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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Yestar Healthcare Holdings Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2021 prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board, together with the comparative figures for the corresponding period of 2020, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2021

	Notes	**2021 (Unaudited) *RMB'000***	2020 (Unaudited) *RMB'000*
REVENUE	*4*	**2,322,702**	1,602,278
Cost of sales		**(1,875,636)**	(1,314,593)
Gross profit		**447,066**	287,685
Other income and gains		**70,004**	37,668
Selling and distribution expenses		**(143,290)**	(118,472)
Administrative expenses		**(157,000)**	(167,698)
Impairment losses on financial assets		**(6,542)**	(7,511)
Other expenses		**(3,363)**	(734,633)
Finance costs		**(59,045)**	(64,485)
Share of profit of an associate		**5,894**	—
PROFIT/(LOSS) BEFORE TAX	*5*	**153,724**	(767,446)
Income tax (expense)/credit	*6*	**(32,847)**	64,599
PROFIT/(LOSS) FOR THE PERIOD		**120,877**	(702,847)
Attributable to:			
Owners of the parent		**111,905**	(640,253)
Non-controlling interests		**8,972**	(62,594)
		120,877	(702,847)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit/(loss) for the period	*8*	**RMB4.75 cents**	RMB (27.05) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 **(Unaudited)** ***RMB'000***	2020 (Unaudited) *RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**120,877**	(702,847)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**14,352**	(24,807)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**14,352**	(24,807)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**14,352**	(24,807)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**135,229**	(727,654)
Attributable to:		
Owners of the parent	**126,257**	(665,060)
Non-controlling interests	**8,972**	(62,594)
	135,229	(727,654)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**194,329**	181,428
Right-of-use assets		**251,781**	247,078
Goodwill		**420,067**	420,067
Other intangible assets		**909,329**	956,842
Investment in an associate		**11,141**	5,247
Deferred tax assets		**25,788**	20,336
Total non-current assets		**1,812,435**	1,830,998
CURRENT ASSETS			
Inventories		**580,747**	591,523
Trade and bills receivables	*9*	**1,544,939**	1,471,872
Prepayments, other receivables and other assets		**241,023**	173,409
Pledged deposits		**1,904**	15,105
Cash and cash equivalents		**502,977**	572,348
Total current assets		**2,871,590**	2,824,257
CURRENT LIABILITIES			
Trade and bills payables	*10*	**742,112**	558,241
Other payables and accruals	*11*	**641,261**	835,986
Interest-bearing bank and other borrowings		**1,583,161**	1,646,390
Lease liabilities		**76,887**	79,449
Contract liabilities		**41,108**	37,461
Tax payable		**127,054**	130,880
Total current liabilities		**3,211,583**	3,288,407
NET CURRENT LIABILITIES		**(339,993)**	(464,150)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,472,442**	1,366,848

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		**122,562**	115,371
Deferred tax liabilities		**251,052**	267,961
Other long term payables	*11*	**132,449**	127,760
Total non-current liabilities		**506,063**	511,092
Net assets		**966,379**	855,756
EQUITY			
Equity attributable to owners of the parent			
Share capital		**46,908**	47,088
Treasury shares		**(1,849)**	—
Reserves		**820,726**	709,950
		865,785	757,038
Non-controlling interests		**100,594**	98,718
Total equity		**966,379**	855,756

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

1. CORPORATE INFORMATION

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

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

The Company is an investment holding company. During the six months ended 30 June 2021 (the "Period"), the Company's subsidiaries were involved in the following principal activities:

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

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

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

Going concern basis

As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB339,993,000. The Group's current liabilities included the interest-bearing bank and other borrowings due within the next twelve months amounted to RMB1,583,161,000 of which consist of the senior notes due for repayment by 15 September 2021. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including the extension of the due date of the senior notes and additional financing facilities within next twelve months.

All of the conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the circumstances and conditions mentioned above, the directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented, or is in the process of implementing, the following key plans and measures:

(i) The Group is actively negotiating with financial institutions and senior notes holders to seek for extension of due dates of the interest-bearing bank and other borrowings and the senior notes;

(ii) The Group is actively negotiating with its non-controlling shareholders for extension of the payables to non-controlling interests amounted to RMB467,673,000 due in the next twelve months; and

(iii) The Group is actively negotiating with financial institutions to seek for new financing facilities.

