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 2022

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 12.9% to approximately RMB4,294.0 million in 2022 from approximately RMB4,930.7 million in 2021.

Gross profit decreased by approximately 16.5% to approximately RMB708.7 million in 2022 from approximately RMB848.7 million in 2021.

Loss for the year amounted to approximately RMB1,020.6 million in 2022 as compared with profit in 2021 amounted to approximately RMB12.7 million. Loss attributable to owners of the parent amounted to approximately RMB992.2 million in 2022 as compared with profit in 2021 amounted to approximately RMB3.3 million.

Non cash items of impairment of goodwill and other intangible assets and amortisation of other intangible assets amounted to RMB862.7 million.

Loss per share amounted to RMB42.6 cents in 2022 as compared with profit per share of RMB0.1 cents in 2021.

The Board did not recommend the payment of a final dividend for the year 2022 (2021: Nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Yestar Healthcare Holdings Company Limited ("Yestar" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 (the "Year") together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	4	**4,293,982**	4,930,692
Cost of sales		**(3,585,273)**	(4,081,997)
Gross profit		**708,709**	848,695
Other income and gains	4	**37,692**	89,691
Selling and distribution expenses		**(308,115)**	(336,343)
Administrative expenses		**(336,104)**	(320,665)
Impairment losses on financial assets		**(142,004)**	(7,321)
Other expenses		**(788,676)**	(52,922)
Finance costs	5	**(298,575)**	(169,187)
Share of profit of an associate		**19,731**	7,994
(LOSS)/PROFIT BEFORE TAX	6	**(1,107,342)**	59,942
Income tax credit/(expense)	7	**86,748**	(47,263)
(LOSS)/PROFIT FOR THE YEAR		**(1,020,594)**	12,679
Attributable to:			
Owners of the parent		**(992,232)**	3,327
Non-controlling interests		**(28,362)**	9,352
		(1,020,594)	12,679
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For (loss)/profit For the year	9	**RMB(42.6) cents**	RMB0.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(1,020,594)**	12,679
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(108,581)**	36,618
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**(23,525)**	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(132,106)**	36,618
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(1,152,700)**	49,297
Attributable to:		
Owners of the parent	**(1,124,338)**	39,945
Non-controlling interests	**(28,362)**	9,352
	(1,152,700)	49,297

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**173,134**	193,238
Right-of-use assets		**259,059**	266,684
Other intangible assets		**254,566**	820,109
Goodwill		**124,651**	420,067
Investments in an associate		**32,972**	13,241
Deferred tax assets		**27,389**	21,762
Total non-current assets		**871,771**	1,735,101
CURRENT ASSETS			
Inventories		**408,066**	366,686
Trade and bills receivables	10	**1,569,191**	1,590,861
Prepayments, other receivables and other assets	11	**224,517**	279,262
Pledged deposits		**1,810**	1,812
Cash and cash equivalents		**294,290**	585,159
Total current assets		**2,497,874**	2,823,780
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,689,059**	458,815
Trade payables	12	**666,533**	657,316
Contract liabilities		**43,347**	74,874
Other payables and accruals	13	**893,330**	757,048
Lease liabilities		**89,114**	83,455
Tax payable		**118,401**	129,482
Total current liabilities		**3,499,784**	2,160,990
NET CURRENT (LIABILITIES)/ASSETS		**(1,001,910)**	662,790

	Notes	**2022** *RMB'000*	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		—	1,117,960
Lease liabilities		**119,158**	130,194
Deferred tax liabilities		**85,429**	227,249
Other long-term payables		**7,133**	90,454
Total non-current liabilities		**211,720**	1,565,857
NET (DEFICITS)/ASSETS		**(341,859)**	832,034
EQUITY			
Equity attributable to owners of the parent			
Share capital		**46,576**	46,576
Reserves		**(455,445)**	708,649
		(408,869)	755,225
Non-controlling interests		**67,010**	76,809
TOTAL (DEFICIENCY IN NET ASSETS)/EQUITY		**(341,859)**	832,034

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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, 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

The Group incurred a net loss of RMB1,020,594,000 for the year ended 31 December 2022, and as at 31 December 2022, the Group had net current liabilities and total deficiency in net assets of approximately RMB1,001,910,000 and RMB341,859,000, respectively. Besides, the Group did not repay a principal of US$9,893,000 (equivalent to RMB68,902,000) and an interest of US$9,399,000 (equivalent to RMB65,457,000) for a senior note due in December 2022. As a result, the senior note and the interests with an aggregate amount of US$207,263,000 (equivalent to RMB1,443,505,000) became default and were payable on demand. 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 assessing whether the Group will have sufficient financial resources to continue as a going concern. 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;

(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 twelve months from the end of the reporting period. 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 2022 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern will depend upon the following:

(i) successfully negotiating with the Group's senior notes holders such that no action will be taken by the holders to demand immediate repayment of the principal and unpaid interest;

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

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

(iv) 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.

Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these 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 2022. 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).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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.

