Yes!Star

YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED
巨星醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立的有限公司)
Stock Code 股份代號：2393

2022
ANNUAL REPORT
年度報告


24

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Liao Changxiang
(appointed as Chief Executive Officer on 24 August 2022)
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Liang Junxiong

NON-EXECUTIVE DIRECTOR

Mr. Hartono James *(Chairman)*
(re-designated as non-executive Director on 24 August 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Dr. Hu Yiming *(Chairman)*
Mr. Sutikno Liky
Mr. Zeng Jinsong

NOMINATION COMMITTEE

Mr. Sutikno Liky *(Chairman)*
Dr. Hu Yiming
Mr. Zeng Jinsong

REMUNERATION COMMITTEE

Mr. Zeng Jinsong *(Chairman)*
Dr. Hu Yiming
Mr. Sutikno Liky

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael

AUTHORIZED REPRESENTATIVES

Ms. Wang Hong
Mr. Ngai Tsz Hin Michael

INDEPENDENT AUDITORS

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Certified Public Accountants
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REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

2393

COMPANY WEBSITE

http://www.yestarcorp.com

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear valued shareholders,

On behalf of the board of directors (the "**Board**") of Yestar Healthcare Holdings Company Limited (the "**Company**" or "**Yestar**" and, together with its subsidiaries, the "**Group**"), I am pleased to present the annual report for the year ended 31 December 2022 (the "**Year**") to our shareholders.

2022 was full of ups and downs as well as challenges and uncertainties brought by multiple concurrent crises, such as the fluctuating and unceasing pandemic, the Russo-Ukrainian military conflict, high inflation and economic downturn. In 2022, inflation rose in many countries as geopolitical factors and the lingering pandemic disrupted the global supply chain. However, in contrast with the rough external environment, the People's Republic of China ("**China**" or the "**PRC**") ended COVID-19 prevention and control measures, lifted lockdowns and reopened its border. As such, the Group will remain true to its original aspiration and keep up its pace amid both challenges and growth.

The Federal Reserve of the United States ("**US**") raised its interest rates for 7 times in a row in 2022. This rigorous balance sheet reduction has driven the exchange rates of many currencies to historic low, increased the pressure of imported inflation and gave the financial market a shock. The increase in US dollar exchange rates also had an adverse impact on the Group. The substantial appreciation of the US dollar against Renminbi in 2022 escalated the costs of the Group to procure raw materials for medical films, colour photographic paper and industrial imaging products, and, in turn, had an adverse impact on the Group's gross profit margin. Also, the change in exchange rates resulted in an increase in foreign exchange loss.

The resurgence of COVID-19 in the first half of 2022 and the constant emergence of new COVID-19 variants induced regional lockdowns in a number of Chinese cities and affected the Group's operations in several regions. Shanghai, which is the financial centre of China as well as the location of the Group's headquarters, was hardest hit by a lockdown lasting for nearly 3 months. Situations in Beijing and Shenzhen were slightly better, but were negatively affected as well. During lockdowns in several cities, the delivery of our raw materials was delayed, our factories were forced to suspend their production, and pressure on logistics schedules and costs mounted. Many hospitals also suspended their non-emergency and non-essential services, which led to a sharp drop in demand for In-Vitro Diagnostic ("**IVD**") products. It was not uncommon for medical distributors to scale down or temporarily suspend their business. As a result, revenue of the Group was badly battered. Demand for medical films also fell as a result. At the same time, regional lockdowns also materially affected production, consumption and tourism. Therefore, demand for industrial films and photographic paper plunged.

CHAIRMAN'S STATEMENT

The COVID-19 pandemic, which erupted at the beginning of 2020, was the most acute epidemic of the century. Over the past three years, the PRC government made decisions in a timely and informed manner, devised scientific and accurate prevention and control measures, and fought the pandemic proactively all along. Finally, at the end of 2022, the nation welcomed a window period, in which the pathogenicity and virulence of the COVID-19 viruses fell. On 7 December, the Comprehensive Team for Joint Prevention and Control Mechanism for COVID-19 under the State Council issued the Notice of Further Optimizing the Implementation of COVID-19 Prevention and Control Measures (the "**New Ten Articles**"), pursuant to which the focus of the COVID-19 prevention and control measures has been pivoted to "safeguarding health and preventing severe illness" in view of the new pandemic developments and requirements. On 26 December, the National Health Commission issued a notice to rename novel coronavirus pneumonia as novel coronavirus infection, and re-designated the novel coronavirus disease from "B-type" infection that requires "A-type" prevention and control measures to "B-type" infection that requires "B-type" prevention and control measures starting from 8 January 2023. The complete re-opening of China from COVID-19 pandemic control measures has a tremendously positive impact on the Group's operation. As the number of infections surged in a giant infection wave across the country, demand from hospitals for lung CT scans jumped. As a result, demand for medical films swelled in December, resulting in an outstanding sales figure of the Group's medical films. Subsequent to the complete re-opening from pandemic control measures, the Group quickly seized opportunities brought by the market recovery so as to speed up its own rebound and forge ahead with giant strides.

In recent years, the Group has made every effort to diversify its product portfolio and improve its customer services. Driven by the implementation of various national policies such as the healthcare reform, hierarchical medical treatment system and support for domestic medical equipment, the medical device industry in China has entered a golden era of rigorous development of self-proprietary domestic replacements. The Group is also actively rolling out house-branded IVD products with the aims of gaining market share and boosting profits. We obtained an IVD product manufacturing licence and the registration certificates for 42 IVD products in 2022 and plan to commence the production and sale of these products in 2023. Meanwhile, we are also actively expanding our strategic presence in overseas markets so as to broaden our income stream. We are co-operating with an Indonesian enterprise with extensive local channels and resources in order to establish an IVD product production base and enter the Indonesian market. In the future, the Group will vigorously carry out its globalisation strategy, build up its strength, plan for the future, explore new business models for overseas markets in countries around the Belt and Road Initiative, join hands with more partners and carry on the Group's globalisation in a more steady, extensive and firm manner.

Looking forward, the Group will enhance its market penetration by further diversifying its product portfolio, improving its service quality, and expanding and consolidating the market coverage and position of its healthcare value chain. It will also explore opportunities to develop more house-branded products based on its strong research, development and production capacities, strengthen the management and control over its supply chain, broaden its revenue sources and increase its profitability in the long run. With the brilliant prospect, we must forge ahead. The Group will maintain its pace of development with every effort and continue to innovate new ways to seize the future.

APPRECIATION

I would like to take this opportunity to thank the Board, the management team and all of our staff for their dedication and commitment, as well as our business partners, noteholders, shareholders and customers for their unfailing support and confidence in the Group during the Year.

Hartono James
Chairman

31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT YESTAR

Yestar is one of the largest distributors and service providers of IVD products in 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 strived to promote its IVD products and planned 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 sales of IVD products decreased while demand for IVD reagents and related consumables plunged. In the second half of 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 26 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 a 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 an 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 Anbaida Group Companies (as defined in note 1 to the consolidated financial statement) at a consideration of RMB574,750,000. Upon completion, the Group will cease to hold any equity interests in the Anbaida Group Companies. Accordingly, the 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 Anbaida Group 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 cash flow forecasts for each of the following acquired subsidiaries in previous years:

— Anbaida Group Companies

— Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd. ("**Hongen**")

— Guangzhou Shengshiyuan Trading Co., Ltd. ("**Shengshiyuan**")

— Beijing Kaihongda Technologies Co., Ltd. ("**Kaihongda**")

— Shenzhen Derunlijia Co., Ltd. ("**Derunlijia**")

The Group also performed an impairment test on other intangible assets by performing discounted cash flow forecasts for Yestar Biotech (Jiangsu) Co. Ltd. as at 30 June 2022.

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.

During the year ended 31 December 2022, the revenue derived from the medical products and equipment segment experienced a decrease compared with the revenue recognised during the year ended 31 December 2021 and could not reach the forecast as conducted in 2021. The management of the Company was aware of the potential need of making impairment for the year ended 31 December 2022 and thus, engaged independent valuers to conduct valuation on each cash generating unit of the medical products and equipment segment by performing impairment tests on the goodwill and other intangible assets.

It was noted that the impairment of goodwill and other intangible assets was largely attributable to Anbaida Group Companies. Anbaida Group Companies mainly operate in the medical products and equipment segment of the Group in Shanghai. In 2022, Shanghai was greatly affected by the anti-epidemic measures imposed by the PRC Government, causing hospitals to be faced with capital pressure. On one hand, the hospitals slowed the payment to Anbaida Group Companies, on the other hand, they requested Anbaida Group Companies to decrease the selling prices as well. In the last quarter of 2022, the impact of the COVID-19 pandemic was eased. However, the recoverability of trade receivables did not rebound to the level before the COVID-19 pandemic emerged. As a result, the balance of trade receivables of Anbaida Group Companies as at 31 December 2022 increased substantially while the revenue was in downturn trend. At the same time, as the distributor, the Group was unable to transfer working capital pressure to its vendor, and the operating expenses and payment terms remained relatively stable. As such, the gross profit margin in 2022 significantly decreased as compared with that of previous years. Anbaida Group Companies have to invest further working capital to develop its business operation. The management of the Company considered that such trend may persist in the coming years and made the adjustment on the business strategy accordingly. In the meanwhile, multiple factors indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, thus no further working capital can be invested to support business expansion of Anbaida Group Companies from the Group.

Furthermore, driven by the implementation of various national policies such as the healthcare reform, hierarchical medical treatment system and support for domestic medical equipment, the medical device industry in China has entered a golden era of rigorous development of self-proprietary domestic replacements. In 2022, with the abatement of the COVID-19 pandemic, the Group noted that the authorities paid increased attention to deepening the reform of the procurement mechanism for pharmaceutical consumables, which might lead to the exclusion of the imported medical equipment and devices from the centralized procurement list. Many local companies have launched their own products in attempt to capture the opportunities in the market. As such, the management of the Company has decided to adjust the revenue and cashflow forecast to better reflect Anbaida Group Companies' business operation under the current market situation.

Impairment of financial assets ("FA Impairment")

The Group recognised FA Impairment of approximately RMB142.0 million for the year ended 31 December 2022.

As at 31 December 2022, the Group holds two one-year fixed-interest (annual interest rate: 6%) investment products from a company ("**Company A**") with the principal amount of US$3.7 million and US$4.4 million and outstanding interests of approximately US$1.5 million. The aggregate of the principal amount and interests amounted to approximately RMB66.7 million. By way of background, Company A is a private company established in Singapore. The Company acquired the investment products in 2019 in order to earn a stable interest. The investment products have since been renewed on an annual basis in accordance with the parties' mutual agreement. The Group has continued to assess the credit risk on the financial instrument since initial recognition, and was of the opinion that there was no impairment indicator as at 31 December 2021. In the second half of 2022, given the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, the Group continued to communicate with Company A demanding immediate repayment. The parties then entered into a repayment agreement. However, Company A ultimately failed to repay the first instalment as stated in the agreed repayment schedule, mainly due to the fact that the economy did not rebound as quickly as expected, and also due to the impact of appreciation of US dollars and the economic downturn worldwide and in Southeast Asia. In view of the material uncertainties and instability of the financial market around the world, the management assessed the financial assets from Company A were in default, and recognised the impairment of the financial assets from Company A by the expected credit loss methodology as at 31 December 2022. The Group has continued to communicate with Company A demanding repayment in accordance with the agreed repayment schedule. The management of the Group will continue to take all necessary measures, including legal means, to recover the outstanding receivables from Company A.

As at 31 December 2022, the Group had other receivables of approximately RMB75.0 million due from a company group ("**Group B**"). By way of background, Group B is a distributer of fast-moving consumer goods, and is focusing on Chinese and Southeast Asia markets. And in Chinese market, Group B mainly cooperates with offline and online retailers, such as Carrefour, Walmart, JD and others. The Group has granted interest-free short-term loans to Group B, as Group B is one of the Group's business partners, and the Group is seeking potential opportunities for its film business, IVD for animals business and general IVD business in Southeast Asia. The Group has continued to assess whether the credit risk on the other receivables from Group B has increased significantly since initial recognition. In 2022, offline retailers were affected by the continuous pandemic, which had significant impact on the Group B's business. Until the first half of 2022, Group B borrowed and repaid funds upon the Group's demand. However, since the second half of 2022, the severe and persistent impact of the COVID-19 pandemic caused Group B to fall behind in making repayments such that approximately RMB75.0 million was still outstanding as at 31 December 2022. During the last quarter of 2022, the Group had continuous discussion with Group B on the recovery of receivables and was unable to reach an agreement on the repayment schedule with Group B. Since none of the receivables was recovered until March 2023 despite various rounds of negotiations and demands, the management assessed that the receivables due from Group B were in default, and recognised impairment of the other receivables due from Group B by expected credit loss methodology as at 31 December 2022. After the publication of the 22 Results, the Group issued demand letters to Group B through its solicitors for the outstanding receivables. Group B has then agreed to repay all outstanding receivables before the end of 2025. The management of the Company will continue to be in close contact with Group B for the repayment of the outstanding receivables and explore legal means to recover the same.

The Board has always been mindful of the requirements stipulated under Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to keep the Company's shareholders and potential investors properly informed. The board believes, based on the timing of the events described above, no disclosure of these significant impairments was required before the announcement of the 22 Results.

During the course of the Group's business operation, the management of the Company closely monitors the impairment on various assets and continuously assess the impact on the Company's financial statements. In respect of the FA Impairment, the management of the Company has strived to recover the receivables before the publication of this report, so as to minimise the impact on the financial statements. As at the date of this report, the Group has been adopting various measures to recover the outstanding receivables.

Impairment assessment methodology

As discussed above, as at 31 December 2022, the Group identified the impairment indicators relates to financial assets from Company A and other receivables due from Group B, and the Group performed a specific review on assessing the FA impairment accordingly. For details of the assessment, please refer to the disclosure above.

Comparison table in respect of impairment review and valuation for 2021 and 2022

The valuation method was consistent for both 2021 and 2022. And the discount rates and growth rates beyond the five-year applied to the cash flow projections for 2022 were similar to those of 2021.

The projected cash flow of some CGUs of 2022 decreased significantly compared with those of 2021, mainly due to the Group adjusting its business strategy in 2022 to deal with both external and internal challenges as described above. The key aspects of the changes in business strategy included:

1) timely adjusting the operating activities in accordance with the working capital arrangement;

2) timely reviewing the product margin and adjust product matrix.

Thus, the projected cash flows of were adjusted accordingly to reflect the business adjustment.

Other intangible assets — customer relationship and distribution rights

The movement of customer relationship and distribution rights are illustrated as following:

	Yestar Biotech RMB'000	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000	Shengshiyuan RMB'000	Kaihongda RMB'000	Total RMB'000
Cost							
As at 31 December 2021 and 31 December 2022	249,900	818,600	219,065	364,945	137,009	106,481	1,896,000
Accumulated amortisation							
As at 31 December 2021	109,192	350,180	71,806	94,514	44,908	21,570	692,170
Amortisation provided during the year	4,529	54,573	14,604	5,240	3,993	1,359	84,298
As at 31 December 2022	113,721	404,753	86,410	99,754	48,901	22,929	776,468
Accumulated impairment							
As at 31 December 2021	88,458	—	—	212,479	16,861	66,641	384,439
Impairment during the year	31,406	361,690	—	16,633	66,489	6,763	482,981
As at 31 December 2022	119,864	361,690	—	229,112	83,350	73,404	867,420
Net carrying amount							
As at 31 December 2022	16,315	52,157	132,655	36,079	4,758	10,148	252,112
As at 31 December 2021	52,250	468,420	147,259	57,952	75,240	18,270	819,391

Customer relationship and distribution rights acquired through business combinations is allocated to the following reportable cash-generating units ("**CGUs**") for impairment testing:

— sale of medical equipment and reagents of Yestar Biotech

— sale of medical equipment and reagents of Anbaida Group Companies

— sale of medical equipment and reagents of Hongen

— sale of medical equipment and reagents of Derunlijia

— sale of medical equipment and reagents of Shengshiyuan

— sale of medical equipment and reagents of Kaihongda

The recoverable amount of the customer relationship and distribution rights has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering residual useful lives of intangible assets period approved by senior management. The valuation method was the same for both 2021 and 2022.

The projected cash flow and discount rates applied to the cash flow projections for 2022 and 2021 are illustrated as following:

	Yestar Biotech	Anbaida Group Companies (note 1)	Hongen	Derunlijia	Shengshiyuan (note 2)	Kaihongda
2022						
Projected cash flows covering residual useful lives	491,649	1,175,738	446,057	200,874	277,805	232,838
Including: working capital recover	552,332	796,905	100,256	111,567	172,106	150,522
Pre-tax discount rates	23.90%	23.70%	25.50%	24.10%	22.90%	23.40%
2021						
Projected cash flows covering residual useful lives	541,853	2,335,522	538,241	242,317	460,878	299,789
Including: working capital recover	550,491	873,338	104,646	112,882	232,733	170,712
Pre-tax discount rates	22.20%	20.90%	23.80%	21.30%	22.20%	22.30%

The discount rates applied to the cash flow projections for 2022 were similar to those of 2021.