The directors of the Company, including members of the audit committee, have reviewed the Group's cash flow projections prepared by management, covering a period of not less than twelve months from 30 June 2021. Although there is an uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, the directors, after taking into account the above-mentioned plans and measures, are of the opinion that, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the directors believe that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financial and operating cash flows through the following:

(i) Successfully negotiating with financial institutions and senior notes holders to seek for the extension of due dates of the interest-bearing bank and other borrowings and the senior notes;

(ii) Successfully negotiating with its non-controlling shareholders for extension of the payables to non-controlling interests amounted to RMB467,673,000 due in the next twelve months; and

(iii) Successfully obtaining additional financing facilities within next twelve months.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2021 and 2020:

Six months ended 30 June 2021	**Imaging printing products** *RMB'000* **(Unaudited)**	**Medical products and equipment** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Segment revenue *(note 4)*			
Sales to external customers	**196,298**	**2,126,404**	**2,322,702**
Intersegment sales	**288,330**	**806,321**	**1,094,651**
Reconciliation:			
Elimination of intersegment sales			**(1,094,651)**
Revenue			**2,322,702**
Segment results	**(8,226)**	**165,432**	**157,206**
Reconciliation:			
Corporate and other unallocated expenses			**(3,482)**
Profit before tax			**153,724**
Other segment information:			
Depreciation of items of property, plant and equipment	**2,609**	**13,917**	**16,526**
Depreciation of items of right-of-use assets	**787**	**46,927**	**47,714**
Amortisation of other intangible assets	**129**	**47,722**	**47,851**
Share of profit of an associate	**—**	**(5,894)**	**(5,894)**
Impairment loss recognised in the statement of profit or loss	**9,954**	**6,053**	**16,007**
Loss/(gain) on disposal of items of property, plant and equipment	**13**	**(182)**	**(169)**
Capital expenditure*	**4,622**	**26,754**	**31,376**

Six months ended 30 June 2020	Imaging printing products *RMB'000* (Unaudited)	Medical products and equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 4)*			
Sales to external customers	125,067	1,477,211	1,602,278
Intersegment sales	203,027	587,701	790,728
Reconciliation:			
Elimination of intersegment sales			(790,728)
Revenue			1,602,278
Segment results	(4,850)	(748,696)	(753,546)
Reconciliation:			
Corporate and other unallocated expenses			(13,900)
Loss before tax			(767,446)
Other segment information:			
Depreciation of items of property, plant and equipment	3,032	11,583	14,615
Depreciation of items of right-of-use assets	1,245	52,744	53,989
Amortisation of other intangible assets	282	64,319	64,601
Impairment loss recognised in the statement of profit or loss	(15)	732,272	732,257
Loss/(gain) on disposal of items of property, plant and equipment	721	(7)	714
Gain on disposal of other intangible assets	—	(17,189)	(17,189)
Capital expenditure*	1,366	15,120	16,486

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

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020:

Six months ended 30 June 2021	**Imaging printing products** *RMB'000* **(Unaudited)**	**Medical products and equipment** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Segment assets	**371,241**	**4,244,153**	**4,615,394**
Reconciliation:			
Corporate and other unallocated assets			**68,631**
Total assets			**4,684,025**
Segment liabilities	**112,528**	**3,555,088**	**3,667,616**
Reconciliation:			
Corporate and other unallocated liabilities			**50,030**
Total liabilities			**3,717,646**

Year ended 31 December 2020	Imaging printing products *RMB'000* (Audited)	Medical products and equipment *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment assets	326,402	4,237,299	4,563,701
Reconciliation:			
Corporate and other unallocated assets			91,554
Total assets			4,655,255
Segment liabilities	113,637	3,396,767	3,510,404
Reconciliation:			
Corporate and other unallocated liabilities			289,095
Total liabilities			3,799,499

Information about major customers

During the six months ended 30 June 2021, the Group had one individual customer from whom the revenue derived by selling medical imaging products and imaging printing products of RMB487,393,000 (six months ended 30 June 2020: RMB406,253,000) accounted for about 20.98% (six months ended 30 June 2020: 25.35%) of the Group's total revenue during the Period.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**2,322,702**	1,602,278