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

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

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

Year ended 31 December 2022	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	**263,629**	**4,030,353**	**4,293,982**
Intersegment sales	**278,352**	**1,414,840**	**1,693,192**
Reconciliation:			
Elimination of intersegment sales			**(1,693,192)**
Revenue			**4,293,982**
Segment results	**(151,357)**	**(909,552)**	**(1,060,909)**
Reconciliation:			
Corporate and other unallocated expenses			**(46,433)**
Loss before tax			**(1,107,342)**
Segment assets	**99,291**	**3,265,251**	**3,364,542**
Reconciliation:			
Corporate and other unallocated assets			**5,103**
Total assets			**3,369,645**
Segment liabilities	**100,335**	**3,588,114**	**3,688,449**
Reconciliation:			
Corporate and other unallocated liabilities			**23,055**
Total liabilities			**3,711,504**
Other segment information:			
Depreciation of items of property, plant and equipment	**6,012**	**31,225**	**37,237**
Depreciation of items of right-of-use assets	**2,523**	**106,525**	**109,048**
Amortisation of intangible assets	**66**	**84,425**	**84,491**
Share of profit of an associate	**—**	**(19,731)**	**(19,731)**
Impairment losses recognised in the statement of profit or loss, net	**96,892**	**784,738**	**881,630**
Gain on disposal of items of property, plant and equipment	**(4)**	**(336)**	**(340)**
Gain on disposal of right-of-use assets	**—**	**(4)**	**(4)**
Capital expenditure*	**30**	**25,751**	**25,781**

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

Year ended 31 December 2021	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	395,556	4,535,136	4,930,692
Intersegment sales	630,985	1,619,907	2,250,892
Reconciliation:			
Elimination of intersegment sales			(2,250,892)
Revenue			4,930,692
Segment results	(62,795)	128,219	65,424
Reconciliation:			
Corporate and other unallocated expenses			(5,482)
Profit before tax			59,942
Segment assets	519,603	3,972,388	4,491,991
Reconciliation:			
Corporate and other unallocated assets			66,890
Total assets			4,558,881
Segment liabilities	356,298	3,347,927	3,704,225
Reconciliation:			
Corporate and other unallocated liabilities			22,622
Total liabilities			3,726,847
Other segment information			
Depreciation of items of property, plant and equipment	5,733	30,523	36,256
Depreciation of items of right-of-use assets	2,422	98,526	100,948
Amortisation of intangible assets	247	95,454	95,701
Share of profit of an associate	—	(7,994)	(7,994)
Impairment losses recognised in the statement of profit or loss, net	21,896	48,189	70,085
Gain on disposal of items of property, plant and equipment	(3)	(906)	(909)
Gain on repayment of the senior notes	—	(35,158)	(35,158)
Capital expenditure*	720	49,504	50,224

* 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 2022, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB667,784,000 (2021: RMB902,596,000), which accounted for more than 16% (2021: more than 18%) of the Group's total revenue during the year.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**4,293,982**	4,930,692

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments

	Imaging printing products *RMB'000*	**Medical products and equipment** *RMB'000*	**Total** *RMB'000*
Types of goods or services			
Sale of goods	**260,913**	**3,941,153**	**4,202,066**
Rendering of services	**2,716**	**89,200**	**91,916**
Total revenue from contracts with customers	**263,629**	**4,030,353**	**4,293,982**
Timing of revenue recognition			
Goods transferred at a point in time	**260,913**	**3,941,153**	**4,202,066**
Services transferred over time	**2,716**	**89,200**	**91,916**
Total revenue from contracts with customers	**263,629**	**4,030,353**	**4,293,982**

For the year ended 31 December 2021

Segments

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Types of goods or services			
Sale of goods	392,440	4,454,881	4,847,321
Rendering of services	3,116	80,255	83,371
Total revenue from contracts with customers	395,556	4,535,136	4,930,692
Timing of revenue recognition			
Goods transferred at a point in time	392,440	4,454,881	4,847,321
Services transferred over time	3,116	80,255	83,371
Total revenue from contracts with customers	395,556	4,535,136	4,930,692

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

For the year ended 31 December 2022

Segments

	Imaging printing products *RMB'000*	**Medical products and equipment** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers			
External customers	**263,629**	**4,030,353**	**4,293,982**
Intersegment sales	**278,352**	**1,414,840**	**1,693,192**
	541,981	**5,445,193**	**5,987,174**
Intersegment adjustments and eliminations	**(278,352)**	**(1,414,840)**	**(1,693,192)**
Total revenue from contracts with customers	**263,629**	**4,030,353**	**4,293,982**

For the year ended 31 December 2021

Segments

	Imaging printing products *RMB'000*	Medical products and equipment *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	395,556	4,535,136	4,930,692
Intersegment sales	630,985	1,619,907	2,250,892
	1,026,541	6,155,043	7,181,584
Intersegment adjustments and eliminations	(630,985)	(1,619,907)	(2,250,892)
Total revenue from contracts with customers	395,556	4,535,136	4,930,692

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

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**48,732**	17,438
Rendering of services	**26,142**	20,023
	74,874	37,461

(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:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**43,347**	74,874

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.

