attributable to the increase in the gross profit margin of the Group's medical business. Selling and distribution expenses from continuing operations decreased by 32.0% yoy to RMB116.4 million (2022: RMB171.2 million), which was due to the effective strict cost control policies on selling and distribution expenses implemented by the Company during the Year. Administrative expenses from continuing operations recorded a yoy increase of 36.4% to RMB264.2 million (2022: RMB193.7 million), which was due to the payment of professional fees and expenses relating to debt restructuring and the increase in research and development expenses of the Company during the Year. Other expenses from continuing operations decreased by 86.8% to RMB17.5 million (2022: RMB132.6 million), which was due to the absence of impairment of goodwill and intangible assets during the Year. Loss attributable to the owners of the Company for 2023 was approximately RMB9.3 million (2022: loss of RMB460.3 million). Basic loss per share from continuing operations amounted to RMB0.4 cents (2022: loss per share of RMB19.7 cents). The Board has resolved not to declare any dividend for the year ended 31 December 2023 (2022: Nil).

Medical Business — 91.9% of Overall Revenue

In 2023, demand for the Group's IVD consumables increased, mainly attributable to the surge in demand for cardiac products from cardiac patients with COVID-19 in the first quarter of 2023. This segment of continuing operations recorded a revenue of RMB2,676.0 million (2022: RMB2,540.9 million), representing a yoy increase of 5.3%. Gross profit of this segment of continuing operation was RMB470.4 million (2022: RMB395.1 million). Gross profit margin of this segment of continuing operation also increased by 2.1 percentage points ("p.p.") to approximately 17.6% (2022: 15.5%). This was mostly due to a higher proportion of the sale of cardiac products, which have high gross profit margins.

Numbers of Hospitals and Clinics Covered

For the year ended 31 December	2023	2022	YOY change
Provinces			
Anhui	**27**	2	1,250%
Fujian	**89**	85	5%
Guangdong	**331**	417	–21%
Guangxi	**40**	60	–33%
Guizhou	**4**	0	—
Hainan	**52**	61	–15%
Hebei	**54**	54	—
Hunan	**31**	31	—
Jiangsu	**276**	260	6%
Autonomous region			
Inner Mongolia	**2**	10	–80%
Tier-1 cities			
Beijing	**223**	224	0%
Guangzhou	**126**	139	–9%
Shanghai	**315**	315	0%
Shenzhen	**69**	69	0%
Overall	**1,639**	1,727	–5%

Non-medical Business — 8.1% of Overall Revenue

Apart from the medical business segment, the non-medical business of the Group mainly consists of the manufacturing, marketing, distribution and sale of Fujifilm colour 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 enjoys relatively stable demand, and has generated stable cash flows for the Group in the previous years. Although demand for industrial imaging products rebounded in tandem with the resumption of economic activities in 2023, demand for colour photographic paper (professional and minilab) dropped. As a result, overall revenue from continuing operations of the non-medical business decreased by 10.2% yoy to RMB236.8 million (2022: RMB263.6 million). Nevertheless, the gross profit margin of this segment increased by 17.0 p.p. to 17.9% (2022: 0.9%), which was mainly attributable to the recognition of impairment loss of inventory and price reduction in 2022. In the absence of such adjustments, the gross profit margin returned to normal in 2023. Although the sale revenue of the non-medical business segment dropped, the Group is still confident about the market of industrial imaging products and will actively explore new sectors so as to lay the foundation for achieving sustainable financial results in the future.

Liquidity and Financial Resources

The Group has cash and cash equivalents of approximately RMB203.1 million as at 31 December 2023 (2022: approximately RMB294.3 million). The decrease in cash and cash equivalents was mainly due to the net effect of reclassification to assets held for sale of RMB154.8 million and the settlement of principal amount of investment products from a company and short-term loans from a business party of RMB49.5 million during the Year.

As at 31 December 2023, the Group's gearing ratio was approximately 150% (2022: approximately 141%), calculated as the net debt which includes the interest-bearing bank loans and other borrowings less cash and cash equivalents dividend by equity attributable to owners of the parent plus net debt at the end of 31 December 2023.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2023 was approximately RMB1,571.6 million (2022: approximately RMB1,689.1 million). Except for the senior notes of RMB1,377.6 million and secured bank loans of RMB19.1 million which are denominated in USD, 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 2023 was approximately 0.77 (2022: approximately 0.71), based on current assets of approximately RMB2,867.1 million and current liabilities of approximately RMB3,721.4 million.