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	**Imaging printing products** ***RMB'000*** **(Unaudited)**	**Medical products and equipment** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Types of goods or services			
Sale of goods	**195,042**	**2,090,339**	**2,285,381**
Rendering of services	**1,256**	**36,065**	**37,321**
Total revenue from contracts with customers	**196,298**	**2,126,404**	**2,322,702**
Timing of revenue recognition			
Goods transferred at a point in time	**195,042**	**2,090,339**	**2,285,381**
Services transferred over time	**1,256**	**36,065**	**37,321**
Total revenue from contracts with customers	**196,298**	**2,126,404**	**2,322,702**

For the six months ended 30 June 2020

Segments	Imaging printing products *RMB'000* (Unaudited)	Medical products and equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services			
Sale of goods	125,067	1,448,557	1,573,624
Rendering of services	—	28,654	28,654
Total revenue from contracts with customers	125,067	1,477,211	1,602,278
Timing of revenue recognition			
Goods transferred at a point in time	125,067	1,448,557	1,573,624
Services transferred over time	—	28,654	28,654
Total revenue from contracts with customers	125,067	1,477,211	1,602,278

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

For the six months ended 30 June 2021

Segments	**Imaging printing products** ***RMB'000*** **(Unaudited)**	**Medical products and equipment** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Revenue from contracts with customers			
External customers	**196,298**	**2,126,404**	**2,322,702**
Intersegment sales	**288,330**	**806,321**	**1,094,651**
Intersegment adjustments and eliminations	**(288,330)**	**(806,321)**	**(1,094,651)**
Total revenue from contracts with customers	**196,298**	**2,126,404**	**2,322,702**

For the six months ended 30 June 2020

Segments	Imaging printing products *RMB'000* (Unaudited)	Medical products and equipment *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue from contracts with customers			
External customers	125,067	1,477,211	1,602,278
Intersegment sales	203,027	587,701	790,728
Intersegment adjustments and eliminations	(203,027)	(587,701)	(790,728)
Total revenue from contracts with customers	125,067	1,477,211	1,602,278

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	**1,875,636**	1,314,593
Depreciation of items of property, plant and equipment	**16,526**	14,615
Depreciation of right-of-use assets/recognition of prepaid land lease payments	**47,714**	53,989
Amortisation of other intangible assets	**47,851**	64,601
Research and development costs	**113**	70
Lease payments not included in the measurement of lease liabilities	**19,373**	21,403
Employee benefit expense including		
— Wages and salaries	**107,127**	93,084
— Pension scheme contributions	**6,768**	1,450
	113,895	94,534
Exchange differences, net	**1,527**	3,574
Impairment of financial assets	**6,542**	7,511
Impairment of goodwill	**—**	447,450
Impairment of other intangible assets	**—**	277,173
Gain on disposal of other intangible assets	**—**	(17,189)
(Gain)/Loss on disposal of items of property, plant and equipment	**(169)**	714

6. 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% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.

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

The major components of income tax charge for the Period were as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — charged for the period	**50,208**	37,823
Deferred	**(17,361)**	(102,422)
Total tax charge for the period	**32,847**	(64,599)

7. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2020: Nil).

The shareholders did not declare any dividend for the year ended 31 December 2020 at the annual general meeting of the Company on 28 May 2021.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB111,905,000 and the weighted average number of ordinary shares of 2,353,649,000 in issue during the Period.

The calculation of basic loss per share is based on the loss for the six months ended 30 June 2020 attributable to ordinary equity holders of the parent of RMB640,253,000 and the weighted average number of ordinary shares of 2,367,232,000 in issue during the period.

The diluted earnings/(loss) per share amounts were equal to the basic earnings/(loss) per share amounts for the Period and the six months ended 30 June 2020 as no diluting events occurred.

9. TRADE AND BILLS RECEIVABLES

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Trade receivables	**1,566,087**	1,507,831
Bills receivable	**37,302**	15,989
Impairment	**(58,450)**	(51,948)
	1,544,939	1,471,872

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

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Within 90 days	**832,170**	843,616
91 to 180 days	**335,293**	373,835
181 to 365 days	**266,519**	125,140
1 to 2 years	**53,410**	97,945
2 to 3 years	**20,245**	15,347
	1,507,637	1,455,883

10. TRADE AND BILLS PAYABLES

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Trade payables	**742,112**	527,885
Bills payable	**—**	30,356
	742,112	558,241