	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Government grants *(note)*	**19,422**	44,540
Interest income	**5,579**	8,245
Foreign exchange differences, net	**10,032**	—
Net gain on disposal of items of property, plant and equipment	**340**	909
Gain on disposal of right-of-use assets	**4**	—
Gain on repayment of the senior notes	**—**	35,158
Net gain on financial assets at fair value through profit or loss	**—**	32
Others	**2,315**	807
	37,692	89,691

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other borrowings	**265,662**	116,505
Interest on overdue equity acquisition consideration	**21,540**	—
Interest on lease liabilities	**10,977**	10,793
Interest arising from discounted bills	**396**	490
Related expenses on senior notes	**—**	41,399
	298,575	169,187

6. (LOSS)/PROFIT BEFORE TAX

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

	2022 *RMB'000*	2021 *RMB'000*
Cost of inventories sold and services provided (including the related depreciation and amortisation)	**3,585,273**	4,081,997
Depreciation of property, plant and equipment	**37,237**	36,256
Depreciation of right-of-use assets	**109,048**	100,948
Amortisation of other intangible assets	**84,491**	95,701
Research and development costs	**21,151**	1,242
Lease payments not included in the measurement of lease liabilities	**23,470**	55,086
Auditor's remuneration	**4,100**	4,100
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**210,705**	232,314
Pension scheme contributions	**14,336**	15,775
	225,041	248,089
Foreign exchange differences, net	**(10,032)**	6,398
Impairment on financial assets, net	**142,004**	7,321
Impairment of goodwill*	**295,416**	—
Impairment of other intangible assets*	**482,981**	41,582
Gain on disposal of right-of-use assets	**(4)**	—
Gain on repayment of the senior notes	**—**	(35,158)
Gain on disposal of items of property, plant and equipment	**(340)**	(909)

* 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% (2021: 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 2022, Yestar Medical was entitled to a Corporate Income Tax ("CIT") rate of 15% due to HNTE.

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

	2022	2021
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**60,699**	82,901
Deferred	**(147,447)**	(35,638)
Total tax (credit)/charge for the year	**(86,748)**	47,263

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled (i.e., in their respective country of incorporation) to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
(Loss)/profit before tax	**(1,107,342)**		59,942	
Tax at applicable tax rate	**(276,835)**	**25.0**	14,986	25.0
Lower tax rate for certain entities in different jurisdictions	**72,675**	**(6.5)**	16,496	27.5
Tax losses and deductible temporary differences not recognised	**40,605**	**(3.7)**	20,292	33.8
Expenses not deductible for tax	**87,287**	**(7.9)**	7,425	12.4
Income not subject to tax	**(960)**	**0.1**	(10)	—
Tax losses utilised from previous periods	**—**	**—**	(879)	(1.5)
Adjustments to current tax of previous periods	**1,428**	**(0.1)**	(200)	(0.3)
Profit attributable to an associate	**(4,934)**	**0.4**	(1,998)	(3.3)
Tax incentives on eligible expenditures	**(6,014)**	**0.5**	(8,849)	(14.8)
Tax (credit)/charge at the effective rates	**(86,748)**	**7.8**	47,263	78.8

The share of tax attributable to an associate amounting to RMB6,442,000 (2021: RMB992,000) is included in "Share of profit and loss of an associate" in the consolidated statement of profit or loss.

8. DIVIDENDS

There was no proposed final dividend for the year ended 31 December 2022 (2021: Nil) which would be subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic loss (2021: earnings) per share amount is based on the loss (2021: profit) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,331,590,000 in issue during the year ended 31 December 2022 (2021: 2,346,582,000).

The calculation of basic loss (2021: earnings) per share is based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(992,232)**	3,327
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(thousands)*	**2,331,590**	2,346,582
Basic (loss)/earnings per share (RMB cents)	**(42.6)**	0.1

The diluted loss (2021: earnings) per share amounts were equal to the basic loss (2021: earnings) per share amounts for the years ended 31 December 2022 and 2021, as there were no diluting events during the years ended 31 December 2022 and 2021.

10. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,612,234**	1,611,004
Bills receivable	**18,667**	39,040
Impairment	**(61,710)**	(59,183)
	1,569,191	1,590,861

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:

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**757,039**	878,880
91 to 180 days	**481,095**	376,618
181 to 365 days	**172,596**	216,803
1 to 2 years	**134,333**	68,469
2 to 3 years	**5,461**	11,051
	1,550,524	1,551,821

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**59,183**	51,948
Impairment losses, net	**2,716**	7,321
Amount written off as uncollectable	**(189)**	(86)
At end of year	**61,710**	59,183

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 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**

As at 31 December 2021

		Past due			
	Not past due	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	0.20%	0.90%	6.11%	59.92%	3.67%
Gross carrying amount	1,127,254	340,583	59,340	83,827	1,611,004
Expected credit losses	2,274	3,053	3,625	50,231	59,183

The expected credit loss for bills receivable, which are all bank acceptance notes, approximated to zero. Those banks who issued the bank acceptance notes are creditworthy banks with no recent history of default.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments	**76,695**	98,658
Value added tax input	**23,966**	13,996
Deposits and other receivables	**209,557**	114,965
Financial assets measured at amortised cost	**56,413**	51,643
	366,631	279,262
Impairment allowance	**(142,114)**	—
	224,517	279,262