Goodwill

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	As at 31 December 2021 RMB'000	Impairment during the year RMB'000	As at 31 December 2022 RMB'000
Yestar Biotech	—	—	—
Anbaida Group Companies	317,978	−293,977	24,001
Hongen	100,650	—	100,650
Derunlijia	—	—	—
Shengshiyuan	1,439	−1,439	—
Kaihongda	—	—	—
Total	420,067	−295,416	124,651

Goodwill acquired through business combinations is allocated to the following reportable CGUs for impairment testing:

— sale of medical equipment and reagents of Anbaida Group Companies

— sale of medical equipment and reagents of Hongen

— sale of medical equipment and reagents of Shengshiyuan

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The valuation method was the same for both 2021 and 2022.

The projected cash flow, discount rates and growth rates beyond the five-year period applied to the cash flow projections for 2022 and 2021 are illustrated as following:

	Anbaida Group Companies (note 1)	Hongen	Shengshiyuan (note 2)
2022			
Projected cash flow for future five years	18,828	146,107	(10,944)
Pre-tax discounted rate	23.20%	22.60%	22.00%
Growth rate beyond the five-year	2.30%	2.30%	2.50%
Terminal value	412,363	156,092	92,019
2021			
Projected cash flow for future five years	482,890	158,570	8,845
Pre-tax discounted rate	20.90%	20.90%	21.00%
Growth rate beyond the five-year	2.50%	2.50%	2.50%
Terminal value	974,490	196,711	157,860

MANAGEMENT DISCUSSION AND ANALYSIS

The discount rates and growth rates beyond the five-year period applied to the cash flow projections for 2022 were similar with that of 2021.

Note 1: Please refer to the management's discussion in respect of impairments above for detailed information and reasons for significant changes in the projected cash flows for Anbaida Group Companies.

Note 2: Shengshiyuan faced a similar situation as Anbaida Group Companies in the way that the turnover of trade receivables from hospitals in 2022 was slower than for previous years. The management of Shengshiyuan adjusted its business model to sell more products to distributers instead of to hospitals in order to gain a lower gross profit but quicker turnover of trade receivables accordingly. The projected cash flows were adjusted accordingly to reflect the business adjustment.

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	1,727	1,726	+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 minimise the exchange risk.

Share Capital and Capital structure

During the Year, there has been no change to the shares in issue and capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserve. The Group 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 utilisation of such forfeited contributions to reduce future contributions.

As at 31 December 2022, no forfeited contributions were available for utilisation 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 report.

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 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 for 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 about the future and expansion of the Group to the IVD markets.

OTHER INFORMATION

Disclaimer of Opinion Issued by the Independent Auditor of the Company

As disclosed in the independent auditor's report and note 2.1 to the consolidated financial statement, the auditor of the Company issued a disclaimer of opinion relating to the going concern in the consolidated financial statements of the Company for the year ended 31 December 2022.

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 annual report.

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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Liao Changxiang, aged 49, joined the Group in June 2007. She is appointed as executive director and chief executive officer in November 2020 and August 2022, respectively. Ms. Liao is primarily responsible for overseeing our finance, accounting and logistics of operations in subsidiary of the Company. She is also general manager of various indirect subsidiaries of the Company. Upon her appointment as chief executive officer, she is also responsible for business and strategic operation and management of the Group.

Ms. Liao has over 23 years of experience in finance. Prior to joining the Group, Ms. Liao was the chief financial officer of Guangxi Runyu Business and Trade Group Corporation (廣西潤宇工貿集團有限公司) from January 2003 to May 2007, and from March 1999 to March 2002, worked in Nanning Yangda Tank Factory (南寧樣達水箱廠) which later merged with Nanning Eight Rhombus Motors Accessories Co., Ltd. (南寧八菱汽車配件有限公司), a subsidiary of Nanning Baling Technology Co., Ltd. (南寧八菱科技股份有限公司) (Stock Code: 002592), the shares of which are listed on the Shenzhen Stock Exchange. Ms. Liao has been a senior accountant recognized by the Department of Human Resources and Social Security of Guang Xi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳) since December 2010.

Ms. Liao obtained a Master of Business Administration from Guangxi University in June 2009.

Ms. Wang Hong, aged 47, is our chief financial officer and joined the Company in January 2007 and is primarily responsible for overseeing our finance and accounting and financial planning.

Ms. Wang is a director and financial controller of Yestar Asia Company Limited ("**Yestar BVI**"), Yestar International (HK) Company Limited ("**Yestar HK**") and Yestar Biotech (Jiangsu) Company Limited, all of which are wholly-owned subsidiaries of the Company.

Ms. Wang is also a director of Anbaida Group Companies, which is non-wholly owned subsidiary of the Company.

Ms. Wang graduated from Shanghai University of Finance and Economics (上海財經大學) and has over 24 years of experience in PRC financial accounting and auditing. Prior to joining our Group, Ms. Wang worked as an accountant for different companies for more than 5 years.

Mr. Liang Junxiong, aged 50, joined the Group in March 2011 and is the financial controller of various subsidiaries of the Company. He is primarily responsible for overseeing the financial and accounting matters of Yestar (Guangxi) Technology Co., Ltd., a wholly-owned subsidiary of the Company.

Mr. Liang has over 26 years of experience in accounting, auditing and financial management. Prior to joining our Group, Mr. Liang worked for 廣西博科藥業公司 as a cost accountant from March 2004 to February 2008 and for 高立工貿公司 as the financial manager from March 2008 to February 2011.

Mr. Liang graduated from Guangxi University in 1998, majoring in financial management. He passed the examination for Certified Public Accountant (CPA) qualification in China in 2009 and is certified as a CPA in China. He is currently a non-practicing member of the Chinese Institute of Certified Public Accountants. He also passed the examination for Certified Management Accountant (CMA) qualification in the United States in 2018.

NON-EXECUTIVE DIRECTOR

Mr. Hartono James, aged 47, is our Chairman since the listing of our Company and has been re-designated as non-executive Director and stepped down as the chief executive officer since 24 August 2022.

He joined our management team since our establishment and is responsible for the overall strategic development of our business as well as implementing our strategic objectives and business plans and overseeing the management and operations of all members of our Group. Mr. Hartono is also responsible for coordinating between the Directors as well as providing leadership to our Board.

Mr. Hartono appointed as a director of all members of our Group. He is the brother of Ms. Hartono Jeane, Ms. Hartono Chen Chen Irene and Mr. Hartono Rico, all being our Controlling Shareholders.

Mr. Hartono has over 22 years of experience in the distribution of image printing products in China. Since 2000, he has participated in his family business in the distribution of image printing products. He developed his expertise in the industry when he first became the vice general manager of Yestar Shanghai in 2000. Mr. Hartono was a director of Yestar (Shanghai) International Trading Co., Ltd. 迪星(上海)國際貿易有限公司 (engaged in international trading and import and export trading) and Yestar (Shanghai) Digital Imaging Co., Ltd 迪星(上海)數碼技術有限公司 (engaged in digital photo and minilab processing business). Mr. Hartono was awarded the Honored citizenship from Nanning city in 2009. He graduated from Portland State University in Oregon, the USA with a bachelor's degree of science in marketing and finance in June 1997. In addition, Mr. Hartono completed the 21st session of the General Management Program in Harvard Business School in November 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hu Yiming, aged 59, joined the Company on 18 September 2013. She is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Dr. Hu has more than 29 years of experience in accounting. Dr. Hu has been a professor of accounting at the Department of Accounting of the Antai College of Economics & Management and the Supervisor of the Company Financial Research Centre of Antai College of Economics & Management at the Shanghai Jiao Tong University, China since January 2005. She has been a committee member of the Professional (Finance and Accounting) Committee of the Chinese Accounting Society (中國會計學會專業委員會(金融會計)) since February 2008. Dr. Hu was a supervisor of Ph.D. students of the School of Accountancy from January 2002 to January 2005 at the Shanghai University of Finance and Economics, China, an associate professor of the MBA Centre of the School of Management at Xiamen University, China from September 1997 to September 1999, a lecturer of the Accounting Department at the Xiamen University, China from April 1991 to September 1997, and a research assistant in the Computer Centre at Xiamen University, China from September 1988 to April 1991. Dr. Hu is also a member of the Accounting Committee of the Asia Pacific Management Accounting Association (亞太管理會計指導委員會).

Dr. Hu obtained a Bachelor of Science degree in Chemistry from Xiamen University, the PRC in 1985 and a Ph.D. degree in Management/Accounting from Xiamen University, the PRC in 1998.

Dr. Hu was an independent non-executive director of International Mining Machinery Holdings Limited (stock code: 1683), which was delisted on the Stock Exchange in June 2012, between January 2010 and June 2012.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Sutikno Liky, aged 48, joined the Company on 18 September 2013. He is the chairman of our nomination committee and a member of our audit committee and remuneration committee.

Mr. Sutikno has over 18 years of experience in management and global supply chain services. He has been the chief operating officer of Seglian Manufacturing Group with responsibility to oversee its operation, primarily in Asia, since January 2004. He is also a legal representative and the chairman of the board of International Seglian (Shanghai) Ltd., overseeing its factories and joint ventures in the PRC. Seglian provides global supply chain services.

Mr. Sutikno obtained Bachelor degrees in Industrial Systems Engineering, Information Systems and Finance (his areas of concentration in Engineering were Manufacturing, Operation Research and Engineering Management) from The Ohio State University, Columbus, Ohio, the United States in June 1997.

Mr. Zeng Jinsong, aged 63, joined the Group on 28 May 2021. He is the chairman of remuneration committee, and member for each of the audit committee and the nomination committee of the Company.

Mr. Zeng has over 32 years of experience in project management as well as research and development. Since 2007, Mr. Zeng has been the vice president of CP Group and is primarily responsible for the research of digital agriculture and agricultural modernisation, the management of new agricultural projects, the cooperation between enterprises and universities, government relations and the cooperation of international industry projects. In addition, he is also the chairman of 正大能源有限公司 (Zhengda Energy Co. Ltd.) and is responsible for the review of the company's operation plans.

Since 2013, Mr. Zeng has been appointed as the Secretary General of the Steering Committee under the China Institute of Rural Studies, Tsinghua University. Since 2016, Mr. Zeng has been appointed as the Secretary General of the Institute of Global Development, Tsinghua University (and the Deputy Director and Secretary General of 醫療與健康研究中心 (the Medical and Healthcare Research Centre) under the Institute of Global Development) and the Chief Consultant to the Center for Development of Sports Industry, Tsinghua University. Since 2019, Mr. Zeng has been appointed as the Deputy Director and Secretary General of 世界文化發展研究中心 (the Research Centre for World Cultural Development), Tsinghua University and the Secretary General of the Institute for Global Industry, Tsinghua University since 2020.

Mr. Zeng obtained a bachelor's degree in mechanics from the Southeast University (formerly known as the Nanjing Institute of Technology) in 1982, a master's degree in vehicle vibration from the Beijing Institute of Technology in 1984, and a doctoral degree in vehicle dynamics from Tsinghua University in 1988.

SENIOR MANAGEMENT

Mr. Ngai Tsz Hin Michael was appointed as the Company Secretary of the Company on 31 December 2021. He has over 10 years of experience in legal industry and had obtained his Bachelor of Laws and postgraduate certificate in laws from City University of Hong Kong in 2011 and 2012, respectively. He is a practicing solicitor in Hong Kong, and currently a principal of Michael Ngai & Co., a partner of Khoo & Co. and a consultant of O Tse & Co. He also serves as a company secretary of various companies listed on the Main Board and GEM of the Stock Exchange.

REPORT OF THE DIRECTORS

The directors of the Company (the "**Directors**") have pleasure in presenting their annual report together with the audited consolidated financial statements (the "**Financial Statements**") of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Year**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture, distribution and sale of medical imaging products, distribution of In Vitro Diagnostic ("**IVD**") products and the manufacture and sale of dental films.

Details of the principal activities of the principal subsidiaries of the Company are set out in note 1 to the Financial Statements.

There were no significant changes in the nature of the Group's principal business during the Year.

A fair review of the Group's business, particulars of important events affecting the Group that have occurred during the Year (if any), and indication of likely future development in the Group's business are provided in the "Chairman's Statement", "Management Discussion and Analysis" and "Notes to Financial Statements" sections of this annual report. An analysis using key financial performance indicators is set out in "Management Discussion and Analysis" section while the principal risks and uncertainties are contained in the "Notes to Financial Statements" section of this annual report and the paragraphs below. Compliance with relevant laws and regulations that have a significant impact on the Group can be found throughout the annual report, in particular, the "Corporate Governance Report". Discussions on the Group's environmental policies/performance and our relationship with key stakeholders are covered by "Environmental, Social and Governance (ESG) Report" section of this annual report. The above sections form part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY'S BUSINESS

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to the following principal risks and uncertainties in the market in which the Group operates:

(a) Interest burden on Senior Notes

In 2021, the Company had issued USD197,864,523 9.5% new senior notes due 2026 for offshore debt restructuring purpose and financing general working capital of the Group. The interest burden to the Group arising from the new issue of senior notes is challenging given the existence Pandemic and the progress of economic recovery in the PRC. Provided that the IVD market share of the Company could be maintained and the sales boost up and restore to the pre-Pandemic situation, given the high interest rate of Senior Notes and challenging IVD market in the PRC, there will be a tight cash flow of the Company and affect the strategic expansion and business operation of the Group.

(b) Senior Notes

Under the indenture governing the New Senior Notes, the Company is due to redeem 5% of the original principal amount of the New Senior Notes by 30 December 2022. The Company did not redeem any of the New Senior Notes as at the date of this report. In addition, the interest on the New Senior Notes became due and payable on 30 December 2022 (the "**Default**"). As the Default have occurred and are currently continuing, the noteholders of the New Senior Notes have the right under the indenture to immediately accelerate repayment of the entire principal amount of the New Senior Notes, together with any premium and accrued and unpaid interest. Based on the current financial performance of the Company, there will be a challenge to the Company if the noteholders of the New Senior Notes accelerate repayment, which cause negative impact on normal business operation of the Group.

(c) Depreciation of RMB against USD

The strong USD over last year led to the depreciation of RMB for more than 7% contributing to the higher expenses on interest payment on senior notes, which also bring negative impact on our business and financial condition as well as our financial results of the Group.

(d) Continuous Impact of COVID-19

The continuous COVID-19 pandemic (the "**Pandemic**") as well as various lockdown or travel restriction for various major cities or areas in the PRC over the last 3 years had brought unprecedented challenges and added uncertainties to the global economy, which contributed negative impact on our business operation, namely the sales and profitability of the Group, and hence adverse our business performance, financial condition, results of operations and prospect.

(e) Financial Management and Liquidity Risk

Cash conversion cycle has lengthened with increase in inventory and account receivables turnover days, which weighed on operating cash flow of the Group. There would be increasing working capital required as payment terms with hospitals are longer than that with imaging customers.

(f) Supplier Concentration Risk

Yestar is a small company relative to its rated global healthcare peers and it is heavily dependent on two supplier relationships — with Fujifilm and Roche. Yestar entered the IVD market in 2014 after its first acquisition of a medical device company in Jiangsu and had established partnerships with Roche Diagnostics. Since then, Yestar has acquired five more distributors in the PRC. Sales of Roche's diagnostic and IVD products contributed significant amount of our total revenue during the Year, which suggests that any change in strategic investment policies of Roche Diagnostics or potential conflict with Roche or loss of Roche's competitive positioning in IVD products could result in risk to our IVD revenue and profit of the Group as a whole.

RELATIONSHIP WITH KEY PARTIES

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders.

Customers

The principal customers of the Group are distributors, hospitals and clinics in Shenzhen, Fujian, Guangdong, Hainan, Hunan, Shanghai, Jiangsu, Anhui and Beijing. We have been devoted to providing excellent customer services (including after-sale services) with the purpose of maintaining long term co-operation relationship, increasing sales volume and improving profitability.

IVD manufacturers' distribution agreements are generally non-exclusive and need to be renewed annually. However, we entered into contracts with hospitals and clinics lasting from one to eight years, and our contracts with local distributors can last from one to four years. Such long-term contracts provide stability and give suppliers an incentive to maintain the relationship with their distributor.

We have established relationships with hospital administrators. Through regular visits, our non-exclusive Roche Diagnostics Products are directly marketed to hospitals and clinics. We have also maintained strong ties with several leading hospitals through our subsidiaries in the PRC.

Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with Roche, its principal supplier of in-vitro diagnostic products, to enable adequate quantity of Roche Diagnostics Products for distribution to hospitals and clinics.

Employees

The Group focuses on the talents of our employees as our most valuable asset and provides a harmonious and safety working environment to all employees. The key objective of our human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives, namely equal promotion opportunity.

Shareholders

The Company considers that effective communication with shareholders is essential for enhancing investor relations. Apart from transparent and timely disclosure of corporate information in the websites of the Company and the Stock Exchange, the Chairman and senior management will meet investors at least once a year in Hong Kong so that investors can have a better understanding of the business performance and strategies of the Group.