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

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Within 90 days	**681,525**	467,790
91 to 180 days	**48,663**	49,661
181 to 365 days	**9,456**	6,270
1 to 2 years	**758**	2,474
Over 2 years	**1,710**	1,690
	742,112	527,885

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

11. OTHER PAYABLES AND ACCRUALS AND OTHER LONG TERM PAYABLES

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Current portion:		
Other payables	**107,127**	127,332
Interest payable	**26,167**	26,570
Value-added tax payable	**27,701**	61,479
Payroll and welfare payable	**12,593**	20,670
Payables to non-controlling interests *(Note)*	**467,673**	599,935
	641,261	835,986

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Non-current portion:		
Deferred government grant	**7,417**	7,511
Payables to non-controlling interests *(Note)*	**125,032**	120,249
	132,449	127,760

Note:

Payables to non-controlling interests mainly represent the contractual obligations of the Group to acquire the remaining 10.5% interests in Anbaida Group Companies and the remaining 30% interests in each of Shengshiyuan and Kaihongda as at the end of the reporting period.

The details during the acquisition by the Company of the 70% interests in each of Anbaida Group Companies, Shengshiyuan and Kaihongda as below:

a) Pursuant to the share purchase agreement entered between Yestar (Guangxi) Medical System Co., Ltd. ("Yestar Medical"), a subsidiary of the Company, Mr. Li Bin, Mr. Li Changgui, Mr. Li Changkuan, Ms. Yu Liping and Ms. Liu Hong on 9 April 2015, Yestar Medical acquired the 70% equity interests in Anbaida Group Companies and Mr. Li held the remaining 30% equity interest. The non-controlling equity interest holders shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Anbaida Group Companies if the respective net profits of Anbaida Group Companies in 2015, 2016 and 2017 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB675 million. Since Anbaida Group Companies 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 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 in 3 phases by 31 August 2021 at a consideration of RMB675 million. As at 30 June 2021, the Company completed the acquisition of a 19.5% equity interest and paid RMB438,750,000 to Mr. Li Bin.

   As at 30 June 2021, the carrying amount of RMB125,032,000 related to dividend payable to Mr. Li Bin from 2022 to 2025.

b) Pursuant to the share purchase agreement entered between Yestar Medical, Ms. Liu Yanling, Ms. Li Xu, Mr. Ai Jiaying, Mr. Zhang Lixiong and Mr. Li Shenlian on 11 November 2016, Yestar Medical acquired the 70% equity interest in Shengshiyuan. Yestar Medical is obligated to acquire the remaining 30% equity interest in Shengshiyuan if the respective net profits of Shengshiyuan in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB120 million. Since Shengshiyuan has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as of the report date.

c) Pursuant to the share purchase agreement entered between Yestar Medical, Mr. Pang Haibin, Mr. Xie Dingjie, Ms. An Hong, Mr. Yu Huimin and Mr. Zhu Yongping on 20 September 2017, Yestar Medical acquired the 70% equity interest in Kaihongda. Yestar Medical is obligated to acquire the remaining 30% equity interest in Kaihongda if the respective net profits of Kaihongda in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB71.28 million. Since Kaihongda has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Pang to purchase the remaining 30% equity interest. No agreement was reached as of the report date.

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT YESTAR

Yestar Healthcare Holdings Company Limited ("Yestar" or the "Company", together with its subsidiaries, the "Group"), is one of the largest distributors and service providers of In Vitro Diagnostic ("IVD") products in the Peoples Republic of China (the "PRC"). The Group principally engages in the distribution of IVD products in cities including Beijing, Shanghai, Guangzhou and Shenzhen, as well as in provinces including Anhui, Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu, Hebei and the autonomous region Inner Mongolia. The Group also manufactures medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC, while manufacturing, marketing and selling dental film and medical dry film products under the house brand "Yes!Star".

MARKET OVERVIEW

Since the first half of 2020, a time when the COVID-19 pandemic hit, non-essential medical services in the PRC were forced to shut down as a tradeoff to pandemic control. Compounded by the regional lockdowns measures, that has led to a suppressed demand for IVD products, and many small-scaled medical distributors were unable to sustain the financial pressure from business suspension, and have since quitted the market.

However, during the first half of 2021 ("the Period"), supported by the mass vaccination program rolled out in the PRC, together with the effective pandemic control measures, people's lives were slowly back to normal. Hospitals started to resume non-emergency services, and due to the increasing health awareness among the public, demand for IVD and other testing kits has since been on a rebound. Yestar, being one of the large-scale IVD distributors in the PRC, was again able to showcase its strength and resilience, and seized the opportunities to ride on the market recovery and reinforced its leading position.