As at 31 December 2023, the total assets of the Group was RMB3,426.2 million, net current liabilities was RMB854.3 million and deficit attributable to shareholders was RMB457.5 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses from continuing operations decreased by approximately 32.0% from approximately RMB171.2 million in 2022 to approximately RMB116.4 million in 2023, and accounted for about 4.0% and about 6.1%, respectively, of the Group's revenue for the respective reporting years. Such decrease was mainly attributable to the effective strict cost control policies on selling and distribution expenses implemented by the Company during the Year.

Administrative Expenses

The Group's administrative expenses from continuing operations increased by about 36.4% from approximately RMB193.7 million in 2022 to approximately RMB264.2 million in 2023, and accounted for about 9.1% and about 6.9%, respectively, of the Group's revenue for the respective reporting years. Such increase was mainly due to the payment of professional fees and expenses relating to debt restructuring and the increase in research and development expenses of the Company during the Year.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings and the related expenses on Senior Notes. The aggregate amount of interest from continuing operations incurred was approximately RMB164.7 million (2022: approximately RMB273.1 million). Such decrease was mainly due to the significant decrease in interest expenses for the Senior Notes for the Year.

For the Year, interest rates of the interest-bearing loans ranged from 2.47% to 6.90%, while those for the year ended 31 December 2022 ranged from 2.08% to 9.80%.

Foreign Exchange Exposure

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

Share Capital and Capital structure

During the Year, there has been no change to the shares in issue and capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserve.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group finances its working capital requirements through a combination of funds generated from operations, disposal of assets of the Company and bank borrowings as well as conducting a restructuring on the outstanding senior notes.

Human Resources and Remuneration Policies

As at 31 December 2023, the Group's continuing operations had 713 (2022: 750) employees, including Directors. Total staff costs (including Directors' emoluments) of the continuing operation were approximately RMB163.5 million for the Year as compared to approximately RMB164.8 million for the year ended 31 December 2022.

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends.

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.

Since the contribution to the pension schemes and for the Year, there was no contributions forfeited by the Group (31 December 2022: Nil) on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions.

As at 31 December 2023, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix D2 to the Listing Rules.

Significant investments held

The Group holds two one-year fixed-interest (annual interest rate: 6%) investment products from a company with the principal amount of US$3.7 million and US$4.4 million since 2022, which were expired on 31 May 2023 and 4 July 2023, respectively without renewal by the Group upon expiry.

The Group then agreed on the repayment plan with that company for the outstanding principal and interest relating to the above two investment products.

As at 31 December 2023, that company has settled the amount of US$4.9 million (about RMB33.6 million) on schedule in line with the agreed repayment plan. The aggregate outstanding amount (principal and interest) due to the Group relating to the investment products of approximately US$4.7 million (about RMB33.2 million) from that company is also expected to be repaid to the Company on schedule. The Company will keep a close monitor on collecting the outstanding receivable.

Save as disclosed above and except for investment in subsidiaries and associate during the Year, the Group did not hold any significant investment in equity interest in any other company.

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 2023, 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.

Capital Commitments

As at 31 December 2023, the Group had no significant capital commitments.

Material acquisitions and disposals of subsidiaries and affiliated companies

References are made to the announcement and the supplemental announcement of the Company dated 30 December 2022 and 23 March 2023 and the circular of the Company dated 13 December 2023 (the "Circular") in relation to the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Target Shares at a Consideration of RMB574,750,000. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

As the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 75%, the Disposal and the transactions contemplated thereunder constitute a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and are subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

On 28 December 2023, the Company convened an extraordinary general meeting to approve all related resolutions in relation to the Disposal, and all resolutions were duly passed by the Independent Shareholders as ordinary resolutions of the Company by way of poll.

As all the conditions precedent under the Equity Transfer Agreement have been fulfilled and the Completion took place on 12 January 2024 in accordance with the terms of the Equity Transfer Agreement. Following the Completion, the Company has ceased to hold any equity interests in the Target Companies. Accordingly, the Target Companies have ceased to be the subsidiaries of the Company and will no longer be consolidated into the financial statements of the Group since 12 January 2024.