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with stable dividend payouts taking into account the business development needs and financial health of the Group so that potential shareholders will invest to the Company and contribute to the success of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. During the production process, the Group has implemented environmental protection measures, including procedures related to noise control, energy use control and waste water and waste air discharge management. The Group has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste.

Discussion on the environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" on pages 70 to 85 in this report. This discussion forms part of the report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with legal and regulatory requirements, as well as the risk of non-compliance. Sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations. During the Year, we have strived to conduct business in accordance with all applicable laws, rules and regulations in all material respects. To the best of Directors' knowledge, information and belief, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating. In particular, we did not record any non-compliance with applicable environmental regulations.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDEND

The results of the Group for the Year and the financial position of the Group as at 31 December 2022 are set out in the Financial Statements on pages 89 to 175.

An analysis of the Group's performance for the Year by operating segment is set out in note 4 to the Financial Statements.

The Company did not pay interim dividend to the shareholders for the Year.

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 176. This summary does not form part of the audited Financial Statements.

SHARE CAPITAL IN THE YEAR

Details of movement in share capital of the Company during the Year are set out in note 27 to the Financial Statements.

ISSUE OF SENIOR NOTES

The Group has not issued any debenture and senior notes during the Year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the Year are set out in note 7 to the Financial Statements.

EQUITY-LINKED AGREEMENT

Other than the Share Option Scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2022 or subsisted at the end of the year.

ARRANGEMENT TO PURCHASE SHARES

Save as disclosed in the section headed "Share Option Scheme" below, at no time during the Year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

RESERVES

As at 31 December 2022, the Company has no reserve available for distribution to Shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as the Company had net current liabilities and total deficiency in net assets (2021: approximately RMB309.9 million). Details of the movement in reserve of the Company during the Year are set out in note 37 to the Financial Statements.

CHARITABLE DONATIONS

During the Year, charitable and other donations made by the Group amounted to approximately RMB6.89 million (2021: RMB2.48 million).

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	65%
— five largest suppliers in aggregate	90%

Sales

— the largest customer	16%
— five largest customers in aggregate	35%

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

INTEREST-BEARING LOANS AND OTHER BORROWINGS

Particulars of interest-bearing loans and other borrowings of the Group as at 31 December 2022 are set out in note 23 to the Financial Statements. As at 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB79,547,000 (2021: RMB85,506,000) 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 and guaranteed by the Company's subsidiaries.

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the Year and as at the date of this report were:

EXECUTIVE DIRECTORS

Ms. Liao Changxiang
(appointed as Chief Executive Officer on 24 August 2022)
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Liang Junxiong

NON-EXECUTIVE DIRECTOR

Mr. Hartono James *(Chairman)*
(re-designated as non-executive Director on 24 August 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from their date of appointment/date of renewal of service agreement, which shall be terminated at any time by giving to the other not less than 3 months' written notice, subject to retirement by rotation and re-election at annual general meeting.

Each of the independent non-executive Directors and non-executive Directors has executed a letter of appointment with the Company for a term of three years commencing from their date of appointment/ date of renewal of letter of appointment unless otherwise terminated in accordance with the terms of the letter of appointment, subject to retirement by rotation and re-election at annual general meeting.

On 24 August 2022, Mr. Hartono James has tendered his resignation as the chief executive officer of the Company; while Ms. Liao Changxiang, an executive director, has been appointed as the chief executive officer of the Company.

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. Accordingly, Mr. Hartono James and Ms. Liao Changxiang shall retire from office at the forthcoming annual general meeting to be held on 31 May 2023 (Wednesday) (the "**AGM**").

All retiring Directors shall be eligible and offer themselves for re-election at the AGM.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors (including his/her immediately family members under rule 14A.12(1)(a) of the Listing Rules) has made an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors and Senior Management" on pages 28 to 30 of this annual report.

MANAGEMENT CONTRACTS

Save for service contracts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

PERMITTED INDEMNITY PROVISIONS

Pursuant to Article 164 of the Articles of Association of the Company, the Directors, secretary and other officers and every Auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Such provision was in force during the Year. In addition, the Company has also maintained Directors and officers liability insurance during the Year and up to the date of this report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at annual general meeting. Other emoluments are determined by the Board of the Company with reference to the recommendations of the remuneration committee of the Company, Directors' duties, responsibilities and performance and the results of the Group. The remuneration of the Directors (including executive Directors and independent non-executive Directors) on a named basis are set out in note 8 to the Financial Statements for the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the section headed "Related Party Transactions" as disclosed in note 32 to the Financial Statements, no transaction, arrangement or contract (that is significant in relation to the business of the Company), to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest, subsisted as at 31 December 2022 or at any time during the Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Save for the related party transactions below, during the Year, the Group did not conduct any connected transaction and/or continuing connected transaction which was required to be disclosed under the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related-party transactions undertaken in the normal course of business are set out in note 32 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

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.

SHARE OPTION SCHEME

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

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

Participants under the Share Option Scheme include the following:

2.1 any director, chief executive or employee (whether full-time or part-time) of each member of our Group;

2.2 any discretionary objects of a discretionary trust established by any director, chief executive or employee (whether full time or part time) of each member of our Group;

2.3 a company beneficially owned by any director, chief executive or employee (whether full time or part time) of each member of our Group;

2.4 any consultant, professional and other adviser to each member of our Group (including their employees, partners, directors or executives or any persons, firms or companies proposed to be appointed for providing such services); and

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

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 18 September 2013 and will remain in force until 17 September 2023. The Company decided not to renew or refresh the Share Option Scheme upon its expiry and there will be no share option scheme of the Company after 17 September 2023.

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

The share options are exercisable at any time during period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

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

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a Business Day;

(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(c) the nominal value of a Share.

An offer must be made on a business day and shall remain open for acceptance by the participant to whom an offer is made for a period from the date of the offer to such date as our Board may determine and specify in the offer Letter (both days inclusive), provided that no such offer shall be open for acceptance after the 10th anniversary from the adoption date or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

Upon acceptance of the options, the grantee shall pay HKD1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than ten years commencing on the date of grant and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

An offer shall be deemed to have been accepted by the Grantee and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the offer duly signed by the grantee together with a remittance in favour of our Company of HKD1.00 by way of consideration for the granting thereof is received by our Company within the acceptance period as specified in the offer letter, and the option to which the offer relates shall be deemed to have been granted on the offer date.

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

As at the date of this annual report, the number of issued Shares of the Company is 2,331,590,000 Shares and total number of shares issued or to be issued under the Share Option Scheme of the Company is 186,750,000 representing about 8.0% of the existing issued Shares if all the options under the Share Option Scheme have been granted to and duly exercised by eligible persons.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

Any grant of options to a participant who is a director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors of our Company (excluding an independent non-executive director who is the Grantee).

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The grantee involved in such proposed grant of options, his associates and all core connected persons of our

Company must abstain from voting in such general meeting (except that any such persons may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

Since the listing of the Company and up to the date of this report, and as at 31 December 2022, no option has been granted by the Company to subscribe for shares of the Company and there is no option granted, exercised, cancelled or lapsed during the Year. Since the Company decided not to renew or refresh the Share Option Scheme upon its expiry, the Company will not and cannot grant any further options after 17 September 2023.

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

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

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to in Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Director	Interests in ordinary shares Personal interests	 Family interests	 Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	Approximate percentage of the Company's issued share capital
Hartono James	598,662,500	—	20,000,000 (Note 1)	618,662,500	—	618,662,500 (Note 2)	26.53%

Notes:

1. 20,000,000 shares were beneficially owned by Amrosia Investments Limited, a company wholly-owned by Mr. Hartono James.

2. Out of 618,662,500 shares, 217,520,000 shares are beneficially owned by Mr. Hartono James and had been pledged to a financial institution as pledgee to secure a loan granted to Mr. Hartono James.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules relating to the required standard of dealings by the directors to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 31 December 2022, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in ordinary shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Hartono Jeane	Beneficial owner	391,870,000	16.80%
Hartono Rico	Beneficial owner	265,810,000	11.40%
FUJIFILM Corporation*	Beneficial owner	230,000,000	9.86%
Li Bin	Beneficial owner	164,600,600	7.06%

* FUJIFILM Corporation is a wholly-owned subsidiary of FUJIFILM Holdings Corporation, which is therefore deemed to be interested in the 230,000,000 Shares held by FUJIFILM Corporation under the SFO.

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' Interests and/or Short Positions in Shares and Underlying Shares of the Company" above, as at 31 December 2022, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2022.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information of the Company is as follows:

The annual salary of Ms. Liao Changxiang, an executive Director, increased from RMB780,000 to RMB10,200,000 since 24 August 2022 upon her appointment as chief executive officer of the Company, and her salary has been further increased to RMB1,560,000 from 1 December 2022.

The annual salary of Ms. Wang Hong increased from RMB840,000 to RMB1,200,000 since 1 December 2022.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public as at the date of this report.

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 Corporate governance 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 REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 44 to 69 in this annual report.

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).

AUDITORS

The Financial Statements have been audited by Messrs. Ernst & Young who retire and, being eligible, offer themselves for re-appointment. A resolution to re-appoint the retiring auditors to be proposed at the AGM.

By order of the Board
YESTAR HEALTHCARE HOLDINGS COMPANY LIMITED

Liao Changxiang
CEO and Executive Director

31 March 2023

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "**Board**") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Board and the management of the Company are committed to the maintenance of good corporate governance, practices and procedures. The Company believes that good corporate governance provides a solid foundation for the Group to manage business risks and is also one of the key factors leading to the success of the Company so as to balance the interests of shareholders, customers and employees. The Board is devoted to ongoing enhancements and review of the efficiency and effectiveness of such principles and practices and regards board of directors, sound risk management and internal controls, and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

Corporate Governance Code

Throughout the year ended 31 December 2022 (the "**Year**"), the Directors consider that the Company has complied with all corporate governance codes ("**CG Code**") as set out in Appendix 14 to the Listing Rules, which have been applied in our corporate governance structure, save for the following:

Deviations from Code Provision C.2.1 of the CG Code

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.

THE BOARD

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, change embracing 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.

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

Role and responsibility of the Board

The Board is accountable to shareholders for the long-term sustainable success of the Company. It is responsible for shaping and overseeing the corporate culture, setting and guiding the long-term strategic objectives of the Company with appropriate focus on value creation and risk management, directing, supervising and monitoring the managerial performance and operating practices of the Group to ensure they align with the desired culture. It also ensures ongoing effective communication with shareholders and engagement with key stakeholders as it develops the purpose and values of the Company. Directors are charged with the task of promoting the long term sustainable success of the Company and making decisions in the best interests of the Company with due regard to sustainability considerations.

The Board oversees the culture, determines and monitors its policies and business plans, evaluates the performance of the Company, and supervises the management of the Company. Management is responsible for the day-to-day operations of the Group under the leadership of the chairman and CEO, and putting in place mechanisms for ensuring that the desired culture of the Company is understood and shared at all levels of the Group.

CORPORATE GOVERNANCE REPORT

The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back. Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or public organisations. The Company has also requested Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company his/her time commitment.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of the latest requirements and be assisted in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may, after making a request to the Board, take independent professional advice at the Company's expense in carrying out their functions.

Composition of the Board

As at 31 December 2022, the Board comprises seven Directors, of which three are executive Directors; one is non-executive Director; and three are independent non-executive Directors. The composition of the Board throughout the Year and up to the date of this report is as follows:

EXECUTIVE DIRECTORS

Ms. Liao Changxiang *(Chief Executive Officer)*
Ms. Wang Hong *(Chief Financial Officer)*
Mr. Liang Junxiong

NON-EXECUTIVE DIRECTOR

Mr. Hartono James *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Since the date of the last corporate governance report and on 24 August 2022, Ms. Liao Changxiang, an executive director, has been appointed as the chief executive officer of the Company to replace Mr. Hartono James who is now still the chairman and non-executive Director of the Company. Save as disclosed, there was no change in the composition of the Board.

The biographical details and responsibilities of the Directors as well as the senior management as at the date of this report are set out in the section "Biographical Details of the Directors and Senior Management" on pages 28 to 30.

The updated list of Directors of the Company identifying their roles and functions is available on the websites of the Company and of the Stock Exchange. Independent non-executive Directors are also identified as such in all corporate communications that disclose the names of Directors of the Company.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

Board Independence

In addition, the Board has established mechanisms to ensure independent views are available to the Board. A summary of which is set out below:

— The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

— The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

— No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

— Directors (including independent non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent and separate professional advice from external professional advisers are available at the Company's expense to discharge their duties.

— A Director (including independent non-executive Director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

Throughout 2022, the number of independent non-executive Directors on the Board meets the one-third requirement under the Listing Rules with at least one of them possessing appropriate professional qualifications. All independent non-executive Directors are persons of high calibre with a wide range of expertise and knowledge in the accounting and business sectors. They also possess with academic and professional qualifications in the fields of accounting and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. All independent non-executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the independent non-executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board of the Company. The independent non-executive Directors have given annual confirmations of their independence to the Company, and the Company considers all of them are independent under Rule 3.13 of the Listing Rules for the Year. The Board has reviewed and concluded that the current mechanism on independent views of directors is effectively implemented during the Year.

Chairman and Chief Executive Officer

As at the date of this report, the roles of the chairman and chief executive officer of the Company are currently carried on by Mr. Hartono James and Ms. Liao Changxiang, respectively. Other matters reserved for the Board include consideration of dividend policy, approval of major investments, maintenance of an adequate system of risk management and internal controls and review of the corporate governance practices of the Group. Daily operations and administration are delegated to the CEO, chief financial officer and management teams.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group. He is also responsible for ensuring that Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of other Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues to be deliberated at Board meetings and are provided with adequate and accurate information in a timely manner.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business. For the Year, not less than four Board meetings were held.

During the Year, the Independent Non-executive Directors held a meeting among themselves. In addition, the Chairmen held a meeting with the Independent Non-executive Directors without the presence of other Directors in accordance with the CG Code.

Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least three days before the Board/committee meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes will be sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

All directors are also entitled to have access to board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors shall receive a prompt and full response by the management.

If a Director has a material interest in a matter of significant nature to be considered by the Board, a physical meeting or meeting by video conference will be held to discuss such matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who is considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meeting, board committee meetings and general meeting held during the Year:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2022 Annual General Meeting
Total number of meeting held	5	2	1	1	1
		Number of Meetings Attended			
EXECUTIVE DIRECTORS					
Ms. Liao Changxiang *(Chief Executive Officer)*	5	N/A	N/A	N/A	1
Ms. Wang Hong *(Chief Financial Officer)*	5	2	1	1	1
Mr. Liang Junxiong	5	N/A	N/A	N/A	1
NON-EXECUTIVE DIRECTOR					
Mr. Hartono James *(Chairman)*	4	N/A	N/A	N/A	1
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Dr. Hu Yiming	5	2	1	1	1
Mr. Sutikno Liky	4	1	1	1	1
Mr. Zeng Jinsong	5	2	1	1	1

Appointment, Re-election and Removal

Each of the executive Directors, non-executive Director and independent non- executive Directors has entered into a service contract or letter of appointment with the Company for a term of three years. The aforesaid service contracts and the letters of appointment may be terminated by not less than three month's notice in writing served by either party on the other.

The Board is empowered under the Company's Articles of Association ("**Articles**") to appoint any person, as a Director, either to fill a casual vacancy on or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care, skill and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference with due regard to the Company's Nomination Policy and Board Diversity Policy, and recommendations of the Nomination Committee are then put to the Board for decision.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

In accordance with the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines throughout the Year and as at the date of this report.

Code of Conduct for Securities Transactions by Directors

The Company has adopted 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.

Time Commitment and Continuous Professional Trainings and Development of Directors

Each Director had ensured that he/she had given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify the Company of any change of such information in a timely manner.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Group observes a strict code of ethics in all spheres and has no tolerance for any form of corruption or other misconduct. In order to reinforce awareness of our Directors on preventing corruption, we regularly provide anti-corruption training for the Directors which include legal and regulatory updates as well as anti-corruption training materials in the form of footages made by the Independent Commission Against Corruption.

According to the training records provided by the Directors to the Company, all of them participated in continuous professional development in 2022 which included attending seminars and talks, and reading legal and regulatory updates and other reference materials. The seminars, talks and other reference materials involved topics on risk management, anti-corruption, regulatory updates, directors' duties and liabilities and information technologies, etc. During the Year, the trainings undertaken by each Director are summarised as follows:

The Directors have also been informed of the requirement under C.1.4 of the CG Code regarding continuous professional development and they may join institutes and attend relevant training seminars or informative talk from time to time to enable them to better discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading and any industry-related matters, to develop themselves professionally, at the Company's expense.

For the Year, the following legal and regulatory updates and a series of training materials have been provided and sent to all the Directors, namely Ms. Liao Changxiang, Ms. Wang Hong, Mr. Liang Junxiong, Mr. Hartono James, Dr. Hu Yiming, Mr. Sutikno Liky and Mr. Zeng Jinsong:

— briefing by the external auditor on changes or amendments to accounting standards at the audit committees;

— attended training provided by the legal advisor and professional party on the Listing Rules and related compliance issues; and

— updated by the Company Secretary on the amendments to the Listing Rules, directors' duties, risk management and directors' responsibilities from time to time.