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

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:

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**635,960**	621,150
91 to 180 days	**10,415**	29,911
181 to 365 days	**3,082**	3,617
1 to 2 years	**15,773**	1,379
Over 2 years	**1,303**	1,259
	666,533	657,316

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

13. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Current portion:		
Other payables	**116,578**	339,604
Value added tax payable	**34,292**	52,563
Payroll and welfare payable	**20,479**	18,868
Interest payable	**66,150**	457
Payables to non-controlling interests *(note)*	**655,831**	345,556
	893,330	757,048
Non-current portion:		
Deferred government grant	**7,133**	7,322
Payables to non-controlling interests *(note a)*	**—**	83,132
	7,133	90,454

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, the remaining 30% interests in each of Shengshiyuan and Kaihongda. Besides that, the amount due to a non-controlling interest is 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 ("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 at a consideration of RMB675 million. As at 31 December 2022, the Company completed the acquisition of a 24.17% equity interest and paid RMB543,750,000 to Mr. Li, the remaining unpaid amount of RMB131,250,000 and related interest was recorded in the current portion.

    As at 31 December 2022, the carrying amount of RMB86,275,000 related to dividend payable to Mr. Li Bin and Mr. Li Changgui, which was recorded in the current portion.

(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 Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as at the date of this report.

(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 Mr. Pang to purchase the remaining 30% equity interest. No agreement was reached as at the date of this report.

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, Shanghai, 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 Culture, Business Model and Strategy

The Group has the mission to expand and consolidate its market share making itself being 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 assets growth with adoption of 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 2022, the Group strives to promote its IVD products and plans to obtain 79 registration certificates for the products of biochemical series, 42 of which have already been obtained and the remaining have completed the testing for registration, and are expected to be obtained soon.

MARKET OVERVIEW

2022 presented both challenges and opportunities. The resurgence of COVID-19 in the first half of 2022 affected the operations and performance of most of the industries in the PRC. During the year, around 22 provinces and regions including Shanghai implemented stringent lockdowns and travel restrictions, and reserved most of their medical resources for the treatment of COVID-19. Many clinics, specialist clinics and emergency rooms only provided minimal and limited services. As a result, the number of IVD tests decreased while demand for IVD reagents and related consumables plunged. In the second half the year, even though the market changed for the better as lockdowns in Shanghai and other cities were lifted, the Omicron variant created uncertainties.

On 27 December 2022, the Comprehensive Team for Joint Prevention and Control Mechanism for COVID-19 under the State Council issued the Notice of Further Optimising the Implementation of COVID-19 Prevention and Control Measures to re-designate COVID-19 as "B-type" infection that requires "B-type" prevention and control measures. It is expected that economic activities will slowly restart and most of the hospitals and clinics will resume normal operation in year 2023. As such, demand for IVD and other medical checkup services is on the rise, which will be beneficial to major IVD product distributors and service providers such as Yestar.

While the Central Government continued to prioritise economic recovery, it did not slow down its effort on the national healthcare reform, and showed its determination by accelerating the construction of a 'Healthy China' in spite of macro uncertainties. Under the latest policies, there is a growing emphasis on disease detection and prevention instead of treatment, and the trend has led to a rising demand for IVD products, especially since the COVID-19 outbreak. Many local companies have launched their own testing kits for COVID-19 and other diseases in an attempt to capture the vast opportunities in the market. The increasing variety of products and the growing number of market participants have all pointed to the fact that the industry is heading towards prosperous and sustainable development.

Meanwhile, under the hierarchical medical treatment system, more resources were also allocated to lower-tier medical institutions in order to expand patient and treatment coverage. This has led to a growing adoption of digital technologies in an attempt to drive resources utilisation and operational efficiency. At the same time, the Central Government also expanded the coverage of the National Reimbursement Drug List and improved the basic healthcare coverage for the public. The changing policies and needs presented new opportunities to the IVD market, and as a leading IVD distributors in the PRC, Yestar strives to provide the best solutions and products to facilitate its customers.

BUSINESS OVERVIEW

Further Expansion of Product Portfolio to Satisfy Customers' Need

Due to the aforesaid policies, the Group has taken a two-folded approach to satisfy the different needs among different tiers of medical institutions. For top-tier institutions which are performance driven and less price sensitive, the Group has been actively promoting various imported products to ease their operational bottleneck, including Roche's cobas e801 analytical unit, which is a high throughput immunochemistry module that performs a broad range of heterogeneous immunoassay tests using the highly innovative and patented ElectroChemiLuminescence technology. To further improve efficiency, the Group also introduced Roche's latest "i-Manager" standardised management system, which has obtained ISO15189 certificate; and "weDesign" consultancy services, which can expand the testing scope and reduce the management needs of laboratories. Such products not only allow Yestar to strengthen its market position as a one-stop solution provider, but also greatly enhance its customer loyalty, thereby laying a solid foundation for future orders and cash flow.