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

Guarantee Performance in relation to the Acquisitions

Save as disclosed above, the Group did not enter into any acquisition, which is required to be disclosed under the Listing Rules, that the party in contract required to commit or guarantee on the financial performance in any kinds for the year ended 31 December 2023.

Charges of Assets

As at 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately RMB77,444,000 (2022 : RMB79,547,000) were pledged to secure banking loans granted to the Group. 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 all senior notes issued by the Company.

In addition, the following was the pledge of assets as at 31 December 2023:

(i) the Group's bank loans of RMB61,124,000 (2022: RMB102,903,000) were secured by the pledge of the Group's buildings and guaranteed by the Company's subsidiaries.

(ii) the Group's bank loans of RMB84,000,000 (2022: RMB150,108,000) were guaranteed by either a non-controlling shareholder or the Company's subsidiaries.

Contingent liabilities

During the Year, the Group had no material contingent liabilities as at 31 December 2023.

The Company has issued 9.5% senior notes due 2026 (the "New Senior Notes") in the principal amount of US$197,864,523. As at 31 December 2022 and 2023, there is a breach of terms and conditions as stated in the Indenture dated 30 December 2021 in relation to the non payment of interest accrued and redemption of certain percentage of the original principal amount of the New Senior Notes on or before the respective due dates. As the above default have occurred and are currently continuing, the noteholders of the New Senior Notes have the right under the indenture to immediately accelerate repayment of the entire principal amount of the New Senior Notes, together with any premium and accrued and unpaid interest.

In April 2023, the Group has received a writ of summons under the action number HCA 570 of 2023 from the Court of First Instance of the High Court of The Hong Kong Special Administrative Region in respect of the New Senior Notes. On 6 December 2023, an order under the action number HCA 570 of 2023 has been granted by the Court of First Instance of the High Court of The Hong Kong Special Administrative Region that the Company be released from its undertaking given to the Court; and there is a discontinuation of the legal action against the Company as well as no order as to costs of the consent summons.

Please refer to the Company's announcements dated 17 April 2023 and 7 December 2023 for details.

PROSPECT

The Group expects that there will be significant growth potential for our IVD industry in the PRC, supported from the positive outlook of the growing medical healthcare industry in the PRC.

The Board and the management of the Company will further strengthen our distribution and partnerships, building strong relationships with healthcare providers to secure our market share.

Research, Production and Sale of IVD Products

1. Expand Domestic Market for IVD Products of In-house Brands

In 2024, not only will the Group step up its effort to expand foreign markets for the IVD products of its in-house brands, but it will also strive to develop the domestic market with the aim of increasing the influence and market share of the products of its in-house brands by enlarging its investment in marketing campaigns, networks and channels.

2. Establish R&D Platform for POCT and Plan for Patent Registration

To further diversify the IVD product portfolio of its in-house brands, the Group will start to establish a R&D platform for POCT (Point-of-Care Testing) in 2024. It will also keep abreast of IVD reagent development trends, research into and develop reagents with unique features and proactively plan for their patent registrations in order to enhance the competitive strength and technological innovation ability of its in-house brands.

Pet Products

In 2024, the Group will endeavour to further increase the varieties of its pet food products and enter the pet healthcare sector by speeding up the launch of rapid diagnostic test products so as to enter the white-hot pet testing market. Looking forward, the Group will continue to build up the R&D and production of pet healthcare products, pet foods and pet supplies, and roll out more products that meet the needs of pets and the market for the well-being of more pets.

Conventional Film Business

In 2024, the Group will enlarge its technological investment in the conventional film business, research into and adopt modern production technologies and products, and offer technological support to product upgrades and new business streams; develop products using technologies based on its proprietary intellectual properties by bringing in new technologies and analysing and incorporating results; and enhance the competitive strength and market share of the films of the Yestar brand by constantly improving their quality and productivity while reducing their energy consumption, costs and expenses.

Technological R&D

In 2024, the Group will continue to broaden its presence in the IVD market and explore more innovative products and business cooperation opportunities so as to comprehensively empowering its IDV reagents. The Group has two major product lines, namely biochemical diagnostic products and magnetic particle chemiluminescence products. Moving forward, it will further optimise its production techniques and expand its product portfolio; push through technological innovations and application of results by stepping up its research and investment in POCT, flow fluorescence and other fields; and actively cooperate with renowned enterprises at home and abroad in order to bring in advanced domestic and foreign technologies and improve the quality and technological levels of its products.