The Company shall from time to time, if necessary, arrange for relevant and appropriate continuous professional training to all Directors to develop and refresh their knowledge and skills to enable them to be better discharge their duties as a Director of the Company.

During the Year, the Directors were also provided with monthly commentaries on the Group's business, operations, and financial matters as well as regular updates on applicable legal and regulatory requirements.

Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of the Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

Indemnification of Directors and Officers

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding the office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

BOARD COMMITTEES

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

The Board has established various Board Committees for overseeing particular aspects of the Company's affairs as required under the Listing Rules. All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Company established an audit committee on 18 September 2013 with written terms of reference. The latest written terms of reference of audit committee in compliance with the Listing Rules are available on the websites of the Company and the Stock Exchange.

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

The composition of the audit committee is as follows:

Independent non-executive Directors:

Dr. Hu Yiming *(Chairman)*
Mr. Sutikno Liky
Mr. Zeng Jinsong

All of the members of the audit committee are independent non-executive Directors. None of them (including their respective immediate family member) is a former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them (including their respective immediate family member) do not have material interest in any principal business activity of nor is or was involved in any material business dealings with the Group or with any core connected persons (as defined in the Listing Rules) of the Group within one year immediately prior to their respective date of appointment.

Dr. Hu Yiming, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the audit committee.

During the Year, the audit committee held three meetings. Details of the attendance of the members of the audit committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the audit committee during the Year is as follows:

— review the fairness and reasonableness in relation to the disposal of asset of the Company;

— reviewed the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgments made by the external auditors so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

— met with the external auditors, reviewed and made recommendations for the Board's approval on the annual and interim reports of the Company;

— reviewed and approved audit fee (including their independence) and remuneration;

— reviewed the terms of engagement and recommended to the Board for the re-appointment of Ernst & Young as auditors, subject to the Shareholders' approval at the annual general meeting;

— reviewed the non-competition undertaking by the Controlling Shareholders of the Company;

— reviewed the effectiveness of the Company's risk management and internal control systems;

— reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and

— reviewed arrangements for the employees of the Group to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters.

Remuneration Committee

The Board established the remuneration committee on 18 September 2013 with written terms of reference. The latest written terms of reference of the remuneration committee in compliance with the Listing Rules are available on the websites of the Company and the Stock Exchange.

The remuneration committee is responsible for, inter alia, formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the remuneration committee is as follows:

Independent non-executive Directors:

Mr. Zeng Jinsong *(Chairman)*
Dr. Hu Yiming
Mr. Sutikno Liky

During the Year, the remuneration committee held one meeting. Details of the attendance of the members of the remuneration committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/ General Meetings" above.

The summary of work of the remuneration committee during the Year is as follows:

— reviewed and recommended to the Board on the Group's remuneration policy and strategy;

— reviewed the remuneration packages of the executive Directors and senior management of the Company and recommended to the Board to approve the proposal of their fixed salaries for the next year;

— reviewed and recommended to the Board the Directors' fees of the independent non-executive Directors remain unchanged for the next year; and

— reviewed the policy and general framework of remuneration for the Board and the senior management for the establishment of a formal and transparent procedures for developing remuneration policy, and the specific remuneration packages.

Particulars of the Directors' emoluments disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 8 to the financial statements while the analysis of the senior management's emoluments by band is set out in note 9 to the financial statements.

The Director's fees are fixed at the rate of HK$240,000 per annum for each independent non-executive Director and their remuneration remains unchanged until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined with reference to the Directors' duties and responsibilities.

Nomination Committee

The Board established the nomination committee on 18 September 2013 with written terms of reference. The latest written terms of reference of the nomination committee in compliance with the Listing Rules are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the nomination committee is as follows:

Independent non-executive Directors:

Mr. Sutikno Liky *(Chairman)*
Dr. Hu Yiming
Mr. Zeng Jinsong

During the Year, the nomination committee held one meeting. Details of the attendance of the members of the nomination committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the nomination committee during the Year is as follows:

— reviewed the existing Board's structure, size and composition;

— reviewed the board diversity policy;

— reviewed and assess the new candidate for the Board;

— reviewed the nomination policy;

— reviewed and assessed the independence of the independent non-executive Directors; and

— made recommendations on the re-election of the retiring Directors at the 2023 AGM of the Company with reference to the adopted nomination policy and diversity policy.

The Nomination Committee has to follow the principles set out in the Nomination Policy and the Board Diversity Policy as listed below adopted by the Board.

Nomination Process

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The nomination committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

The process of electing Directors is as follows:

— The nomination committee would assess the performance of each of the Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) and in accordance with the performance criteria set by the Board and consider the current needs of the Board;

— NC would review the size and composition of the Board, including the Board's policy to ensure an appropriate mix of members with complementary skills, core competencies, and experience for the Group, and diversity of skills, gender, experience and knowledge to the Company; and

— Subject to the satisfactory assessment of nomination committee, the nomination committee would recommend the proposed Director to the Board for its consideration and approval.

Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

During the Year, the nomination committee had reviewed the size and composition of the Board for effective decision-making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members in the fields of the relevant industry knowledge, accounting and finance, as well as professional services. The independent non-executive Directors are able to constructively challenge and assist in the development of the business strategies.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group with target to be as balance or as close to 50% as possible for each category except for the age group which the Company considers that the wide range of age group with extensive experience of aged Director is essential to its business development. The current Board composition provides a diversity of skills, gender, experience, and knowledge to the Company as follows:

Current composition of the Diversified Board

Number of the Board of Directors	7	
	Number of Directors involved	Proportion of the Board
Core Competencies		
Accounting or finance related	4	57%
Business and management experience	3	43%
Related industry experience	7	100%
Strategic or financial planning experience	7	100%
Gender Diversity		
Male	4	57%
Female	3	43%
Age Diversity		
40 to 49	4	57%
50 to 59	2	29%
60 to 69	1	14%

The Board has taken the following steps to maintain or enhance its balance and diversity:

— Annual review by the nomination committee to assess if the existing attributes and core competencies of the Board are complementary and will enhance the efficacy of the Board; and

— Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The nomination committee has considered the results of the evaluation exercises among others, in its recommendation for the appointment of new Directors and/or the re-appointment of retiring Directors. Taking into account the existing proximity for each of the above categories, the nomination committee concluded that its current diversity is sufficient for the Board to function effectively and gender diversity of the Board has been achieved, having regard to the nomination policy and diversity policy of the Company for the time being. The Board will review its size, structure and composition together with the nomination committee at least annually to ensure that an effective decision-making process is in place.

For the Year, no additional independent non-executive Director has been recommended and invited by the nomination committee to join the Board.

Current composition of the workforce

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group as at the date of this annual report.

Number of Employees	909	
	Number of employees involved	Proportion of total workforce
Gender Diversity		
Male	486	53%
Female	423	47%

The Company has a plan to achieve and improve its gender diversity with reference to the current workforce available in the market and experience required for the Company’s future development. The plan for gender diversity in our workforce will continue to achieve more balance of gender diversity in the future.

The nomination committee considers the existing size and composition of the Board are adequate and diversified for effective decision-making, taking into account the nature and scope of the Group's operations. The nomination committee has also monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

Corporate Governance Function

During the Year, the Board has reviewed the corporate governance practices of the Company with reference to the terms of reference of corporate governance duties adopted by the Company on 18 September 2013. The summary of their work of is as follows:

— reviewed the Company's policies and practices on corporate governance and make recommendations;

— reviewed and monitored the training and continuous professional development of Directors and senior management of the Group;

— reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

— developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and

— reviewed the Company's compliance with CG Code and disclosure in the corporate governance report.

BOARD POLICIES

Board Nomination Policy

The Company adopted a nomination policy on 30 November 2018 in compliance with the latest CG Code, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the nomination committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service will be considered. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board with target to be as balance or as close to 50% as possible for each category except for the age group which the Company consider that the wide range of age group with extensive experience of aged Director is essential to its business development.

Emolument Policy

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

Inside Information Policy

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Listing Rules and Securities and Futures Ordinance ("**SFO**").

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information falls within the safe harbors under the SFO. Briefing and training on the implementation of the disclosure policy have been provided to Directors and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

Dividend Policy

The Company adopted a policy on payment of dividends (the "**Dividend Policy**") on 30 November 2018 in compliance with E.1.5 of the CG Code with effect from 1 January 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Policies for Whistleblowing and Anti-corruption

The Company has established a system for employees and any person to report concerns about any suspected or actual improprieties relating to the Group. The Group will take appropriate actions against such improprieties and, where appropriate, report the cases to the relevant enforcement authorities.

Moreover, the Company has adopted the Anti-Corruption and Bribery Policy which provides guidance to our employees on how to recognize and deal with bribery and corruption. Every employee has a duty to report any potential violations of the policy to the Company through the channels set out therein.

Apart from the channels set out in the relevant policies, the Company has provided a separate email link on its website, by which stakeholders can freely provide comments and suggestions on the operations of the Company so that proper actions can be taken to address issues being raised. The reported cases, where necessary, will be escalated to the Board for consideration and discussion.

Anti-Money Laundering and Counter-Terrorist Financing Policy

The Anti-Money Laundering and Counter-Terrorist Financing Policy is in place to combat money laundering and terrorist financing activities, and formalise such procedures and systems. Compliance with the policy by operational departments is monitored and administered.

Shareholders Communication Policy

The Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The shareholders communication policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements for the Year in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

External Auditors' Remuneration

During the Year, the Company engaged Messrs. Ernst & Young as the external auditors. The fee in respect of audit services amounted to RMB4.15 million, while there is no fee paid in respect of non-audit services provided by Messrs. Ernst & Young for the Year.

The audit committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditors for annual audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the Year.

GOING CONCERN AND ACTION PLAN

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.

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.

Progress of the Company's action plan

As at the date of this report, the progress of the Company's action plan in respect of each of the measures being taken by the Company is as follows:

(a) The Company continues to proactively engage with noteholders with a view to exploring and implementing potential ways to address its liquidity issue;

(b) As at the date of this report, the Group has secured new loans from two banks in the amount of approximately RMB29 million and has been granted loan extensions in respect of approximately RMB46 million by four other banks;

(c) The Company will consider to conduct other equity or debt fund raising activities. It is expected that part of the net proceeds from the fund-raising activities will be used to repay the outstanding liabilities; and part of the proceeds will be applied as general working capital of the Group;

(d) In order to adopt a stricter control of the operating and investing activities, the Company has strengthened its management of accounts receivables and cost control as follows:

   (1) the finance department of the Company would report the aging analysis and turnover days of accounts receivables to the senior management of the Company regularly, and assign them to the relevant responsible persons of the subsidiaries of the Group;

   (2) a three-month collection target and achievement rate is set for the subsidiaries of the Group to achieve;

   (3) bad debt accrual policy for accounts receivables is implemented at the end of each year;

   (4) the finance department of the Company would make a three-month collection plan for all customers with accounts receivables at the beginning of each month, and compare the actual collections of the previous month as well as analyse the reasons for such failure (if any);

   (5) at the beginning of each month, the Company would hold a meeting to report on the collection of accounts receivables plan for the month and the indicators completed in the previous period. The finance department would report to the Company on the tracking of accounts receivables regularly.

The Board and the management are of the view that, based on (i) the execution of action plan (as detailed above); (ii) the anticipated very substantial disposal announced by the Company on 30 December 2022, which can generate net proceeds of approximately RMB430.0 million; and (iii) the cash generated from the ongoing business operation of the Group, the Group will have sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the twelve months from 31 March 2023.

In the first quarter of 2023, the Group experienced growth in revenue compared with that in the first quarter of 2022. The growth was particularly notable in the Group's medical business in terms of the sales of IVD consumables. The number of accounts receivable turnover days has decreased and the net margin has improved. The Group expects the rebound in demand for its products will continue in 2023.

Should the Group fail to achieve the above-mentioned plans and measures, and 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 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 the consolidated financial statements.

DISCLAIMER OF OPINION ISSUED BY THE INDEPENDENT AUDITOR

As a result of the matters discussed in the section headed "Going Concern and Action Plan", the Group's financial conditions, together with the other matters as described in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern, the Company's auditor does not express an opinion on the Group's consolidated financial statements for the Year. The Independent Auditor's Report is contained in pages 86 to 88 of this annual report.

As disclosed above and in this annual report, the Directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate its tight liquidity. Please refer to section headed "Action Plan to Address the Disclaimer of Opinion" in "Management Discussion and Analysis" of this annual report. With all the measures mentioned in note 2.1 to the consolidated financial statements, the Directors of the Company are expecting the Group's overall financial position to be further improved in the coming year.

Removal of the disclaimer of opinion

View of the auditors

Based on the discussion with the auditors, the Board is given to understand that pending the Company's formal appointment of Ernst & Young ("**EY**") as its auditors for its consolidated financial statements for the year ending 31 December 2023, EY has indicated to the Company that whether the disclaimer of opinion can be removed depends on the implementation of the Company's actions taken/ proposed plans and measures to be taken as mentioned above and removal of the multiple uncertainties relating to going concern. As such EY is not in a position to comment on whether the disclaimer of opinion could be removed in the next financial year.

View of the Company's audit committee

The audit committee of the Company has reviewed the disclaimer of opinion and the management's position and their view as well as the action plan of the Group to address the related issue. The audit committee is in agreement with the Board and the management of the Company 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 Company. 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 a twelve-month period ending 31 December 2023; and (ii) discussions between the audit committee and EY 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.

Please also refer to section headed "Board's View and Audit Committee's View" in Management Discussion and Analysis of this annual report for their view on the disclaimer of opinion on the consolidated financial statements. The Directors and the management will proactively to resolve matters relating to the disclaimer of opinion for the coming year.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems, overseeing such systems on an ongoing basis, and ensuring that a review of the effectiveness of such systems has been conducted at least annually. The Board also understands that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board has overseen the management in the design, implementation and monitoring of the risk management and internal control systems, and has reviewed the effectiveness of the Group's and its subsidiaries' risk management and internal control systems. Such review covered all material controls, including financial, operational and compliance controls, of the Group. The Group's risk management and internal control systems are distributed amongst the operations to ensure that the Group is able to effectively manage major factors affecting the Group in achieving its strategic objectives, such as events, contingencies or actions that may have material effect on the reputation, assets, capitals, profitability or liquidity of the Group.

The Board and the audit committee of the Company also authorized the management to conduct review on the risk management and internal controls systems of the Group. The current control status and possible improvement of the risk management systems were noted in the discussions with the core risk management departments and review of the systems, standards and relevant documents in order to mitigate related risks arising from the existing operation after evaluating its risk management and internal controls systems.

The key risk management and internal control procedures of the Company are as follows:

1) determine the scope, identify the risks and compile a list of such risks;

2) evaluate and prioritise the risks based on the probability of, the attention from the management drawn by, and the possible financial loss and impact on operating efficiency, sustainability and reputation resulting from, each potential risk;

3) identify the risk control measures against major risks, conduct internal control assessments of the design and implementation of such measures, and formulate measures to improve any defect;

4) review and evaluate the risk management and internal control systems regularly and ensure the effectiveness and constant improvement of the risk management system through internal control assessments of major risks and improvements implemented by the management;

5) report the findings of the regular internal review and evaluation of the risk management and internal control systems conducted during the period, major risk factors and response to the audit committee by the management.

Effectiveness

The Board acknowledges that it has overall responsibility for evaluating, determining, establishing and maintaining an effective risk management and internal control systems of the Group and for reviewing its effectiveness to safeguard the Company's assets and the shareholders' interests. During the Year, the Board and the audit committee of the Company have conducted a review on the effectiveness of Group's risk management and internal control systems on all material aspects on its key subsidiaries, including financial, operational, risk management and compliance controls.

Audit committee reported all findings and recommendations for the improvement of the risk management and internal control systems to the Board and the Board considered that all recommendations should be properly followed to ensure the sound and effectiveness of the risk management and internal control systems of the Group can be maintained on an ongoing basis.

The Group reviewed the effectiveness of its risk management and internal control systems on its key subsidiaries at least annually and confirmation from the management on its effectiveness was received during the Year. The Board and the audit committee also considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions, are reasonably conducted and implemented; and the Group considered that such systems were effective and adequate. During the Year, the Group has fully complied with the provisions of CG Code regarding the risk management and internal control systems.

Internal Audit

The audit committee relies on reports from the management, external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the audit committee oversees and monitors the implementations thereto.

During the Year, the Group has outsourced its internal audit function and engage an independent internal control consultant to assess our overall internal control systems and give recommendations to make enhancement. The internal audit has an administrative reporting function to management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned, and will report their findings and recommendations directly to the audit committee. The internal audit can access to all the Group's documents, records and properties for performing its duties.

During the Year, audit committee has reviewed and approved the internal audit plan to ensure the adequacy of the scope of audit, the proposed follow-up actions which required necessary co-operation from the management has been addressed. In addition, the internal audit has the appropriate assistance and standing in the Company to discharge its duties effectively. As such, the Board including members of the audit committee is of the view that the internal audit function of the Company is independent, effectively and adequately monitoring our business operation for the Year.