On the other hand, the Group has introduced a number of domestic IVD brands (complementary to Roche's existing product offering) to cater for the needs of lower-tier hospitals and medical institutions. So far, market feedback on the products was positive, with the domestic brands also contributing decent profit margin. This provides great encouragement for Yestar to actively expand its domestic brands' product portfolio in the future. In short, riding on its extensive market knowledge and industry experience, the Group will continue to identify promising IVD products, and create value by distributing them through its well-established network across all tiers of medical institutions.

Extending Value Chain Coverage to Manufacturing IVD Products

Over the past decade, China has been improving its capability in the biopharmaceutical sector. The Group has also further upgraded its plant and facilities in Guangxi, and recruited qualified and experienced IVD R&D and management talents to establish a professional team for its future development. Yestar has obtained a biochemical product registration certificate for IVD reagent and a manufacturing licence. It also intends to submit an application to register its immunoassay analyser and related reagents in order to extend its value chain to upstream production, create higher value for medical institutions, and capture more market shares with better margins. Riding on the growing demand for IVD consumables from lower-tier hospitals under the hierarchical policy, the Group will adopt a cost-driven strategy to provide quality and affordable house-brand IVD products to cater for their needs and capture more market shares.

Profit Guarantee in relation to Derunlijia

References are made to (i) the announcement of Yestar Healthcare Holdings Company Limited (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 reports of the Company for the years ended 31 December 2019 to 2021; and (iii) the announcements of the Company (collectively, the "Announcements") dated 27 March 2020, 24 April 2020, 26 August 2020, 7 April 2021, 30 August 2021, 30 March 2022, 24 August 2022, 30 November 2022 and 13 February 2023, 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, capitalised 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. Although the parties to the agreement previously agreed mutually that the Compensation Amount shall be settled by offsetting the same against the accumulated dividend payable or to be paid by the Vendors, the Vendors failed to honour their obligation. The Group has commenced an arbitration procedure in the Court of International Arbitration in September 2021.

On 28 November 2022, the arbitration results were concluded and the original written arbitration award was received by the Company on 29 November 2022 concluding that the Vendors were jointly and severally liable to the Group for (i) the payment of the Compensation Amount of RMB9,752,000 for the failure to meet the guarantee profit; (ii) the payment of the overdue interest accrued from 26 April 2020 up to the date of actual full repayment based on RMB9,752,000 and the loan prime rate announced by the National Interbank Funding Center; (iii) the payment of the legal fee, the preservation fee and the preservation guarantee fee for the arbitration case of RMB180,000, RMB5,000 and RMB9,932 respectively; (iv) the payment of the arbitration fee of RMB126,179 that the Group has paid in advance and to be borne by the Vendors; and (v) the dismissal of all the arbitration counterclaims of the Vendors.

The aforesaid arbitration results were final and conclusive. The Vendors should fulfil the payment obligation within 15 days from the effective date of arbitration results.

However, the Group has not received from the Vendors any Compensation Amount and other payments as stated in the arbitration results. The Company has applied for an execution order from the court for repayment in December 2022 in connection with the non-payment, and the court has filed a case for execution. Nevertheless, the Vendors has applied to the Shanghai Second Intermediate People's Court for the revocation of the arbitration results concluded on 28 November 2022, and the Company attended the court hearing in February 2023 as requested. At the same time, the Court of International Arbitration has submitted a statement of facts to the Shanghai Second Intermediate People's Court. On 22 February 2023, the Shanghai Second Intermediate People's Court has arrived at a verdict and ruled against the Vendors' application for the revocation of the arbitration.

As at the date hereof, the Company has received an execution order, Shenzhen Futian People's Court (2023) Yue 0304 Zhi No. 2747 (深圳市福田區人民法院(2023)粵0304執2747號), in relation to a sum of RMB999,926.22.

The Company will keep its shareholders and potential investors informed of any development in relation to any further payment of the compensation by the Vendors of Derunlijia or the auction of the Vendors' assets to compensate the Company 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 hereof.

Memorandum of Understanding

During the Year, the Company and a potential investor entered into the non-legally binding memorandum of understanding, pursuant to which the Company intends to allot and issue, and the potential investor intends to subscribe for, the subscription shares. The exact number of shares to be allotted and issued is subject to further negotiation between the Company and the potential investor, but not less than 30% of the issued share capital of the Company as enlarged by the allotment and issuance of subscription shares.

On 23 August 2022 (after trading hours), the Company and the potential investor entered into a termination agreement to terminate the memorandum of understanding and the possible subscription as the parties have not reached a consensus on the key terms in relation to the possible subscription after negotiation. For details, please refer to the Company's announcements dated 8 April 2022, 6 May 2022, 6 June 2022, 28 June 2022, 28 July 2022 and 23 August 2022.

Disposal of subsidiaries

In order to enhance the financial position of the Group by reducing its indebtedness and improving its liquidity and overall financial position, on 30 December 2022, the Group and Mr. Li Bin, a former executive Director of the Company, entered into the equity transfer agreement, pursuant to which the Group conditionally agreed to sell, and Mr. Li Bin conditionally agreed to acquire all his shares in each of the Shanghai Anbaida Group Companies at a consideration of RMB574,750,000. Upon completion, the Group will cease to hold any equity interests in the Shanghai Anbaida Group Companies. Accordingly, the Shanghai Anbaida Group Companies will cease to be the subsidiaries of the Company.