Nonetheless, despite the growing optimism, the emergence of delta variant in Guangzhou and Shenzhen in late May 2021 has once again cast doubts into the economic recovery. Partial lockdowns were implemented in May 2021 to June 2021 in a bid to combat the virus, and as the pandemic situation continues to fluctuate, that could point to another round of tight pandemic control measures. In face of such adversity, medical distributors must try hard to maintain business operations and hence cash flow, in order to be well-positioned to the frequent yet unpredictable spike in demand.

BUSINESS OVERVIEW

Improving Cash Conversion Cycle and Active Go-to-market Strategy to Capture Market Recovery

Sufficient cash flow remains one of the keys to survival under such unpredictable adverse situations. The Group has always maintained an efficient use of working capital, while paying close attention on it inventory level, as well as account receivables and account payables turnover days. Leverage its long-term relationships with hospitals and IVD consumables suppliers, Yestar was able to achieve a 32.9% increase in account payables comparing to 31 December 2020, from RMB558.2 million to RMB742.1 million. Inventory also dropped to RMB580.7 million, representing a decrease of 1.8% compared with last year end date. These have together shortened the Group's cash conversion cycle to 113 days which is 73 days and 31 days faster when compared to that for the six months ended 30 June 2020 and for the year ended 31 December 2020, respectively, greatly reducing the Group's needs on working capital.

The improving cash conversion, in turn, has not only allowed the Group to stay in the market, but more importantly, providing the foundation for its professional sales team to drive IVD consumables sales once hospitals fully resumed their services. During the Period, the Group's sales team has proactively reached out to doctors via virtual meetings and hospital visits, as well as offered products samples and provided tailormade solutions to raise service quality and hence sales. These sales initiatives, especially at a time when smaller medical distributors were unable to react, have prepared us well when market reopened, thus driving a yoy growth in revenue.

Satisfactory Growth from New Products despite COVID-19 Disruption

After comprehensive due diligence across various IVD brands, the Group has subsequently introduced a domestic and a Japanese IVD brands to its product portfolio, and commenced the product distribution last year. As the Group continued to promote the products during the Period, it has received positive market feedback, citing the products are efficient, with clear guidelines and simple operations. Such positive reviews gave the Group confidence that sustainable and repeated orders are likely, and would promote Yestar's business growth. The Group believes that the new addition of products would complement Roche's contribution well in the future. Riding on the success, the Group will also explore the possibility of introducing other quality brands going forward.

RESULTS OVERVIEW

As the PRC gradually recovered from the impact of COVID-19 pandemic, regular services at hospitals and medical clinics have resumed, which drove the overall demand of IVD reagents and consumables. The Group's overall revenue increased by 45.0% yoy to RMB2,322.7 million (six months ended 30 June 2020: RMB1,602.3 million). Gross profit increased by 55.4% yoy to RMB447.1 million (six months ended 30 June 2020: RMB287.7 million), and gross profit margin also rose by 1.2 p.p. yoy to 19.2% (six months ended 30 June 2020: 18.0%). This was attributable to the change in direct and indirect sales channel mix, in which direct sales channel has a higher profit margin by nature.

In proportion to the increase in revenue, selling and distribution expenses increased by 20.9% yoy to RMB143.3 million (six months ended 30 June 2020: RMB118.5 million). Administrative expenses decreased by 6.4% yoy to RMB157.0 million (six months ended 30 June 2020: RMB167.7 million), as a result of less amortisation of other intangible assets during the Period, while finance cost decreased by 8.5% yoy to RMB59.0 million (six months ended 30 June 2020: RMB64.5 million). Other expenses decreased drastically by 99.5% to RMB3.4 million (six months ended 30 June 2020: RMB734.6 million), primarily attributable to the absence of one-off impairment loss on goodwill and other intangible assets. Meanwhile, share of profit of an associate amounted to RMB5.9 million (six months ended 30 June 2020: Nil), primarily attributable to the profitability achieved by Shanghai Zhongkerunda Medical Laboratory Testing Co. Ltd (the "Laboratory"), of which 39% was held by Shanghai Emphasis Investment Management Consulting Co., Ltd., a non wholly-owned subsidiary of the Company. This was driven by the increasing demand of nucleic acid tests due to the outbreak of Covid-19.