It was also reported that there were no material deficiencies in relation to the Group's internal controls.

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.

COMPANY SECRETARY

The Company has appointed Mr. Ngai Tsz Hin Michael ("**Mr. Ngai**"), an external service provider, as its company secretary. Ms. Wang Hong, an executive Director and chief financial officer, is the primary contact person to Mr. Ngai at the Company in respect of any compliance and company secretarial matters of the Company.

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and the Board Committees, and ensure that the Board policies and procedures are followed by business units, various departments and employees of the Group. They are also responsible for ensuring that the relevant rules and regulations issued by the regulatory authorities as well as the Company's Memorandum of Association and Bye-laws are complied with.

The biographical details of Mr. Ngai are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the Year, Mr. Ngai, undertook over 15 hours' professional training to update his skill and knowledge in compliance with the CG Code.

CHANGES IN CONSTITUTIONAL DOCUMENTS

For the purpose of providing flexibility to the Company in relation to the conduct of general meetings, the Company will propose a special resolution at the forthcoming AGM to adopt a new set of Articles which allow general meetings to be held as a hybrid meeting where shareholders may attend by electronic means in addition to as a physical meeting where shareholders attend in person. Details of the major amendments brought about by the adoption of the new Articles are set out in the Company's circular dated 28 April 2023. The Articles is available on the Company's website.

SHAREHOLDERS' RIGHTS

The Way by Which Shareholders Can Convene Extraordinary General Meeting ("EGM")/Put Forward Proposal

According to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 85 of the Articles of Association provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and a written notice signed by the person to be proposed of his willingness to be elected have been lodged at the head office provided that the minimum length of the period during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Accordingly, if a shareholder of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("**Proposal**"), he/she should lodge a written notice setting out the Proposal and his/her contact details to the head office and principal place of business of the Company.

The relevant procedures are set out in the circular to the shareholders which is sent together with this annual report and the Company's website at http://www.yestarcorp.com.

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/company secretary by addressing them to the Company at our principal place of business in Hong Kong or by email through the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at http://www.yestarcorp.com. It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular, financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

CORPORATE GOVERNANCE REPORT

In addition, the Group gives high priority to, and actively promotes, investor relations and constructive dialogue with the investment community throughout the year. Through the Company's investor relations service provider, the Group engages with and responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, conference calls and presentations. During the Year, various meetings were conducted with institutional investors and analysts by means of video calls, conference calls, group and one-on-one meetings, with an increasing emphasis on sustainability strategy and priorities.

The Company promotes two-way communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed matter. Through the Company's website, there are contact details including email, contact numbers and address available to investors for direct communication with the Company and/or Company's investor relations service provider.

The forthcoming annual general meeting of the Company is scheduled to be held on 31 May 2023 (Wednesday). At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

Shareholders are encouraged to participate at general meetings of the Company physically, through electronic means, or by proxy if they are unable to attend in person. Pursuant to the Articles of Association of the Company, any shareholders holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company, have rights to call for general meetings and to put forward agenda items for consideration by shareholders.

All substantive resolutions at general meetings are decided on a poll which is scrutinised by the Hong Kong Share Registrar of the Company. The results of the poll are published on the websites of the Company and the Stock Exchange. In addition, regular updated financial, business and other information on the Group are made available to the shareholders and investors on the website of the Company.

The notice of annual general meeting and the necessary information on issues to be considered in the annual general meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

In short, the Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The shareholders communication policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Board and/or Company's investor relations service provider by email at ir@dlkadvisory.com or by mail to Room 906, 9/F Nan Fung Tower, 88 Connaught Road Central, Hong Kong. The Board receives updates from the Company's investor relations service provider from time to time on key issues raised by shareholders and investors. In developing and formulating business strategy of the Company, the Board considers such key issues raised and takes shareholder feedback into account and conclude that the current communication policy with shareholders and investors are effective for the Year.

31 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the seventh Environmental, Social and Governance Report ("**Report**") released by Yestar Healthcare Holdings Company Limited and its subsidiaries (collectively known as "**Group**" or "**We**") to provide an overview of the Group's environmental, social and governance ("**ESG**") strategies, commitments and approaches. This Report is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited ("**HKEX**"). All the information in this Report reflects the Group's sustainability performance and initiatives for the year ended 31 December 2022 (the "**Reporting Period**").

SCOPE OF THE REPORT

This Report covers the Group's ESG management and performance for principal business activities with operational control, including Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd., Yestar (Guangxi) Imaging Technology Co., Ltd. and Yestar Biotech (Jiangsu) Company Limited, unless otherwise specified.

REPORTING PRINCIPLES

This Report is prepared by applying the four key principles.

- Materiality: sustainability topics exerting significant and material impacts are identified through materiality assessment, and these topics are addressed in this Report.
- Consistency: this Report discloses information on a consistent basis for year-on-year comparison.
- Quantitative: applicable Key Performance Indicators ("**KPIs**") are disclosed in quantitative terms.
- Balance: this Report states the positive achievements and areas for improvement.

SUSTAINABILITY GOVERNANCE AND APPROACH

The Group understands the wellness of people, the environment and its business are interconnected, and thus the Group's sustainability approach is formulated by taking the Group's strategy and materiality assessment into considerations, aiming at integrating sustainability into major aspects of the Group. The Board of Directors has designated a Director to oversee the Group's ESG issues, management approach and strategy.

Topics in the Report have been articulated by incorporating issues which are deemed most relevant and material to the Group and its stakeholders. These topics could be categorised in the following six major strategic areas:

Quality and Supply Chain Management o Quality Assurance o Supply Chain Management o Client Services
Environment and Climate Change o Air Emissions o Greenhouse Gas Emissions and Energy Consumption o Packaging Materials and Waste Management o Natural Resources o Climate Change
Talent Development o Development and Training o Employee Welfare o Recruitment and Performance Review o Labour Standards
Health and Safety o Safety Production o Safety Training o Response to COVID-19
Integrity o Anti-corruption o Intellectual Property Rights o Data Protection
Community Investment o Charity Donation o Volunteer Activities

MATERIALITY ASSESSMENT

Materiality assessment is a process for gauging the expectations of stakeholders and identifying any industry specific sustainability topics, so that the Group could prioritise initiatives and devise strategies to properly address these issues. This Report focuses on sustainability issues material to the Group's business and those issues of prime importance. We identify these issues by:

- analysing environmental and social impacts of our business activities
- reviewing concerns identified by stakeholders
- identifying material issues from peers
- referencing local and international ESG reporting frameworks and standards
- gauging mega and global sustainability trend

STAKEHOLDER ENGAGEMENT

The Group understands that addressing issues of interest to stakeholders is intrinsically linked to its abilities to establish a strong operating foundation, which is in turn vital to ensure the sustainability of its business activities and sustainable growth. We strive to maintain open communication with a wide range of stakeholders. We regularly communicate with stakeholders to gain a fuller understanding of their anticipations and priorities for sustainable development, where key stakeholders' groups including employees, clients, suppliers and investors.

With an understanding of the expectations of different stakeholders, the Group can reshape its sustainability strategy to respond to their needs, address their concerns, enhance relationships with the key stakeholders and foster harmonious development.

KEY SUSTAINABILITY DATA

SOCIAL

	2022	2021
Employment and Development		
Total number of employees	506	593
By gender		
Female	216	265
Male	290	328
By employee category		
Senior Management	23	27
Middle Management	85	106
General Employees	398	460
By age group		
Below 30	94	133
30 to 50	380	433
Over 50	32	27
By employment type		
Full-time	505	590
Part-time	1	3
Employee turnover rate	30.83%	21.92%
By gender		
Female	32.87%	22.26%
Male	29.31%	21.64%
By age group		
Below 30	56.38%	30.08%
30 to 50	26.58%	20.32%
Over 50	6.25%	7.41%
Training Hours		
Average training hours per employee	7.74	22.47
By gender		
Female	7.61	21.26
Male	7.92	23.42
By employee category		
Senior Management	6.79	16.19
Middle Management	7.00	22.37
General Employees	7.95	22.91
Health and Safety		
Number of work-related fatalities	0	0
Number of lost days due to work injury	0	224

ENVIRONMENT

	2022	2021
Emissions		
Air Emissions[1]		
Particulate Matter (PM) (kg)	196.57	238.44
Nitrogen Oxides (NOx) (kg)	3,361.62	3,943.96
Sulphur Oxides (SOx) (kg)	4.54	5.30
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions and Scope 2 Indirect Emissions) (tonnes of CO_2e)[2]	3,005.13	3,294.88
Total Greenhouse Gas Emissions (Scope 1 Direct Emissions) (tonnes of CO_2e)	700.88	828.20
Total Greenhouse Gas Emissions (Scope 2 Indirect Emissions) (tonnes of CO_2e)	2,304.25	2,466.69
Total Greenhouse Gas Emissions per million RMB$ Revenue (Scope 1 Direct Emissions and Scope 2 Indirect Emissions) (tonnes of CO_2e/RMB$'000,000)	0.70	0.67
Total Hazardous Waste (tonnes)[3]	325.95	485.61
Hazardous Waste Produced per million RMB$ revenue (tonnes/RMB$'000,000)	0.08	0.10
Total Non-Hazardous Waste (tonnes)[4]	179.13	120.56
Non-Hazardous Waste Produced per million RMB$ revenue (tonnes/RMB$'000,000)	0.04	0.02
Use of Resources		
Total Energy Consumption (MegaWatt-hours)	3,776.84	4,043.09
Energy Consumption per million RMB$ Revenue (MegaWatt-hours/RMB$'000,000)	0.88	0.82
Total Water Consumption (cubic meters)	25,602.45	21,940.87
Water Consumption per million RMB$ revenue (m^3/RMB$'000,000)	5.96	4.45
Total Packaging Materials (tonnes)	2,863.50	3,198.42

We sincerely welcome your comments and suggestions with regard to this Report and our sustainability performance. Please send your feedback to us at michelleshi@dlkadvisory.com.

1 Air emissions were prepared with reference to "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEX.

2 Greenhouse Gas emissions were prepared with reference to "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEX.

3 The boundary of total hazardous waste was confined to Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd because of their material contributions.

4 The boundary of total non-hazardous waste was confined to Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd because of their material contributions.

SUSTAINABILITY AWARDS

The Group bestowed a number of sustainability awards with our robust sustainability strategy and initiatives.

Organisation	Accolade
Guangxi Department of Science and Technology, Department of Finance, Taxation Bureau	High-tech enterprises
Ministry of Industry and Information Technology of the People's Republic of China	National Green Factory
Department of Industry and Information Technology of the Autonomous Region	Guangxi Industrial Leading Enterprise
Guangxi High-tech Enterprise Association	Top 100 High-tech Enterprises in Guangxi
Department of Industry and Information Technology of the Autonomous Region	Guangxi Industrial Enterprise Quality Management Benchmark
Autonomous Region Market Supervision Bureau	Guangxi Quality Improvement Demonstration Enterprise

QUALITY

Product quality is deemed to be of paramount vitality. Clients' trusts are built on the quality, safety and performance of our products. The Group is fully committed to providing high quality products and complying with the highest applicable product quality and safety standards.

Quality management system, supply chain management and client relationship management are implemented. The quality management system, defining the roles, responsibilities and authority of those responsible for product quality and listing out the relevant procedures clearly, provides unambiguous guidance to consistently offer superior products. We not only pay additional attention to production process, but also other areas including equipment calibration, research & development and supply chain management. All parts, semi-finished or finished products have to undergo rigorous quality inspection procedures. The Group provides after-sales support services to its customers, aiming at protecting the health of our end-users.

Quality Assurance

The Group manages chemical and medical consumable products, encountering evolving regulatory requirements. With the cooperation of all departments, the Group endeavours at delivering quality products and strengthening customer confidence in every possible way. Quality Management System acts as one of the core components of the Group's strategy for sake of the continual improvement, ascertaining product compliance with quality standards and creating values for clients. The Quality Management System of the Group is audited and verified by independent certification bodies to prove conformity to the internal standards on a regular basis. The Group has operated in accordance with ISO 9001:2015[5], ISO 13485:2016[6], ISO 14971:2007[7] and applicable European Union Directives.

Manufacturing sites and offices under the Group operate based on the ISO 9001 system, including Yestar (Guangxi) Technology Co., Ltd, Yestar (Guangxi) Imaging Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Shanghai Yestar Co., Ltd. Yestar (Guangxi) Medical System Co., Ltd, production site of the medical imaging film, dental x-ray film and medical sensitive film, has attained the certification according to ISO 13485:2016 as well as ISO 14971:2007.

5 ISO 9001, published by International Organisation for Standardisation (ISO), specifies the criteria for a quality management system.

6 ISO 13485, published by International Organisation for Standardisation (ISO), specifies requirements for a quality management system where an organisation needs to demonstrate its ability to provide medical devices and related services that consistently meet clients' requirements and regulatory requirements applicable to medical devices.

7 ISO 14971, published by International Organisation for Standardisation (ISO), specifies a process for a manufacturer to identify the hazards associated with medical devices, including in vitro diagnostic (IVD) medical devices, to estimate and evaluate the associated risks, to control these risks, and to monitor the effectiveness of the controls.

Additionally, Yestar (Guangxi) Medical System Co., Ltd. has been certified under the Annex V for the Dental X-ray Film, Directive 93/42/EEC[8] of the European Union, and has been awarded a valid EC type examination certificate according to the Annex III. Under the Annex V EC Declaration of Conformity concerning production quality assurance, it laid down the requirements pertinent to quality system, surveillance as well as administrative provisions, while under the Annex III EC type-examination, it stipulates procedures that a notified body certifies the production satisfying the requirements of the Directive 93/42/EEC, covering documentation conformity, performances of products, methods of manufacture envisaged as well as technical test results.

The Group sets quality target and setup procedures for equipment calibration. In order to closely monitor the quality performance in a quantitative manner, the Group sets relevant targets related to product passing rates, namely, 100% for Yestar (Guangxi) Technology Co., Ltd. and over 99% for Yestar (Guangxi) Medical System Co., Ltd. Moreover, Management Practice for Measuring Instrument is established to ascertain measuring instruments function properly and correctly, consisting of inspection to the measuring instruction, calibration programme and maintenance. During the Reporting Period, there were no recall cases.

Supply Chain Management

The Group is committed to building constructive partnerships with its suppliers, contributing to sustainable development of industry and the society, as well as meeting clients' expectations. We engage our suppliers through long-term agreements and regular communication to help them better understand and meet our latest requirements. During the Reporting Period, there were 42 suppliers, all of them were located in Mainland China.

The Group has established and implemented standard procurement procedures covering procurement control and supplier management to ensure effectiveness. Our purchasing engineers review potential suppliers and all suppliers shall satisfy the qualification requirements as per policy and purchasing procedures.

A robust supplier management control program has been well established to review and continuously improve the performance of our suppliers as well as advocate their environmental and social endeavours. The Group evaluates their performance through periodic performance reviews. Suppliers are evaluated by a set of criteria as below.

Assessment Criteria	Description
ISO certification	To obtain certifications such as ISO 9001 and ISO 14001.
Regulatory compliance	To satisfy applicable regulations.
Service quality	To deliver quality services and products with agreed turnaround time.
Information management	To process the Group's information in a secure manner.
Hygiene and health conditions	To maintain the working environment clean and hygienic.

8 Directive 93/42/EEC of the European Union details the essential requirements that manufacturers shall meet to apply the CE mark and legally market or sell their devices in the EU.

An internal audit team which is formed by the representatives from the Procurement Department, the Technical Department and the Quality Assurance Department, would evaluate the performance of the existing suppliers from a variety of aspects including quality and technical competency. The Group conducts statistics on the monthly performance of existing suppliers and evaluates their annual performance. Only qualified suppliers could stay in the supplier list. If the Group discovers that a supplier has breached or potentially breached our requirements, we ascertain that sufficient remedial action is taken. The unqualified supplier is limited to rectification within three months. Evaluation will be conducted after rectification to resume the status of qualified supplier upon meeting the prescribed requirements.

Client Services

The Group attaches great importance to the quality of our customer service, and always takes every complaint seriously. Resolving client complaints effectively and promptly is one of our ultimate responsibilities. Our employees are required to follow a standard procedure to handle clients' complaints. Once we received any complaint, we will engage with the clients and tackle the problem in a timely manner. Where applicable, the Quality Assurance Department could conduct investigation, analyse customer requests to determine the most common inconveniences and share them with relevant departments, formulate corrective and preventive actions to improve performance, as well as document these actions. We conduct analysis and prepare summary based on clients' feedback and complaints to identify areas for further improvement. During the Reporting Period, there were 7 valid complaints, where most of them were associated with minor product defects.

The Group values the relationship with each customer. We provide free maintenance service to our customers during the warranty period, with support through multiple channels, such as customer service and maintenance hotline, mailbox to deal with customer inquiries. Furthermore, customer satisfaction survey is conducted half a year, aspects covering product quality, delivery time and service quality. Results would be analysed for continuous improvement.