In the future, the Group will continue to make strategic investments in technological innovations and product R&D in order to lay down a sound foundation for innovative systems, such as R&D management, technological innovation and new product development, and provide resources and support for continuous innovation and technologies in reserve. Through building up its scientific research platform and constantly improving its production techniques, the Group will strengthen its R&D capability and maintain its technological edge and core competitiveness in the industry.

Recruitment and Grooming of Talent

In 2024, the Group will continue to enlarge its investment in R&D and the expansion of its marketing network. It will start with its human resources strategy, recruitment of external talent, internal training and incentive schemes, and then step up its recruitment and grooming of talent. With this system that combines external recruitment and internal development, it will establish a talent reserve that focuses on recruiting the best brains, optimise its R&D and marketing teams, and improve its technological capability and core competitiveness. At the same time, it will create a happy, beneficial and positive work environment for the staff in order to embrace positivity, demonstrate vitality and turn the Group into an outstanding enterprise with high efficiency, clear directions, strong passion and united goals.

OTHER INFORMATION

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

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 C3 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.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company under the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Year after making reasonable enquiry.

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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save for the following:

Code Provisions C.1.6

Under Code Provision C.1.6 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings. Mr. Hartono James ("Mr. Hartono"), the non-executive director, and Mr. Sutikno Liky ("Mr. Liky"), who resigned as an independent non-executive director on 31 May 2023, both had not attended the annual general meeting held on 31 May 2023 ("2023 AGM"). Due to other business engagement, Mr. Hartono did not attend the 2023 AGM because of the scheduled back to back meetings and negotiation with majority of noteholders on the day of 2023 AGM in order to work out on the repayment schedule; while Mr. Liky has other prior important commitments and travelled to United States of America.

Code Provision F.2.2

Under Code Provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Hartono, the chairman of the Board, did not attend the 2023 AGM due to the back to back meetings and negotiation with majority of noteholders on the day of 2023 AGM in order to work out on the repayment schedule.

Improvement of Corporate Governance

To ensure better corporate governance, during the Year, the Company has engaged a legal advisor on annual basis to ensure the Company's compliance with the Listing Rules, corporate governance codes and all applicable laws, rules, codes and guidelines. In addition, detailed guidelines and checklist relating to notifiable and connected transactions under the Listing Rules have been in place. The Company will organise regular training to directors and senior management on notifiable and connected transactions under the Listing Rules.

Review of Annual Results

The 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, BDO Limited, to the amounts set out in the Group's 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 2023 (2022: Nil).

Annual General Meeting

The annual general meeting of the Company (the "AGM") will be held on 31 May 2024 (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 will be despatched to the shareholders of the Company, together with the Company's annual report who wish to receive a printed copy of the corporate communication in due course.

Closure of Register of Members

The register of members of the Company will be closed from 28 May 2024 (Tuesday) to 31 May 2024 (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 27 May 2024 (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 2023 containing the information required by Appendix D2 of the Listing Rules will be dispatched to the shareholders who wish to receive a printed copy of the corporate communication in due course.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Year, the Company has an update on arbitration results with one of the vendors of the Shengshiyuan, the completion of offshore debt restructuring with its Senior Notes delisted from the Singapore Exchange Securities Trading Limited and also the completion of disposal of Anbaida Group Companies. Please refer to the above paragraphs in this announcement for details.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the consolidated annual financial statements of the Company for the year ended 31 December 2023:

Opinion

We have audited the consolidated financial statements of Yestar Healthcare Holdings Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that as at 31 December 2023, the Group had net current liabilities and total deficiency in net assets of approximately RMB854,327,000 and RMB398,442,000, respectively. Besides, the Group did not repay a principal of US29,176,000 (equivalent to approximately RMB206,645,000) and overdue interests of US$ US$27,717,000 (equivalent to approximately RMB196,313,000 for the senior notes as at 31 December 2023. As a result, the senior notes and the interests with an aggregate amount of US$222,224,000 (equivalent to approximately RMB1,573,945,000) became default and were payable on demand.