As disclosed in the announcement of the Company dated 30 December 2022, the net proceeds from the disposal of the subsidiaries of approximately RMB430,000,000 will be used to settle the outstanding liabilities of the Group, which is critical to staying competitive locally and internationally and generating long-term growth to shareholders. Therefore, the net proceeds from the related disposal will serve as a source of funding for the settlement of part of the outstanding liabilities, including the New Senior Notes, which will be also beneficial to the noteholders of the New Senior Notes. For details, please refer to the announcement of the Company dated 30 December 2022.

The Company is currently preparing a circular containing, among other things, (i) the financial information of the target companies and the remaining group for the financial year ended 31 December 2022, an indebtedness statement and working capital adequacy statement; (ii) a letter of recommendation from the independent board committee and a letter of advice from the independent financial adviser; (iii) further information on the equity transfer agreement and the transactions contemplated thereunder; (iv) a letter of recommendation from the independent board committee to the independent shareholders, a letter of advice from the independent financial adviser to the independent board committee and the independent shareholders; and (v) the notice of the extraordinary general meeting and other information as required under the Listing Rules.

The Company will keep its shareholders informed of any further significant development in relation to the disposal of the subsidiaries as and when appropriate.

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2022, 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, for the year ended 31 December 2022, the Group recorded an impairment loss on goodwill in the above acquired companies for an amount of approximately RMB295.4 million (2021: Nil), which was due to its lower recoverable amounts in relation to the estimated future business performance and hence the value of the discounted cash flow of the above subsidiaries taking into account the budgeted gross profit margin and estimated growth rate of different product mixture, which are the assumptions adopted in value in used calculation.

In addition, an impairment loss of other intangible assets (which included distribution rights and customer relationship) of RMB483.0 million (2021: 41.6 million) was recognised in the consolidated statement of profit or loss as other expense in 2022.

FINANCIAL REVIEW

In the first half of 2022, regular services in hospitals and medical clinics had been put on hold due to lockdowns in response to the resurgence of COVID-19. As a result, the overall demand for IVD reagents and consumables recorded a decrease, leading to a drop in revenue by 12.9% year-over-year ("yoy") to RMB4,294.0 million (2021: RMB4,930.7 million). Gross profit dropped by 16.5% yoy to RMB708.7 million (2021: RMB848.7 million). Gross profit margin was 16.5% (2021: 17.2%), representing a decline of 0.7 percentage point, which was primarily due to the greater impact of the lockdowns during the first half of the year on products with higher margins. As the nation adjusted its pandemic control policies, sales gradually resumed normal in the second half of the year. Selling and distribution expenses decreased by 8.4% yoy to RMB308.1 million (2021: RMB336.3 million), as the majority of marketing and traveling activities were suspended under the lockdowns. Administrative expenses increased to RMB336.1 million (2021: RMB320.7 million), mainly due to the increase in research and development expenditure. Meanwhile, following the successful restructuring of the Company's US-dollar debt which saw a higher coupon rate, finance costs rose to RMB298.6 million (2021: RMB169.2 million). Net loss attributable to owners of the Company for the Year was RMB992.2 million (2021: net profit attributable to owners of the Company of RMB3.3 million). Basic loss per share was RMB42.6 cents (2021: basic earnings per share of RMB0.1 cent). The Board has resolved not to declare any final dividend for the Year (2021: Nil).

Medical Business — 93.9% of Overall Revenue

During the Year, the Group's medical business recorded a segment revenue of RMB4,030.4 million (2021: RMB4,535.1 million), representing a yoy drop of 11.1%. This was mainly due to lockdowns across various cities, which led to the closure of hospitals' non-emergency services and thereby resulted in the decreased demand for IVD consumables, in the first half of the year. Gross profit margin of the segment also dropped by 1.3 percentage points ("p.p.") to approximately 17.5% (2021: 18.8%). This was mostly the result of lockdowns, especially those of Shanghai, Shenzhen, Beijing and Jiangsu, where the Group focuses on higher-margin products. On top of that, the overall gross profit margin was dragged further as the Shanghai branches of the Group provided IVD related products to support the local government. This demonstrated the Group's commitment to corporate social responsibility, as though these products had lower margins, they were essential to the efforts against the pandemic. After lockdowns were lifted, gross profit margin for the second half of the year returned to 18.6%, a level similar to that for the corresponding period last year. In view of the change in national pandemic prevention policies, it is believed that revenue for 2023 will return to normal.