We have set our annual overall quality target and conducted a customer satisfaction survey regularly to collect the opinions of our customers and continuously improve our after-sales management.

ENVIRONMENT AND CLIMATE CHANGE

The Group understands that our environment is closely linked to the wellness of people. With increasing pressure on natural resources and the impacts of climate change, it is imperative that the Group continues to increase the resilience of our operations, explore opportunities for environmental improvements across our value chain and nurture the culture of environmental stewardship. During the Reporting Period, Yestar (Guangxi) Imaging Technology Co., Ltd attained the national green factory.

For sake of compliance, the Group reviews applicable regulations including Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Environment Impact Assessment, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and so on, as well comprehend the relevant technical standards such as Integrated emission standard of air pollutants (GB16297–1996). The Group devises the Environmental Risk Management Plan by incorporating the principles stated in the ISO 31010:2009[9]. In addition, due to the escalating concerns over the climate change and the climate-related risks, the Group is working out the steps to identify significant climate-related issues.

Air Emission

To estimate the air emissions, the Group assessed the fuel consumption. These air emissions come from particulate matter (PM), nitrogen oxides (NOx) as well as sulphur oxides (SOx). Furthermore, the Group has gradually replaced forklift consumed diesel oil by that consumed electricity, to reduce the air emission.

Greenhouse Gas Emissions and Energy Consumption

The energy consumption mainly comes from the medical film manufacturing process. As huge amount of energy is used for creating an environment with specific temperature, humidity and cleanliness, the energy consumption during production is high. This not only increases the energy consumption, but also the greenhouse gas (GHG) emissions.

The Group strives to improve its energy efficiency through the operation and the production unit, without affecting the machine performance. To further enhance the energy efficiency and minimise the operational and production cost, the Group has replaced the lighting with LED. During the Reporting Period, automatic door closers were installed and environmental conditions including temperature and relative humidity were controlled, resulting to estimated 10% electricity reduction.

Packaging Materials and Waste Management

Waste issue is an environmental issue grabbing surging attention. In terms of waste categories, there are mainly two types of waste, namely non-hazardous waste and hazardous waste. Non-hazardous waste is comprised of carton box paper, plastic, foam and film, and other packaging materials, while hazardous waste is generated from the uses of chemical solvent.

Packing materials in the production and transportation process is an essential part, which is also the last process to ensure the product quality. We continuously reduce environmental impacts of our packaging through reduction in the size and weight of packaging, defects minimisation, material change and design change. During the Reporting Period, a number of measures have been implemented without altering the production quality, for instance, optimizing the cartoon box size by reduction in the weights, volume and space of packaging, and reducing the carton sealing tape width. In addition, recyclable materials are used for packaging materials.

Pursuant to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Group appointed third-party professional processing institute to properly dispose of photographic paper, film and fixer liquids which are in the National Hazardous Waste List.

9 ISO 31010, published by International Organisation for Standardisation (ISO), provides guidance on selection and application of systematic techniques for risk assessment.

The use of chemical solvents is unwanted as the use of photographic developer solution during production is associated with hazardous and toxic chemical. Strict procedures are set up to manage and control the use of chemical solvents and handling of hazardous waste.

A licensed hazardous waste treatment service provider is responsible for collecting and handling hazardous waste. To manage hazardous waste in a systematic way, guidelines and procedures are set up and employees are required to complete the chemical management training and follow the relevant guidelines. In addition, hazardous waste is stored in containers which are solvent resistant, while the storage units are constructed to avoid exposure or leakage.

Because of the surging concerns over waste management, recycling and circular economy, it is essential to improve the utilisation and reduce disposal rates of both non-hazardous and hazardous waste. The Group targets to foster operation efficiency, incorporate recycling concepts and introduce waste reduction with different measures including reducing the materials consumed during the manufacturing process, boosting recycling as well as reducing unnecessary waste. Reducing packaging material is beneficial to both environment and economy. The Group is devoted to adjusting the design of the packaging such that it can deliver its goods in a safe condition and minimise the amount of packaging materials. In addition, to reduce the use of paper, the Company has implemented paperless internal communication and encourages employees to reduce the use of paper, aiming to create sustainable offices.

Natural Resources

The Group considers different environmental aspects apart from emissions and use of resource, such as noise, renewable energy and green education to the staff. Regular assessment is carried out to eradicate adverse environmental impacts. For example, noise assessment is conducted for Yestar (Guangxi) Technology Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd in accordance with GB 12348:2008 Standard for Industrial Enterprises Noise at Boundary. We appointed a third party environmental laboratory to assess our noise level and the result was satisfactory. The Yestar (Guangxi) Technology Co., Ltd., Yestar (Guangxi) Medical System Co., Ltd. and Yestar (Guangxi) Imaging Technology Co., Ltd. have introduced wind and solar energy equipment to foster renewable energy.

The Group is committed to nurturing green education to the staff. Yestar (Guangxi) Technology Co., Ltd. and Yestar (Guangxi) Medical System Co., Ltd. have posters to promote the environmental protection awareness, for instance, elaborating the adverse impacts along the food chain and the prolonged biodegradation by the pen case, and the water consumption in terms of number of bottle water by showering. Furthermore, the Group has expanded its greenery area to nearly 10,000 m^2 area.

The Group strictly follows applicable regulations such as the Law on the Water Resources of the People's Republic of China and the Law on the Prevention and Control of Water Pollution in the Republic of China. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. The Group made every effort to reduce water consumption. Rainwater recycling system is installed for reusing rainwater for irrigation.

Climate Change

Climate change has been gaining prominence over recent years. Impacts of climate change such as continuing rises in sea levels, extreme weather and flooding are increasingly recognised as a material risk to businesses. The Group is committed to pursuing management of climate-related risks and opportunities, empowering the Group to make more informed business risk decisions and implement more effective operational changes. One of the climate risks is the intermittent disruption to supply chain due to extreme weather, the Group therefore is reshaping logistic network to mitigate this risk.

TALENT DEVELOPMENT

Our success and ability to grow is inextricably related to a skilled and professional team. Employees are valuable assets to the Group. Hence, the Group strives to attract the best and brightest talents through competitive remuneration, benefits packages, and devises an employment policy stipulated to the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. We also regularly review the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group is devoted to creating a working environment where employees feel valued and respected. Employees are motivated and encouraged to be well equipped with the skills and knowledge they learnt from the online learning platform and assessment to continuously promote the Group's growth.

Development and Training

The Group continuously reaffirms its commitment with respect to career advancement for all employees and development to improve professional and management skills, by making ceaseless efforts in creating a culture of continuous improvement and dynamic learning environment. We support each of our employees in studying and building their capabilities by developing strength and reaching their potential. An e-learning platform is set up to promote continuous learning and maximise the cost efficiency of the training portfolio and further enrich the quality of learning. Under the e-learning platform, training modules covering a wide range of topics are offered, with three major categories, namely, professional, management and general. There are around 3,000 available training materials. All of the Group's staff have attended relevant training required to satisfy the minimum training hours.

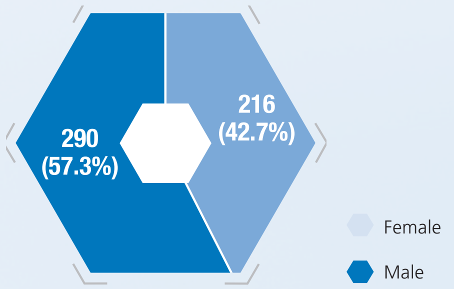
PROFESSIONAL KNOWLEDGE
• Occupational Health and Safety Regulations, Recruitment and Selection, Good Manufacturing Practice, Hazardous Waste Handling Practice, CE Certification, Custom Regulation, Efficient Warehouse Management Practice, Accounting, Taxation, Software Encryption
MANAGEMENT KNOWLEDGE
• Managing an Enterprise by a Financial Mindset, Leadership Skill, Safety Management Staff Training, KPI Management, Risk Identification, Strategic Leadership
GENERAL KNOWLEDGE
• Accountability System of Safety Production, Communication Skill, Safety Management, Standard Operation Procedure Implementation, Effective Meeting Skill, Career Planning, Enhancement of Service Quality Awareness

Specific training parameters are defined for different employees according to their job responsibilities. For effective learning, employees are required to carry assessment before and after attending the online courses. During the Reporting Period, an annual training plan was established, defining training topics as well as the training schedule. In addition, tuition reimbursement policy for employees seeking to complete external education or training is offered for the aim of personal development.

Employee Welfare

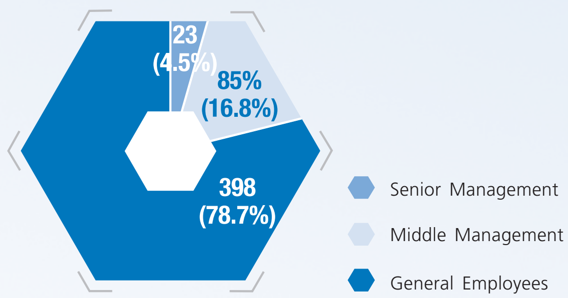
The Group ensures that all employees are entitled to paid annual leave, marriage leave, maternity leave and other statutory leaves and holidays in accordance with the law and safeguards employees' basic rights. Parental leave, paternity leave and caring leave are provided. The Group also provides medical and dental insurance, holiday gifts, free shuttles, education subsidy to employees' children and so on. The Group continues to explore ways for better employee welfare and satisfaction.

NUMBER OF EMPLOYEES BY GENDER

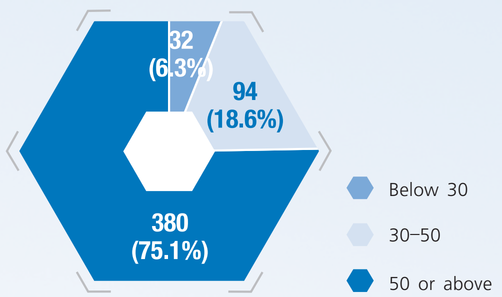


The Group's employees come from different generations. Innovation and diverse experience from each generation could bring valuable contributions benefiting the stakeholders and the Group's business. The distribution is examined to devise the employment and development strategy.

NUMBER OF EMPLOYEES BY EMPLOYEE CATEGORY



NUMBER OF EMPLOYEES BY AGE GROUP



Recruitment and Performance Review

The Group is dedicated to offering competitive remuneration packages, comprising basic salary, performance-based incentives, subsidies, statutory insurance entitlements, discretionary rewards and central pension scheme. With the aim of attracting and retaining employees who are able to contribute long-term value to the Group and promote financial growth, the Group offers a comprehensive compensation system to employees. The Group structures performance-based compensation recompense those employees who have contributed to the Group in short-term or long-term strategic values through annual performance review. Each employee shall complete at least one annual performance review cycle for pay and benefits review. Additionally, this provides strategic goal development and career planning opportunities.

Labour Standards

The Group fully recognises that child labour and forced labour violate fundamental human rights, posing a threat to sustainable social and economic development. The Group strictly prohibits child labour and carries out verification of applicants' actual age during the recruitment process.

During the Reporting Period, no reports of any violations of the Labour Law of the People's Republic of China and other relevant laws and regulations were found, nor were there any cases of child labour or forced labour.

HEALTH AND SAFETY

Operation safety serves as a prerequisite for sound business performance. As engaging in the manufacturing business, the Group strives for an injury-free and safe working environment. Careless use of machinery and equipment may pose a harm or risk towards accident. Yestar (Guangxi) Imaging Technology has obtained the ISO 45001:2018[10] certification to ensure the occupational health and safety system was well established and implemented.

[10] ISO 45001, published by International Organisation for Standardisation (ISO), provides a framework to enhance safety and well-being, minimize workplace risks.

Safety Production

The Group complies with regulations in relation to occupational health and safety, such as Administrative Measures for Diagnosis and Identification of Occupational Diseases, Measures for the Declaration of Projects with Occupational Hazards, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and Production Safety Law of the People's Republic of China. By deploying a holistic approach, we have established an effective occupational health and safety system for the sake of supporting and protecting the employees as well as nurturing a safety culture at workplaces. A Contingency Plan for Environmental Emergencies, with the objective to tackle potential environmental incidents, is devised. Incident management procedures such as allocation of responsibility, report and notification, emergency rescue, post-incident investigation and conclusion, are set out. A safety manual is prepared to improve the safety awareness of employees and reduce the possibility of dangerous injuries. Under the manual, rules and procedures are stated explicitly, such as limit access to the darkroom, good housekeeping, restricted objects, exposure times as well as emergency measures. For employees working in the darkroom, a minimum of years of relevant experience is required. Regular assessments are conducted as well. Other guidelines pertaining to traffic safety, fire safety, electrical safety and mechanical injury are provided.

With the promulgation of the Safe Production Law of the People's Republic of China, the Group is committed to enhance safety production. Meanwhile, relevant targets are set, with the following details.

DESCRIPTION	TARGET
Work-Related Fatality	0
Severe Incident	0
Minor Injury Incident	<= 3
Fire Accident	0

Additionally, Guangxi Yestar has introduced the Month of Safety Production in order to foster the safety production and enhance the awareness of the staff in this regard. Activities include inspection on equipment and safety training record, safety skill competition, seminar and so on.

The Group has established an emergency task force which is responsible for managing the scene of incident, as well as communicating with environmental protection, safety supervision, firefighting and other relevant government departments. Potential health and safety risks are regularly monitored.

	2022	2021	2020
Number of Work-related Fatalities	0	0	0

Safety Training

In order to create a healthy and safe working environment, the Group organises Safety Education and Training Program to provide appropriate safety training for employees with different grades and functions. The Group has made multiple effort to ensure and enhance the safety among operation and production. Moreover, the Group monitors and implements occupational health and safety measures according to hazard identification and control management to further safeguard the effectiveness of risk management.

Response to COVID-19

Confronting the unprecedented challenges from COVID-19, a set of precautionary measures and guidelines have been setup to ensure the health and safety of the employees and the hygienic conditions of the workplaces. The Group provided health protection and personal hygiene guidelines to our workers, monitored their physical condition while they were working in the factories and checked any employees staying at the inflection case region for further precautionary actions. Moreover, daily sanitisation was conducted and ventilation was enhanced to ensure the high hygienic conditions of the working environment.

INTEGRITY

Building trust among our stakeholders and operating transparently adds significance to the business growth. The Group has embedded the ant-corruption, intellectual property right and privacy into the Group's policy, demonstrating the Group's commitment to integrity. All employees of the Group are responsible for maintaining high ethical standards and conducting business with integrity.

Anti-Corruption

The Group upholds a high standard of business integrity throughout its operations. A system with good moral integrity and anti-corruption mechanism is the cornerstone for the sustainable and healthy development of the Group. The Group strictly adhere to all applicable anti-corruption laws including the Anti-Unfair Competition Law of the People's Republic of China, the Criminal Law of the People's Republic of China and the Hong Kong Prevention of Bribery Ordinance (Chapter 201).

Prevention of corruption, theft, fraud, malpractice, money laundering and other illegal acts is of utmost importance. According to the Group's policy, every employee of the company shall observe the Code of Conduct, and is prohibited from offering advantages or promises to any director or employees of other company or organization, for the purpose of influencing such person or company while having business dealings. Commissions, discounts and payment method shall be consistent with company policy during trading. Using the client's information for personal profit is also banned. The human resources department would investigate all suspected corrupt practices and report them to the management for decisive course of action. Any deviation from the policy shall seek approval from the Chief Executive Officer, directors, managers or supervisors of the Group by formal request, in order to follow the Code of Conduct of the Group. However, entertainment is acceptable for offering to any government officer, community group and key customers, coherence with the provisions stipulated to the Hong Kong Prevention of Bribery Ordinance. Our employee handbook stipulates that employees must observe the code of conduct, and prohibits employees to ask or extort money from customers, or abuse their power to engage in corruption or bribery. The human resources department will investigate all suspected corruption practices and report them to the management for decisive course of action. The decision will be announced to all employees via internal notification to ensure that the information is open and transparent.

All the employees shall strictly comply with the local laws and regulations when having business with customers. Guidelines are laid down when offering gifts and entertainment to customers, including prior approval for receipt of gifts and reimbursement with valid supporting documents. Particularly, employees of the Procurement Department need to sign the declaration about anti-corruption for procurement. Additionally, employees have attended anti-corruption training with content encompassing awareness, risk identification, management and implementation. With the commitment to anti-corruption, there were no concluded legal cases regarding the corruption during the Reporting Period.

Intellectual Property Rights

The Group respects and complies with the regulations governing intellectual property protection. In order to protect the Group's trademarks and prevent others from using the trademarks without permission, the Group has established the trademark application procedure. Once the application has been approved by the Marketing Manager, General Manager and the Legal Department, the application will be submitted to the Chinese Trademark Office in order to protect your exclusive rights to that trademark in China. With the Group's ongoing endeavours, we have obtained 31 newly registered patents.

Data Protection

The Group's employees, and all those who do business with the Group, trust and expect that the Group will protect personal information in accordance with legal requirements and the Group's policy. According to the Group's policy, documents are classified into mainly three categories, including strictly confidential document, confidential document and private document. The access right for each type of document is well defined. All the employees are required to sign non-disclosure agreement and maintain confidentiality on sensitive information pertaining to customers and suppliers.