In addition, the Group had bank borrowings of RMB194,010,000, among which bank borrowings of RMB170,010,000 are subject to repayment or renewal in the next twelve months after the end of the reporting period, which are identified that may cast significant doubt on the entity's ability to continue as a going concern. As stated in Note 2.1, these events conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BOARD'S VIEW AND AUDIT COMMITTEE'S VIEW

The Board agreed with the independent auditor's view in respect of the material uncertainty related to going concern. In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in the preparation of a cash flow forecast cover a 18-month period from the end of the reporting period for assessing whether the Group will have sufficient financial resources to continue as a going concern. Management has also performed a sensitivity analysis by considering a reasonable change in operating cash flows on the forecast period and the headroom of the available working capital. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position of the Group.

The Directors, including members of the audit committee, have reviewed the Group's cash flow forecast prepared by management which covers a period of 18-month from the end of the reporting period and relevant sensitivity analysis. They are of the opinion that, taking into account the below-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

ACTION PLAN TO ADDRESS THE GOING CONCERN

(a) The Group has been actively negotiating with senior notes holders such that no action will be taken by the holders to demand immediate repayment of the principal and unpaid interest.

    On 7 December 2023, the Company announced a proposed offshore debt restructuring of the existing liabilities outstanding under the 9.5% senior notes due 2026 issued by the Issuer in the principal amount of US$194,506,648 by way of a Cayman scheme (the "Scheme"). The Scheme can be approved by a majority in number, representing at least 75% in value, of the holders of Notes who are present and voting at the scheme meeting convened in respect of the Scheme.

By an order made on 19 January 2024 (the "Scheme Convening Order"), the Grand Court of the Cayman Islands (the "Cayman Court") has directed that a meeting of Scheme Creditors (the "Scheme Meeting") be convened for the purpose of considering and, if thought fit, approving the Scheme on 19 February 2024.

On 19 February 2024, a total of 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 participated in the scheme meeting with 124 scheme creditors holding voting claims in the aggregate amount of US$202,362,237 voting in favour of the Scheme (being a majority in number of the Scheme Creditors attending and voting at the Scheme Meeting either in person or by proxy and representing 100% of the total value of the Scheme Creditors attending and voting). As such, the Scheme has been approved by the requisite majorities of the scheme creditors. The Scheme will be subject to subsequent approval and sanction of the Court.

On 28 February 2024, the Court granted the approval and sanction to the Scheme.

On 14 March 2024, the Group has fully settled the redemption payment of US$60,500,000 (equivalent to approximately RMB434,738,000). Related work fee, consent fee and reimbursement of legal fee totaled US$11,197,000 (equivalent to approximately RMB80,459,000) were incurred. The proposed debt restructuring was completed.

(b) The Group has been actively negotiating with existing lenders for the renewal of or extension for repayment of outstanding borrowings;

(c) The Group will continue to negotiate with various financial institutions and identify various options for financing the Group's working capital and commitments in the foreseeable future; and

(d) The Group has implemented measures to develop new markets, speed up the collection of outstanding accounts receivables, and control costs and expenses so as to generate adequate net cash inflows.

IMPACT ON THE COMPANY'S FINANCIAL POSITION

These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated net amortisation values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

REMOVAL OF THE GOING CONCERN ISSUE

The Board is aware of the paragraph of material uncertainty related to a going concern in independent auditor's report, and are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Management's assessment of the Company's ability to continue as a going concern as at 31 December 2023 would need to take into consideration the conditions and circumstances and also include cashflow forecast for 18 months period from the end of the reporting period.

Therefore, assuming all the above action plans can be implemented as planned, there are no other material adverse changes to the business, operation and financial conditions of the Group and satisfactory completion of review of the Management's assessment of the Company's going concern, together with sufficient and appropriate evidence, the Company believes that there will be a reasonable basis upon which material uncertainty would be removed in connection with the consolidated financial statements of the Group for the year ending 31 December 2024.

APPRECIATION

I, as CEO of the Company, would like to thank the Chairman, 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
Liao Changxiang
CEO and executive Director

27 March 2024

As at the date of this announcement, the executive Directors are Ms. Liao Changxiang, Ms. Wang Hong and Mr. Liang Junxiong; the non-executive Director is Mr. Hartono James; and the independent non-executive Directors are Mr. Zeng Jinsong, Mr. Zhao Ziwei and Mr. Koeswondo Michael David.