Numbers of Hospitals and Clinics Covered

For the year ended 31 December	2022	2021	YOY change
Provinces			
Anhui	**2**	61	–96.7%
Fujian	**85**	81	+4.9%
Guangdong	**417**	417	—
Guangxi	**60**	60	—
Hainan	**61**	61	—
Hebei	**54**	45	+20.0%
Hunan	**31**	22	+40.9%
Jiangsu	**260**	260	—
Autonomous region			
Inner Mongolia	**10**	10	—
Tier-1 cities			
Beijing	**224**	209	+7.2%
Guangzhou	**139**	116	+19.8%
Shanghai	**315**	315	—
Shenzhen	**69**	69	—
Overall	**1727**	1726	+0.1%

Non-medical Business — 6.1% of Overall Revenue

Apart from the medical business segment, 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. As the resurgence of COVID-19 led to lockdowns, leisure and tourism activities were severely impacted. Consequently, the demand for photographic paper has dropped significantly. Furthermore, factory operations were also affected and the demand for industrial film products fell. During the Year, revenue of the non-medical business was RMB263.6 million (2021: RMB395.6 million), representing a yoy decrease of approximately 33.4%. Despite all the challenges, as the sole distributor of Fujifilm colour photographic paper in the PRC, the Group will carry on its business operation and tighten its collaboration with Fujifilm in order to tap into future opportunities.

Liquidity and Financial Resources

The Group has cash and cash equivalents of approximately RMB294.3 million as at 31 December 2022 (2021: approximately RMB585.2 million). The decrease in cash and cash equivalents was mainly due to the repayment of a cooperation fund to third party of RMB200.0 million during the Year. Also, the cash position dropped because income and the collection of receivables were adversely affected by the resurgence of COVID-19 and lockdowns.

As at 31 December 2022, the Group's gearing ratio was approximately 141% (2021: approximately 57%), 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 2022.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2022 was approximately RMB1,689.1 million (2021: approximately RMB1,576.8 million). Except for the senior notes issued during the Year and secured bank loans of RMB201.3 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 2022 was approximately 0.71 (2021: approximately 1.31), based on current assets of approximately RMB2,497.9 million and current liabilities of approximately RMB3,499.8 million.

As at 31 December 2022, the total assets of the Group was RMB3,369.6 million, net current liabilities was RMB1,001.9 million and deficit attributable to shareholders was RMB408.9 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 8.4% from approximately RMB336.3 million in 2021 to approximately RMB308.1 million in 2022, and accounted for about 6.8% and about 7.2%, respectively, of the Group's revenue for the respective reporting years. Such decrease was mainly attributable to less marketing and traveling activities under the lockdowns.

Administrative Expenses

The Group's administrative expenses recorded an increase of about 4.8% from approximately RMB320.7 million in 2021 to approximately RMB336.1 million in 2022, and accounted for about 6.5% and about 7.8%, respectively, of the Group's revenue for the respective reporting years. Such increase was mainly due to the increase in research and development expenditure as the Company stepped up its investment in in-house product research and development.

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 incurred was approximately RMB298.6 million (2021: approximately RMB169.2 million). As the Senior Notes have higher coupon rate and are denominated in the US dollar, finance costs increased during the year.

For the Year, interest rates of the interest-bearing loans ranged from 2.08% to 9.80%, while those for the year ended 31 December 2021 ranged from 2.30% to 12.13%.

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 minimize 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 finances its working capital requirements through a combination of funds generated from operations and bank borrowings as well as issuance of senior notes.

Human Resources and Remuneration Policies

As at 31 December 2022, the Group had 909 (2021: 1,019) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB225 million for the Year as compared to approximately RMB248.1 million for the year ended 31 December 2021. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

Since the contribution to the pension schemes and for the Year, there was no contributions forfeited by the Group (31 December 2021: 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 2022, 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 16 to the Listing Rules.

Significant investments held

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

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 December 2022, 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 2022, the Group had no significant capital commitments.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as disclosed in relation to the disposal of Shanghai Anbaida Group Companies, subsidiaries of the Company, 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 2022.

Charges of assets

As at 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB79,547,000 (2021: 85,506,000) 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 2022:

(i) the Group's bank loans of RMB102,903,000 were secured by the pledge of the Group's building.

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

Contingent liabilities

During the Year, the Group had no material contingent liabilities as at 31 December 2022.

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, 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 5% of the original principal amount of the New Senior Notes both on 30 December 2022. As the above default have occurred and are currently continuing, the Company is prohibited by the terms of the indenture from consummating the asset sale. As the results, 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.

The Company is in the process of assessing its liquidity position, overall business operation and operating environment, and is actively exploring potential solutions to ease its liquidity concerns. The Company is maintaining communication with noteholders of the New Senior Notes with a view to exploring and implementing potential ways to address its liquidity issue, and reaching a consensual solution to best protect the interests of all its stakeholders as well as avoiding any legal litigation on this issue against the Company. For details, please refer to the announcement of the Company dated 22 March 2023.

PROSPECT

The Company believes that there is ample room for growth in the Group's business operations. The progress of national healthcare reform in China in the next three years would not be slowing down. China's central government ("Central Government") is striving to implement national healthcare reform by accelerating the construction of a "healthy China". Under the latest policies, there is a growing emphasis on disease detection and prevention instead of treatment, and the trend is expected to support a growing demand of IVD products. After the relief of COVID-19 pandemic, economic activities are expected to gradually resume, and hospital and clinics will be able to return to normal operation.