Thus, the Group recorded a profit attributable to owners of the parent of RMB111.9 million (six months ended 30 June 2020: loss of RMB640.3 million). Net profit margin was at 5.2% (six months ended 30 June 2020: net loss margin of 43.9%). Basic earnings per share amounted to RMB4.75 cents (six months ended 30 June 2020: basic loss per share of RMB27.05 cents). The board of directors has resolved not to declare any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Medical Business — 91.5% of Overall Revenue

During the Period, the Group observed an increasing demand for IVD consumables mainly due to the resumption of hospital services. Segment revenue reached RMB2,126.4 million (six months ended 30 June 2020: RMB1,477.2 million), representing an increase of 43.9% yoy. Segment gross profit margin also increased 2.1 p.p. to approximately 20.2% (six months ended 30 June 2020: approximately 18.1%), attributable to the change in direct and indirect sales contribution.

Non-medical Business — 8.5% of Overall Revenue

Apart from the medical business segment, non-medical business of the Group mainly consists of manufacturing, marketing, distribution and sale of Fujifilm color photographic paper (professional and minilab) as well as industrial imaging products (NDT x-ray films and PWB films) in the PRC. The Group also manufactures, markets and sells NDT x-ray film under the house brand "Yes!Star". This segment faces relatively stable demand, and has since generated stable cash flow for the Group in the previous years.

Benefited from the relaxed social distancing policy during the Period, more people were travelling across cities for non-essential purposes. Especially during the golden week in May 2021, there were a recovery of demand of photographic paper on a yoy basis. During the Period, revenue of non-medical businesses amounted to RMB196.3 million (six months ended 30 June 2020: RMB125.1 million), representing an increase of approximately 56.9% yoy. Segment gross profit margin decreased by 7.5 p.p to 8.9%.

OUTLOOK

According to the report 'China In-Vitro Diagnostics Market 2020–2024' issued by TechNavio, the PRC's IVD market is forecasted to grow by US$6.93 billion during 2020–2024 at a compound annual growth rate of 17%. The growth is driven by the expanding geriatric population, increasing prevalence of chronic and infectious diseases, and increasing adoption of point-of-care testing. As a result of the growing emphasis on healthcare after the COVID-19 pandemic, it is also expected that more IVD products and consumables will be needed in the future. Going forward, the Group will continue to raise its market penetration by further diversifying its product offerings, improving its service quality, and expanding its coverage across the medical value chain.

Enhance Product Penetration and Source New Domestic Products to Evolve into a Comprehensive Solutions Provider

The Group will continue to leverage its well-established network to distribute the newly-added products across more top-tier and lower-tier hospitals and medical institutions. Meanwhile, the Group will also look for more products that are complementary to Roche's existing offerings, specifically targeting domestic brands with higher margin, in order to further enrich its product portfolio. Riding on Roche's Tier-2 emerging market strategies, the Group is committed to becoming a comprehensive solutions provider which can cater the specific needs of different tiers hospitals, and in return, deriving additional revenue contributions to the Group.

Upgrade Southern China Logistics Centre into Training Centre

During the recent years, the Group has been progressively upgrading its logistics centres to provide better services to hospitals and medical institutions. In 2020, the Group completed the upgrade of the Eastern Centre, of which all facilities are in compliance of Roche's standard. The Group is currently waiting for the official approval of becoming a Roche's authorized training centre. Heading into the second half of 2021, the Group will upgrade its Southern China Logistics Centre into a multi-functional training centre, which will be renovated and equipped with upgraded facilities, including seminar rooms and laboratories. Leveraging the Group's new training centres, it aims to provide one-stop and comprehensive solutions to its customers on medical products, supported by quality after-sale services. Yestar believes these upgraded training centres would help attract more domestic national groups to join as new clients, eventually boosting its regional market penetration and broadening its revenue stream.

Actively Looking for Investment Opportunities in the Research and Development and Production of IVD Products

Apart from strengthening its service offerings, the Group will continue to extend and solidify its market position along the value chain. Leveraging its solid research and manufacturing capability, Yestar will seek opportunities to develop more house brand products to meet the needs of the underserved markets. In the longer term, the Group also plans to strengthen its presence in the upstream market, by investing in the research and development as well as production of IVD products that are complementary to its current products offerings.