Also, data security measures have been enhanced by introducing standardised data backup and system restoration procedures and regular testing.

COMMUNITY INVESTMENT

With the vision of 'creating a better life', the Group aims to create social and economic benefits and drive positive change for the communities and promotes community activities in the area of medical caring, education, recreational and cultural activities, making long-term contributions to local communities regarding major sustainability issues with a long-term perspective. Being a medical consumable provider, the Group harnesses business knowledges, practical skills and employee resources to share skills as well as create good places to live. Every year, we would set a yearly plan for the community activities.

By the virtue of acting for mutual benefit, collaborating for win-win situation, poverty fighting and environmental protection are important. During the Reporting Period, Yestar (Guangxi) organised a tree planting activity, participated in a charity auction work and provided scholarship to the community. In addition, the Group donated 30,000 surgical masks to combat the COVID-19.

INDEPENDENT AUDITOR'S REPORT

EY 安永

To the shareholders of Yestar Healthcare Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

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**") set out on pages 89 to 175, 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and to issue an auditor's report. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on the consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	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	5	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	6	(298,575)	(169,187)
Share of profit of an associate		19,731	7,994
(LOSS)/PROFIT BEFORE TAX	7	(1,107,342)	59,942
Income tax credit/(expense)	10	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	12	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	13	173,134	193,238
Right-of-use assets	14(a)	259,059	266,684
Other intangible assets	15	254,566	820,109
Goodwill	16	124,651	420,067
Investment in an associate	17	32,972	13,241
Deferred tax assets	18	27,389	21,762
Total non-current assets		871,771	1,735,101
CURRENT ASSETS			
Inventories	19	408,066	366,686
Trade and bills receivables	20	1,569,191	1,590,861
Prepayments, other receivables and other assets	21	224,517	279,262
Pledged deposits	22	1,810	1,812
Cash and cash equivalents	22	294,290	585,159
Total current assets		2,497,874	2,823,780
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	1,689,059	458,815
Trade payables	24	666,533	657,316
Contract liabilities	25	43,347	74,874
Other payables and accruals	26	893,330	757,048
Lease liabilities	14(b)	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	—	1,117,960
Lease liabilities	14(b)	119,158	130,194
Deferred tax liabilities	18	85,429	227,249
Other long-term payables	26	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	27	46,576	46,576
Reserves	28	(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

Liao Changxiang
Director

Wang Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

		Attributable to owners of the parent											
	Note	Share capital RMB'000 (note 27)	Treasury shares RMB'000	Share premium account* RMB'000 (note 28)	Contributed surplus* RMB'000 (note 28)	Put-options written on non-controlling interests* RMB'000 (note 28)	Statutory Reserve funds* RMB'000 (note 28)	Other reserve* RMB'000	Retained profits* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021		47,088	—	787,947	84,991	(650,174)	187,817	(227,932)	484,471	42,830	757,038	98,718	855,756
Profit for the year		—	—	—	—	—	—	—	3,327	—	3,327	9,352	12,679
Other comprehensive income for the year:													
Exchange differences translation of foreign operations		—	—	—	—	—	—	—	—	36,618	36,618	—	36,618
Total comprehensive income for the year		—	—	—	—	—	—	—	3,327	36,618	39,945	9,352	49,297
Shares repurchased	27	(512)	—	(21,885)	—	—	—	—	—	—	(22,397)	—	(22,397)
Transfer from retained profits		—	—	—	—	—	31,717	—	(31,717)	—	—	—	—
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	(83,674)	(83,674)
Payables to non-controlling interests		—	—	—	—	(19,361)	—	—	—	—	(19,361)	52,413	33,052
At 31 December 2021		46,576	—	766,062	84,991	(669,535)	219,534	(227,932)	456,081	79,448	755,225	76,809	832,034

	Attributable to owners of the parent											
	Share capital RMB'000 (note 27)	Treasury shares RMB'000	Share premium account* RMB'000 (note 28)	Contributed surplus* RMB'000 (note 28)	Put-options written on non-controlling interests* RMB'000 (note 28)	Statutory Reserve funds* RMB'000 (note 28)	Other reserve* RMB'000	Retained profits/ (accumulated losses)* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity/ (deficit) RMB'000
At 1 January 2022	46,576	—	766,062	84,991	(669,535)	219,534	(227,932)	456,081	79,448	755,225	76,809	832,034
Loss for the year	—	—	—	—	—	—	—	(992,232)	—	(992,232)	(28,362)	(1,020,594)
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(132,106)	(132,106)	—	(132,106)
Total comprehensive loss for the year	—	—	—	—	—	—	—	(992,232)	(132,106)	(1,124,338)	(28,362)	(1,152,700)
Transfer from retained profits	—	—	—	—	—	8,047	—	(8,047)	—	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	(30,142)	(30,142)
Payables to non-controlling interests	—	—	—	—	(39,756)	—	—	—	—	(39,756)	48,705	8,949
At 31 December 2022	46,576	—	766,062	84,991	(709,291)	227,581	(227,932)	(544,198)	(52,658)	(408,869)	67,010	(341,859)

* These reserve accounts comprise the consolidated reserves of RMB(455,445,000) (31 December 2021: RMB708,649,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(1,107,342)	59,942
Adjustments for:			
Finance costs	6	298,575	169,187
Impairment of inventories		22,286	21,182
Impairment of financial assets	7	142,004	7,321
Impairment of goodwill	7	295,416	—
Impairment of other intangible assets	7	482,981	41,582
Exchange (gain)/loss		(23,527)	2,807
Interest income		(5,579)	(8,245)
Net gain on repayment of senior notes		—	(35,158)
Net gain on financial assets at fair value through profit or loss	5	—	(32)
Share of profit of an associate		(19,731)	(7,994)
Depreciation of property, plant and equipment	7	37,237	36,256
Depreciation of right-of-use assets	7	109,048	100,948
Amortisation of other intangible assets	7	84,491	95,701
Gain on disposal of items of property, plant and equipment	5	(340)	(909)
Gain on disposal of items of right-of-use assets	5	(4)	—
		315,515	482,588
Decrease/(increase) in trade and bills receivables		18,954	(126,310)
Increase in prepayments, other receivables and other assets		(56,521)	(104,001)
(Increase)/decrease in inventories		(63,666)	203,655
Increase in trade payables		9,217	99,075
(Decrease)/increase in other payables and accruals		(211,788)	208,528
(Decrease)/increase in contract liabilities		(31,527)	37,413
Increase in Pledged deposits		(1,698)	(112)
Cash (used in)/generated from operations		(21,514)	800,836
Interest received		1,567	5,184
Income tax paid		(71,780)	(90,799)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		(91,727)	715,221

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(23,852)	(49,674)
Additions to other intangible assets		(1,929)	(550)
Proceeds from disposal of items of property, plant and equipment		7,059	2,517
Purchase of financial assets at fair value through profit or loss		—	(234,900)
Proceeds from disposal of financial assets at fair value through profit or loss		—	234,932
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(18,722)	(47,675)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in advance from a non-controlling shareholder		230,000	—
Acquisition of a non-controlling interest		—	(138,750)
New bank loans		479,720	635,539
Decrease in pledged deposits for bank borrowings and issuance of bank acceptance notes		1,700	13,405
Repayment of bank loans		(585,937)	(613,213)
Repayment to a non-controlling shareholder		(44,066)	—
Principal portion of lease payments		(106,796)	(101,725)
Repurchase of shares		—	(22,397)
Related expenses on senior notes		—	(143,372)
Dividends paid to non-controlling shareholders		(30,142)	(203,368)
Interest paid		(125,335)	(80,318)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(180,856)	(654,199)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(291,305)	13,347
Cash and cash equivalents at beginning of year		585,159	572,348
Effect of foreign exchange rate changes, net		436	(536)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	294,290	585,159
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		296,100	586,971
Less: Pledged deposits		(1,810)	(1,812)
	22	294,290	585,159

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.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Yestar Asia Company Limited ("**Yestar BVI**")	BVI 1 February 2012	—*	100	—	*Investment holding*
Yestar International (HK) Company Limited ("**Yestar HK**")	Hong Kong 29 February 2012	HKD10,000	—	100	*Investment holding*
Shanghai Yestar Healthcare Technology Co., Ltd.[(1)] ("**Yestar Shanghai**")	PRC/Mainland China 20 July 2000	USD231,000,000	—	100	*Marketing and sale of colour photographic paper,photo-related products, document printing equipment and consumables,industrial NDT x-ray films and dental films*
Yestar (Guangxi) Technology Co., Ltd ("**Guangxi Technology**")	PRC/Mainland China 23 July 2004	USD14,000,000	—	92.86	*Manufacture and sale of colour photographic paper and manufacture of industrial NDT x-ray films*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name of company	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Yestar (Guangxi) Medical System Co., Ltd. [1] ("**Yestar Medical**")	PRC/Mainland China 24 December 2009	USD251,050,000	—	100	*Manufacture of dental films and manufacture and sale of medical dry films and medical wet films*
Yestar (Guangxi) Imaging Technology Co., Ltd. [1] ("**Yestar Imaging**")	PRC/Mainland China 23 November 2010	RMB18,000,000	—	100	*Manufacture of colour photographic paper and manufacture and sale of PWB films*
Joy Health Biotech (Guangxi) Co., Ltd. [1] ("**Joy Health**")	PRC/Mainland China 3 November 2017	RMB5,000,000	—	100	*Development of biotechnology and sale of medical equipment*
Yestar Biotech (Jiangsu) Company Limited [1] ("**Yestar Biotech**")	PRC/Mainland China 5 December 2011	RMB26,000,000	—	100	*Sale of medical equipment and reagents*
Shanghai Emphasis Investment Management Consulting Co., Ltd. [2][3] ("**Shanghai Emphasis Investment**")	PRC/Mainland China 4 April 2005	RMB29,880,000	—	94.17	*Sale of medical equipment and reagents*
Shanghai Jianchu Medical Instrument Co., Ltd. [2][3] ("**Shanghai Jianchu Medical**")	PRC/Mainland China 26 August 2011	RMB8,880,000	—	94.17	*Sale of medical equipment and reagents*
Shanghai Chaolian Trading Co., Ltd. [2][3] ("**Shanghai Chaolian Trading**")	PRC/Mainland China 26 February 2002	RMB500,000	—	94.17	*Sale of medical equipment and reagents*
Shanghai Haole Industrial Co., Ltd. [2][3] ("**Shanghai Haole Industrial**")	PRC/Mainland China 1 June 2010	RMB11,952,000	—	94.17	*Sale of medical equipment and reagents*
Shanghai Dingpei Industrial Co., Ltd. [2][3] ("**Shanghai Dingpei Industrial**")	PRC/Mainland China 4 April 2014	RMB500,000	—	94.17	*Sale of medical equipment and reagents*
Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd. ("**Hongen**")	PRC/Mainland China 6 September 2015	RMB20,000,000	—	90	*Sale of medical equipment and reagents*
Shenzhen De Run Li Jia Co., Ltd. ("**Derunlijia**")	PRC/Mainland China 18 October 2013	RMB36,000,000	—	70	*Sale of medical equipment and reagents*

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name of company	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Guangzhou Shengshiyuan Trading Co., Ltd. ("**Shengshiyuan**")	PRC/Mainland China 9 April 2010	RMB40,000,000	—	70	*Sale of medical equipment and reagents*
Beijing Kaihongda Technologies Co., Ltd. ("**Kaihongda**")	PRC/Mainland China 11 May 2011	RMB10,000,000	—	70	*Sale of medical equipment and reagents*
Guangxi Simai Biotech Co., Ltd. (1) ("**Guangxi Simai Biotech**")	PRC/Mainland China 10 August 2017	RMB5,000,000	—	100	*Development of biotechnology and sale of medical*
Nanjing Weien Biotech Co., Ltd. (1) ("**Nanjing Weien Biotech**")	PRC/Mainland China 16 May 2017	RMB10,000,000	—	100	*Development of biotechnology and sale of medical equipment*
Jiangsu Baike Supply Chain Management Co., Ltd. (1) ("**Jiangsu Baike Supply Chain**")	PRC/Mainland China 16 May 2017	RMB10,000,000	—	100	*Management of supply chain and service of freight transportation equipment*
Anhui Peilin Biotech Co., Ltd. (1) ("**Anhui Peilin Biotech**")	PRC/Mainland China 19 April 2018	RMB10,000,000	—	100	*Sale of medical equipment and reagents*

* The total number of issued shares of Yestar BVI as at the date of this report was 10,172 and these shares are without par value, and the total subscription price of these issued shares was USD1,100.

Notes:

(1) Registered as wholly-foreign-owned enterprises under PRC law.

(2) Shanghai Emphasis Investment, Shanghai Chaolian Trading, Shanghai Jianchu Medical, Shanghai Haole Industrial and Shanghai Dingpei Industrial are totally referred as Anbaida Group Companies.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Notes: (continued)

(3) In year 2020, the Group signed a share purchase agreement to acquire 30% of non-controlling interests in Anbaida Group Companies, at a consideration of RMB675,000,000. As at 31 December 2022, the Group has paid RMB543,750,000, which represented the consideration for 24.17% of the non-controlling interests. The remaining consideration of RMB131,250,000 (which represented 5.83% of the non-controlling interests) and the related interest amounting to RMB 6,090,000 have been recognised in other payables and accruals as at 31 December 2022.

On 30 December 2022, Yestar Medical, as vendor, and Mr. Li Bin, as purchaser, entered into an equity transfer agreement, pursuant to which Yestar Medical conditionally agreed to sell, and Mr. Li Bin conditionally agreed to acquire equity interests in Anbaida Group Companies at a consideration of RMB574,750,000. Upon completion of the Company will cease to hold any equity interests in Anbaida Group Companies. Accordingly, Anbaida Group Companies will cease to be the subsidiaries of the Company and will no longer be consolidated into the financial statements of the Group.

The English names of the subsidiaries registered in the PRC represent the best efforts made by the management of the Company to translate their Chinese names as they do not have official English names.

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.

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern assumption (continued)

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;

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern assumption (continued)

(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 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 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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 is 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]
Amendment 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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate (continued)

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in an associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Put options in relation to non-controlling interests

During the process of acquiring the majority stake of a subsidiary, the Group provides the non-controlling shareholders with the right to dispose of the equity interests held by them to the Group ("**Put Options**"). The equity interests in such subsidiary held by the minority shareholders shall be recognised as non-controlling interests in the consolidated financial statements of the Group. At the same time, for Put Options, the Group shall assume the obligations to acquire in cash the equity interests in such subsidiary held by the non-controlling interests. The present value of the amount payable at the time of buying of the corresponding equity interests of such Put Options shall be deducted from non-controlling interests and shall be recognised as the financial liabilities of the Group. Such financial liabilities shall be re-measured at the present value of future exercise in the subsequent period, with changes charged to equity.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are the members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and their useful lives
Plant and machinery	5 to 10 years
Office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

Distribution rights and customer relationship

Intangible assets including distribution rights and customer relationship are acquired through acquisitions of subsidiaries and are recognised according to their fair values on the acquisition date. Distribution rights and customer relationship are amortised over the estimated useful lives of 15 years based on management's estimates on how long the Group will maintain the distribution rights and customer relationship.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Plant and machinery	2 to 6 years
Other equipment	5 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value plus in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings and other long-term payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of certain services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses, deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect to deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of goods

Revenue from the sale of imaging products, medical products and equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on customer's acknowledgement of receiving the above goods.

Some contracts for the sale of goods provide customers with volume rebates. The volume rebates give rise to variable consideration.

(b) Rendering of maintenance services

Revenue from the rendering of maintenance services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period, and no impact of refund liabilities on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made.

Accommodation fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These schemes cover the accommodation fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the accommodation fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is the Hong Kong dollar ("**HKD**"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2.1 to the consolidated financial statements.

Classification a disposal group held for sale

A disposal group to be classified as held for sale is available for immediate sale, and is highly probable to sale and complete within one year. The Group applies judgement in evaluating whether or not to reclassify the Anbaida Group Companies as a disposal group held for sale, that is, whether the disposal of Anbaida Group Companies can be satisfied with the requirements of classification a disposal group held for sale.

Deferred tax liabilities

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. Further details are contained in note 18 to the financial statements.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB124,651,000 (2021: RMB420,067,000). Further details are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2022, impairment losses of other intangible assets in the amount of RMB867,420,000 (2021: RMB384,439,000) have been recognised as set out in note 15 to the financial statements.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade and bills receivables (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 was RMB3,523,000 (2021: Nil). The amount of unrecognised tax losses at 31 December 2022 was RMB214,528,000 (2021: RMB90,930,000). Further details are contained in note 18 to the financial statements.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the reporting period.