Meanwhile, under the hierarchical medical treatment system, more resources were allocated to lower-tier medical institutions in order to expand patient and treatment coverage. This has led to a growing adoption of digital technologies in an attempt to drive resources utilization and operational efficiency. At the same time, the Central Government also expanded the coverage of the National Reimbursement Drug List, improving the basic healthcare coverage for the public and strengthening the promotion of the collection and localization of medical consumables. The changing policies and needs present new opportunities in the market of medical film and IVD products. As a result, the demand of medical detection services, including the IVD testing and medical film was on the rise, benefiting key manufacturers, distributors and service providers of IVD products and medical film.

Accordingly, the Directors are optimistic on the future and expansion of the Group to the IVD markets.

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 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

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

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 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 C.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. For the period from 1 January 2022 to 24 August 2022, the Company does not have a separate position of Chief Executive Officer ("CEO"), the positions of Chairman of the Board and CEO of the Company were both 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.

On 24 August 2022, Mr. Hartono James has tendered his resignation as the CEO of the Company; while Ms. Liao Changxiang, an executive director, has been appointed as the CEO of the Company for good corporate governance and compliance with CG Code purposes. Upon the change, the Company has complied with all code provisions as set out in Appendix 14 to the Listing Rules since the roles of the chairman and chief executive are not performed by the same individual.

Review of Annual Results

The audited consolidated financial results of the Group for the Year have been reviewed by the audit committee of the Company and the figures in respect of the consolidated statement of profit or loss, consolidated statement comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the Year as set out in this announcement have been agreed by our auditors, Messrs. Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the Year.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

Annual General Meeting

The annual general meeting of the Company (the "AGM") will be held on 31 May 2023 (Wednesday). The notice of the AGM will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.yestarcorp.com. and sent to the shareholders of the Company, together with the Company's annual report, in due course.

Closure of Register of Members

The register of members of the Company will be closed from 25 May 2023 (Thursday) to 31 May 2023 (Wednesday) (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 24 May 2023 (Wednesday).

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 2022 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

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 2022:

Disclaimer of Opinion

We were engaged to audit 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 2022, 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 a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis For Disclaimer of Opinion

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred a net loss of RMB1,020,594,000 for the year ended 31 December 2022, and as at 31 December 2022, the Group had net current liabilities and total deficiency in net assets of approximately RMB1,001,910,000 and RMB341,859,000, respectively. Besides, the Group did not repay a principal of US$9,893,000 (equivalent to RMB68,902,000) and an interest of US$9,399,000 (equivalent to RMB65,457,000) for a senior note due in December 2022. As a result, the senior note and the interests with an aggregate amount of US$207,263,000 (equivalent to RMB1,443,505,000) became default and were payable on demand. These conditions indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company (the "Directors") have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully negotiating with the Group's senior notes holders such that no action will be taken by the holders to demand immediate repayment of the principal and unpaid interest; (ii) successfully negotiating with the Group's existing lenders for the renewal of or extension for repayment of outstanding borrowings; (iii) successfully negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future; and (iv) 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.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

BOARD'S VIEW AND AUDIT COMMITTEE'S VIEW

The Board agreed with the independent auditor's view in respect of the disclaimer of opinion and the management of the Group (the "Management") had assessed the Group's current liquidity, performance and available sources of financing in considering the Group's ability to continue as a going concern. The controlling shareholder and the Management has also taken or will continue to implement the measures to mitigate the Group's liquidity pressure and improve the conditions of cash flow, and on the assumption of successful and continued implementation of such measures, and taking into account cashflow forecast for an twelve months period ending 31 December 2023, the Management is satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis. The Board and the Management are of the view that the Group will, based on the execution of action plan (as detailed below), have sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this announcement.

The audit committee of the Company had reviewed the disclaimer of opinion and also the Management's position and their view as well as action plan of the Group to address the related issue. The audit committee is in agreement with the Board and the Management in relation to the disclaimer of opinion and the Group's ability to continue as a going concern, and in particular the actions or measures to be implemented by the Management or the Group.

The audit committee's views are based on (i) a review of action plan to address the disclaimer of opinion (with assumption and continued implementation) and cashflow forecast for an twelve months period ending 31 December 2023; and (ii) discussions between the audit committee and the auditor and the Board at the audit committee meeting and Board meeting held on 31 March 2023, respectively, regarding the disclaimer of opinion.

The audit committee is of the view that the Board should continue its efforts in implementing the actions and measures set out in the action plan with the intention of mitigating the Group's liquidity pressure and removing the disclaimer of opinion.

ACTION PLAN TO ADDRESS THE DISCLAIMER OF OPINION

(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;

(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 OF THE AUDIT QUALIFICATION ON THE COMPANY'S FINANCIAL POSITION

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

REMOVAL OF THE DISCLAIMER OF OPINION

The Board is aware of the disclaimer of opinion relates to a going concern issue in preparing the financial statements for the year ended 31 December 2022, 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, based on the conditions and circumstances as at 31 December 2022.

The Management's assessment of the Company's ability to continue as a going concern as at 31 December 2022 would need to take into consideration of the conditions and circumstances and also include cashflow forecast for an twelve months period ending 31 December 2023.

Therefore, assuming all the above action plan 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 reasonable basis upon which disclaimer of opinion would to be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2023.

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

31 March 2023

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 Dr. Hu Yiming, Mr. Zeng Jinsong and Mr. Sutikno Liky.