Despite the ongoing uncertainties surrounding the COVID-19 pandemic, the Group remains confident in its future prospects, and will strive for business growth by implementing the aforementioned strategies. With hospitals resuming operation along with the successful introduction of new brands, Yestar is dedicated to providing best-in-class solutions to its customers while bringing fruitful returns to its stakeholders.

FINANCIAL REVIEW

Liquidity and financial resources

As disclosed in the 2020 annual report of the Company, although there is an uncertainty which may cast doubt on the Group's ability to continue as a going concern, the directors are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the year 2021. Please refer to the headed "Proposed Offshore Debt Restructuring Plan" below for the implementation of measures to ease the liquidity risk and going concern issue of the Company.

During the Period, the Group finances its daily operation through a combination of net internally-generated funds from operation and borrowings. Riding on the improvement on its inventory turnover and strategic collection policy as well as account payables turnover, the Group maintained a strong and sound financial position during the Period. As at 30 June 2021, the Group had a cash and cash equivalents of approximately RMB503.0 million (31 December 2020: approximately RMB572.3 million). The decrease in cash and cash equivalents were mainly attributable to payment of consideration in relation to the acquisition of the remaining interest of Anbaida Group Companies, the repurchase of shares of the Company and the dividend paid to non-controlling shareholders.

The total interest-bearing bank loans and other borrowings of the Group as at 30 June 2021 was approximately RMB1,583.2 million (31 December 2020: approximately RMB1,646.4 million). Except for the Senior Notes and the secured bank loans of RMB10.4 million which are denominated in USD, all borrowings of the Group are principally dominated in Chinese Yuan (RMB), which is the presentation currency of the Group.

Current Ratio

As at 30 June 2021, the Group's current ratio was approximately 0.89 (31 December 2020: approximately 0.86), based on total current assets of approximately RMB2,871.6 million and total current liabilities of approximately RMB3,211.6 million.

Gearing Ratio

As at 30 June 2021, the Group's gearing ratio was approximately 56% (31 December 2020: approximately 59%), calculated as the net debt for an amount of RMB1,080.2 million (31 December 2020: RMB1,074.0 million) 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 for an aggregate amount of RMB1,946.0 million at the end of 30 June 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by about 20.9% from approximately RMB118.5 million for the six months ended 30 June 2020 to approximately RMB143.3 million for the Period, and accounted for approximately 7.4% and 6.2%, respectively, of the Group's revenue for the respective reporting periods. The increase in selling and distribution expenses were in line with the proportional increase in revenue during the Period.

Administrative Expenses

The Group's administrative expenses decreased by about 6.4% from approximately RMB167.7 million for the six months ended 30 June 2020 to approximately RMB157.0 million for the Period, and accounted for approximately 10.5% and approximately 6.8%, respectively, of the Group's revenue for the respective reporting periods. Such decrease was due to the less amortisation of other intangible assets.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings. The aggregate amount of interest incurred was approximately RMB59.0 million (six months ended 30 June 2020: approximately RMB64.5 million) for the Period.

For the Period, interest rates of the interest-bearing loans and Senior Notes ranged from 2.85% to 7.43%, while those for the six months ended 30 June 2020 ranged from 3.6% to 7.43%.

Foreign Exchange Exposure

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

In addition, there was a secured bank loans of RMB10.4 million which are denominated in USD during the Period.

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

Capital structure

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

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 1,054 employees (six months ended 30 June 2020: 1,066 employees), including Directors. Total staff costs (including Directors' emoluments) were approximately RMB113.9 million for the Period (six months ended 30 June 2020: approximately RMB94.5 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

Significant investments held

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

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 30 June 2021, 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 30 June 2021.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Charges of assets

As at 30 June 2021, none of the Group's property, plant and equipment was pledged (31 December 2020: Nil). The shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited, two wholly-owned subsidiaries of the Company, were pledged to the holders of the Senior Notes.

In addition, the following was the pledge of assets as at 30 June 2021:

(i) the Group's bank loans of RMB9,950,000 were secured by the pledge of the Group's patent rights.

(ii) the Group's bank loans of RMB292.4 million were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

Proposed Offshore Debt Restructuring Plan

Subsequent to the reporting period and on 20 July 2021, the Company had proposed an offshore debt restructuring plan to its noteholders (the "Proposed Restructuring") in respect of the US$200 million 6.9% senior notes (the "Senior Notes") with a maturity date of 15 September 2021, which detailing the principal terms of the Proposed Restructuring. Please refer to the Company's announcement dated 20 July 2021 for details.

As at the date of this announcement, the Company is satisfied with the progress status and implementation stage in relation to the Proposed Restructuring. The Board is of the opinion that the Group would have sufficient working capital and appropriate measures to finance its operations and to defer or meet its financial obligations as and when they fall due within twelve months from 30 June 2021, including the extension of the due date of the Senior Notes. The Company will publish further announcement as and when appropriate in compliance with the Listing Rules if there is any material update on the Proposed Restructuring.

Save as disclosed above and up to the date of this announcement, there was no other significant event relevant to the business and financial performance of the Group that has come to the attention of the Directors after the Period.

OTHER INFORMATION

Profit Guarantee in relation to acquisition of 70% Equity Interest in Shenzhen De Run Li Jia Company Ltd ("Derunlijia")

Reference is made to (i) the announcement of the Company dated 27 October 2016 in relation to, among others, the acquisition of 70% equity interest in Shenzhen De Run Li Jia Company Ltd ("Derunlijia"); (ii) the annual report of the Company for the years ended 31 December 2019 and 2020; and (iii) the announcements of the Company (collectively, the "Announcements") dated 27 March 2020, 24 April 2020, 26 August 2020 and 7 April 2021, respectively in relation to, among others, the non—fulfilment of the annual guarantee profit of Derunlijia for the year ended 31 December 2019 and the related Compensation Amount. Unless otherwise stated herein, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, as the actual net profit achieved by Derunlijia for the year ended 31 December 2019 was less than the annual guarantee profit, the Vendors of Derunlijia are obliged to compensate and settle the Compensation Amount of approximately RMB9.76 million to the purchaser pursuant to the share transfer agreement.

The Compensation Amount had previously been mutually agreed to be settled in full by deduction of accumulated dividend payable or to be paid to the Vendors once the business operation in Derunlijia resumes to normal with healthy cash flow maintained.

However, as at the date of this announcement, the Vendors disagreed the above compensation option without providing alternatives for the settlement of Compensation Amount despite our repeated reminders through internal communication and meeting with the Vendors of Derunlijia. As such, the Group has not received any Compensation Amount from the Vendors till now.

The Group have already had an internal discussion and sought legal advice as to legal actions that can be taken towards the Vendors for the Compensation Amount, and an arbitration procedures will be commenced in mid of September 2021 in Shenzhen Court of International Arbitration.

The Company will keep the shareholders and potential investors of the Company informed of any further significant development in relation to the progress of the payment of the Compensation Amount by the Vendors of Derunlijia as and when appropriate.

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2020: Nil).

COMPETITION AND CONFLICT OF INTERESTS

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

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

The Company was authorized by its shareholders at the annual general meeting held on 22 May 2020 (the "2020 AGM") and held on 28 May 2021 (the "2021 AGM") to repurchase its shares not exceeding 10% of the issued shares of the Company at the date of the 2020 AGM and 2021 AGM respectively until the conclusion of next annual general meeting or the revocation of the resolution for repurchase of shares, whichever is earlier.

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

Details of the share repurchased of the Company on the Stock Exchange during the Period are set out as follows:

Month/Year of repurchase	No. of repurchased shares	Consideration per share Highest	Consideration per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
April 2021	3,720,000	1.21	1.13	4,313
May 2021	3,727,500	1.18	1.12	4,324
June 2021	3,187,500	1.15	1.11	3,632
	10,635,000			12,269

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

AUDIT COMMITTEE

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

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

The audit committee comprises three independent non-executive Directors, namely Dr. Hu Yiming (Chairman of the audit committee), Mr. Zeng Jinsong and Mr. Sutikno Liky.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement for the six months ended 30 June 2021 is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.yestarcorp.com.

The interim report of the Company for the six months ended 30 June 2021 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

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

30 August 2021

As at the date of this announcement, the executive Directors are Mr. Hartono James, Ms. Wang Ying, Ms. Wang Hong, Ms. Liao Changxiang and Mr. Li Bin; and the independent non-executive Directors are Dr. Hu Yiming, Mr. Zeng Jinsong and Mr. Sutikno Liky.