Net realisable value of inventories

Net realisable value of inventories are the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature, which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

4. 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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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: (note 5)			
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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue: (note 5)			
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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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 RMB'000	2021 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 RMB'000	2021 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.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

	2022 RMB'000	2021 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.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 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

7. (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 (note 13)	37,237	36,256
Depreciation of right-of-use assets (note 14)	109,048	100,948
Amortisation of other intangible assets (note 15)	84,491	95,701
Research and development costs	21,151	1,242
Lease payments not included in the measurement of lease liabilities (note 14)	23,470	55,086
Auditor's remuneration	4,100	4,100
Employee benefit expense (excluding directors' remuneration as set out in note 8):		
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 (note 20, 21)	142,004	7,321
Impairment of goodwill* (note 16)	295,416	—
Impairment of other intangible assets* (note 15)	482,981	41,582
Gain on disposal of right-of-use assets (note 5)	(4)	—
Gain on repayment of the senior notes (note 5)	—	(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.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	612	610
Other emoluments:		
Salaries, allowances and benefits in kind	5,287	8,979
Discretionary bonuses	1,274	2,274
Pension scheme contributions	198	172
	6,759	11,425
	7,371	12,035

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Dr. Hu Yiming	204	204
Mr. Sutikno Liky	204	204
Mr. Zeng Jinsong[a]	204	117
Mr. Karsono Tirtamarta[b]	—	85
	612	610

(a) Mr. Zeng Jinsong was appointed on 28 May 2021.

(b) Mr. Karsono Tirtamarta resigned on 28 May 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension Scheme contributions RMB'000	Total RMB'000
2022				
Mr. James Hartono[a]	3,327	660	63	4,050
Ms. Wang Hong	777	250	63	1,090
Ms. Liao Changxiang	854	265	36	1,155
Mr. Liang Junxiong[d]	329	99	36	464
	5,287	1,274	198	6,759
2021				
Mr. James Hartono[a]	3,408	420	25	3,853
Ms. Wang Ying[b]	1,455	469	—	1,924
Ms. Wang Hong	749	125	56	930
Ms. Liao Changxiang	867	310	34	1,211
Mr. Li Bin[c]	2,500	950	57	3,507
	8,979	2,274	172	11,425

(a) Mr. James Hartono was no longer the chief executive of the Company since 24 August 2022.

(b) Ms. Wang Ying retired on 24 December 2021.

(c) Mr. Li Bin was appointed on 18 June 2021 and resigned on 31 December 2021.

(d) Mr. Liang Junxiong was appointed on 31 December 2021.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2021: one) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	2,814	1,974
Discretionary bonuses	817	327
Pension scheme contributions	90	57
	3,721	2,358

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022 RMB'000	2021 RMB'000
HKD1,000,001 to HKD2,000,000	1	—
HKD2,000,001 to HKD3,000,000	1	—
HKD3,000,001 to HKD4,000,000	—	1

10. 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.

10. INCOME TAX (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Current — PRC		
Charge for the year	60,699	82,901
Deferred (note 18)	(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.

11. 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.

12. (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 RMB'000	2021 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022							
Cost	125,920	25,327	101,544	118,380	48,040	31	419,242
Accumulated depreciation	(28,319)	(20,446)	(79,832)	(65,903)	(30,563)	—	(225,063)
Impairment	—	—	(941)	—	—	—	(941)
Net carrying amount	97,601	4,881	20,771	52,477	17,477	31	193,238
At 1 January 2022, net of accumulated depreciation	97,601	4,881	20,771	52,477	17,477	31	193,238
Additions	282	610	5,114	14,021	3,424	401	23,852
Depreciation provided during the year	(6,782)	(557)	(6,162)	(18,868)	(4,868)	—	(37,237)
Disposals	(3,003)	—	(173)	(3,155)	(388)	—	(6,719)
At 31 December 2022, net of accumulated depreciation and impairment	88,098	4,934	19,550	44,475	15,645	432	173,134
At 31 December 2022							
Cost	123,123	25,937	105,246	124,912	49,905	432	429,555
Accumulated depreciation	(35,025)	(21,003)	(84,867)	(80,437)	(34,260)	—	(255,592)
Impairment	—	—	(829)	—	—	—	(829)
Net carrying amount	88,098	4,934	19,550	44,475	15,645	432	173,134
31 December 2021							
At 1 January 2021							
Cost	115,792	24,565	96,442	96,371	42,821	31	376,022
Accumulated depreciation	(22,130)	(19,951)	(73,452)	(48,703)	(29,417)	—	(193,653)
Impairment	—	—	(941)	—	—	—	(941)
Net carrying amount	93,662	4,614	22,049	47,668	13,404	31	181,428
At 1 January 2021, net of accumulated depreciation	93,662	4,614	22,049	47,668	13,404	31	181,428
Additions	7,837	762	5,104	24,613	9,067	2,291	49,674
Depreciation provided during the year	(6,189)	(495)	(7,191)	(17,841)	(4,540)	—	(36,256)
Transfers	2,291	—	—	—	—	(2,291)	—
Disposals	—	—	809	(1,963)	(454)	—	(1,608)
At 31 December 2021, net of accumulated depreciation and impairment	97,601	4,881	20,771	52,477	17,477	31	193,238
At 31 December 2021							
Cost	125,920	25,327	101,544	118,380	48,040	31	419,242
Accumulated depreciation	(28,319)	(20,446)	(79,832)	(65,903)	(30,563)	—	(225,063)
Impairment	—	—	(941)	—	—	—	(941)
Net carrying amount	97,601	4,881	20,771	52,477	17,477	31	193,238

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 (note 23).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 2 and 6 years, while other equipment generally has lease terms between 5 and 8 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Plant and machinery RMB'000	Other equipment RMB'000	Total RMB'000
As at 1 January 2021	13,317	33,618	200,143	247,078
Additions	—	31,632	88,922	120,554
Depreciation charge	(327)	(19,296)	(81,325)	(100,948)
As at 31 December 2021 and 1 January 2022	12,990	45,954	207,740	266,684
Additions	—	31,153	70,347	101,500
Disposal	—	(77)	—	(77)
Depreciation charge	(327)	(26,851)	(81,870)	(109,048)
As at 31 December 2022	12,663	50,179	196,217	259,059

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	213,649	194,820
New leases	101,500	120,554
Disposal	(81)	—
Accretion of interest recognised during the year	10,977	10,793
Payments	(117,773)	(112,518)
Carrying amount at 31 December	208,272	213,649
Analysed into:		
Current portion	89,114	83,455
Non-current portion	119,158	130,194

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	10,977	10,793
Depreciation charge of right-of-use assets	109,048	100,948
Gain on disposal of items of right-of-use assets	(4)	—
Expense relating to short-term leases (included in cost of sales and administrative expenses)	23,470	16,892

(d) The total cash outflow for leases are disclosed in note 30 to the financial statements.

15. OTHER INTANGIBLE ASSETS

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation	258,717	560,674	718	820,109
Additions	—	—	1,929	1,929
Amortisation provided during the year	(26,879)	(57,419)	(193)	(84,491)
Impairment during the year	(159,171)	(323,810)	—	(482,981)
At 31 December 2022	72,667	179,445	2,454	254,566
At 31 December 2022				
Cost	594,900	1,301,100	13,732	1,909,732
Accumulated amortisation	(248,804)	(527,664)	(11,278)	(787,746)
Accumulated impairment	(273,429)	(593,991)	—	(867,420)
Net carrying amount	72,667	179,445	2,454	254,566

	Customer relationship RMB'000	Distribution rights RMB'000	Computer software RMB'000	Total RMB'000
31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation	301,829	654,409	604	956,842
Additions	—	—	550	550
Amortisation provided during the year	(30,325)	(64,940)	(436)	(95,701)
Impairment during the year	(12,787)	(28,795)	—	(41,582)
At 31 December 2021	258,717	560,674	718	820,109
At 31 December 2021 and at 1 January 2022				
Cost	594,900	1,301,100	11,803	1,907,803
Accumulated amortisation	(221,925)	(470,245)	(11,085)	(703,255)
Accumulated impairment	(114,258)	(270,181)	—	(384,439)
Net carrying amount	258,717	560,674	718	820,109

15. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of customer relationship and distribution rights

Customer relationship and distribution rights acquired through business combinations is allocated to the following reportable cash-generating units ("**CGUs**") for impairment testing:

— sale of medical equipment and reagents of Yestar Biotech

— sale of medical equipment and reagents of Anbaida Group Companies

— sale of medical equipment and reagents of Hongen

— sale of medical equipment and reagents of Derunlijia

— sale of medical equipment and reagents of Shengshiyuan

— sale of medical equipment and reagents of Kaihongda

The recoverable amount of the customer relationship and distribution rights has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering residual useful lives of intangible assets period approved by senior management. The discount rates applied to the cash flow projections were in the range of 22.9% to 25.5% (2021: 20.9% to 23.8%). Based on the impairment assessment, the recoverable amount of customer relationship and distribution rights is lower than its carrying amount as at 31 December 2022. Accordingly, the Group recognised an impairment loss on customer relationship and distribution rights of RMB159,171,000 and RMB323,810,000, respectively, during the year.

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of customer relationship and distribution rights:

Budgeted gross margins — Management determined the budgeted gross margins based on past performance and its expectations for the development of the market.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the respective industries.

Operating expense rates — The basis used to determine the value assigned to operating expenses is based on past performance and reference to average in market during the budget year.

Revenue growth rate beyond the forecast period — The growth rates beyond the forecast period are the rate of inflation.

16. GOODWILL

	RMB'000
At 1 January 2021:	
Cost	925,999
Accumulated impairment	(505,932)
Net carrying amount	420,067
Cost at 1 January 2021, net of accumulated impairment	420,067
At 31 December 2021	420,067
At 31 December 2021:	
Cost	925,999
Accumulated impairment	(505,932)
Net carrying amount	420,067
Cost at 1 January 2022, net of accumulated impairment	420,067
Impairment during the year	(295,416)
At 31 December 2022	124,651
At 31 December 2022:	
Cost	925,999
Accumulated impairment	(801,348)
Net carrying amount	124,651

16. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following reportable cash-generating units ("**CGUs**") for impairment testing:

— sale of medical equipment and reagents of Anbaida Group Companies

— sale of medical equipment and reagents of Hongen

— sale of medical equipment and reagents of Shengshiyuan

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections were 23.2% (2021: 20.9%) for Anbaida Group Companies, 22.6% (2021: 20.9%) for Hongen and 22.0% (2021: 21%) for Shengshiyuan. The growth rate used to extrapolate the cash flows of the above cash-generating units beyond the five-year is 2.3%–2.5% (2021: 2.5%). Senior management of the CGU believes that this growth rate is justified, given it is the same as the estimate of the rate of inflation.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Carrying amount of goodwill	
	2022 RMB'000	2021 RMB'000
Yestar Biotech	—	—
Anbaida Group Companies	24,001	317,978
Hongen	100,650	100,650
Shengshiyuan	—	1,439
Derunlijia	—	—
Kaihongda	—	—
Total	124,651	420,067

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — Management determined the budgeted gross margins based on past performance and its expectations for the development of the market.

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Discount rates — The discount rates used are before tax and reflect specific risks relating to the respective industries.

Operating expense rates — The basis used to determine the value assigned to operating expenses is based on past performance and reference to average in market during the budget year.

Revenue growth rate beyond the forecast period — The growth rates beyond the forecast period are the rate of inflation.

As at 31 December 2022, the recoverable amount of Anbaida Group Companies' CGU to which goodwill was allocated was less than its carrying amount by RMB293,977,000 for which the impairment loss was provided.

17. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net assets	32,972	13,241

Particulars of the Group's associate are as follows:

Company name	Place of registration and business	Nominal value of registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
上海中科潤達精準醫學檢驗有限公司	PRC/ Mainland China	RMB52,650	—	37%	Medical examination and scientific researches

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	2022 RMB'000	2021 RMB'000
Share of the associate's profit for the year	19,731	7,994
Share of the associate's total comprehensive income	19,731	7,994
Aggregate carrying amount of the Group's investment in the associate	32,972	13,241

18. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Elimination of unrealised profits RMB'000	Accruals and provisions RMB'000	Lease liabilities RMB'000	Losses available for offsetting against future taxable profits RMB'000	Public welfare donation expenditure RMB'000	Total RMB'000
At 1 January 2021	814	17,794	1,728	—	—	20,336
Deferred tax credited to the statement of profit or loss during the year (note 10)	(631)	1,429	628	—	—	1,426
Gross deferred tax assets at 31 December 2021 and 1 January 2022	183	19,223	2,356	—	—	21,762
Deferred tax credited to the statement of profit or loss during the year (note 10)	261	580	136	3,523	1,127	5,627
Gross deferred tax assets at 31 December 2022	444	19,803	2,492	3,523	1,127	27,389

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2021	239,087	28,874	267,961
Deferred tax credited to the statement of profit or loss during the year (note 10)	(34,212)	(6,500)	(40,712)
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	204,875	22,374	227,249
Deferred tax credited to the statement of profit or loss during the year (note 10)	(141,820)	—	(141,820)
Gross deferred tax liabilities at 31 December 2022	63,055	22,374	85,429

18. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Mainland China of RMB214,528,000 (2021: RMB90,930,000) that will expire in five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding tax rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

For the year ended 31 December 2022, no income tax expected from deferred tax liability was recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute the earnings for the year ended 31 December 2022 in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately RMB133,389,000 (2021: RMB114,396,000) at 31 December 2022.

19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	50,053	51,760
Finished goods	412,873	347,500
	462,926	399,260
Less: Provision for inventories	54,860	32,574
	408,066	366,686

The movements in inventory provision are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	32,574	11,392
Impairment provision recognised	22,286	21,182
At end of year	54,860	32,574

20. TRADE AND BILLS RECEIVABLES

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

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

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.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 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 (note 7)	(142,114)	—
	224,517	279,262

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

The movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	—	—
Impairment losses, net (note 7)	139,288	—
Exchange realignment	2,826	—
At end of year	142,114	—

As at 31 December 2022, the impairment allowance of deposits and other receivables and financial assets measured at amortised cost were approximately RMB85,701,000 and RMB56,413,000, respectively.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	296,100	586,971
Less: Pledged deposit	(1,810)	(1,812)
Cash and cash equivalents	294,290	585,159

At the end of the reporting period, the cash and bank balances of the Group denominated in the United States dollar ("**USD**") and HKD amounted to RMB3,996,000 (2021: RMB5,771,000).

At the end of the reporting period, pledged deposit was mainly pledged for litigation.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	2.08–4.90	on demand	53,000	2.50–9.30	2022	203,000
Bank loans — secured (note (2))	2.50–9.30	on demand	236,011	2.30–9.00	2022	214,228
Current portion of long term bank loans — unsecured (note (3))	9.80	on demand	5,000	—	—	—
Current portion of long term bank loans — secured (note (2)/(3))	2.60-3.00	on demand	17,000	—	—	—
Senior notes (note (1))	9.50	on demand	1,378,048	12.13	2022	41,587
			1,689,059			458,815
Non-current						
Senior notes (note (1))	—	—	—	12.13	2026	1,117,960
			—			1,117,960
			1,689,059			1,576,775
Analysed into:						
Bank loans and other borrowings repayable:						
Within one year or on demand			1,689,059			458,815
In the second year			—			103,691
In the third year to fifth years, inclusive			—			1,014,269
			1,689,059			1,576,775

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(1) On 30 December 2021, the Company issued another five-year senior notes with a par value of USD197.9 million and an effective interest rate of 9.50% (2021: 12.13%) per annum. The interest is paid semi-annually in arrears. The maturity date of the senior notes is 29 December 2026.

The shares of Yestar BVI Limited and Yestar HK are pledged to the holders of and the senior notes.

During the year, the Group defaulted on the repayment of overdue senior notes (including 5% of the original principal amount and the interest), which met the default condition, leading to the principal amounted to RMB1,378,048,000 and accrued and unpaid interest on the Notes amounted to RMB65,457,000 become and be immediately due and payable.

(2) As at 31 December 2022, the Group's bank loans of RMB102,903,000 (2021: RMB100,000,000) were secured by the pledge of the Group's buildings and guaranteed by the Company's subsidiaries.

As at 31 December 2022, the Group's bank loans of RMB150,108,000 (2021: RMB104,128,000) were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

As at 31 December 2022, Nil (2021: RMB10,000,000) of the Group's bank loans were guaranteed by local government, Nil (2021: RMB100,000) of the Group's bank loans were secured by the pledged deposits.

(3) As at 31 December 2022, due to the Group defaulted on the repayment of overdue senior notes, the Group's long term bank loans amounting to RMB17,000,000 become and be immediately due and payable.

Except for the senior notes and secured bank loans of RMB201,298,000 (2021: RMB19,127,100) which are denominated in USD, all the borrowings are in RMB.

24. 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 RMB'000	2021 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.

25. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2022 RMB'000	2021 RMB'000
Short-term advances received from customers		
Sale of goods	24,528	48,732
Rendering of maintenance services	18,819	26,142
Total contract liabilities	43,347	74,874

Contract liabilities include short-term advances received to deliver goods and render maintenance services. The decrease in contract liabilities in 2022 was mainly due to the decrease in short-term advances received from customers in relation to the sale of goods and rendering of maintenance service at the end of each of the years.

26. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 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 and 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.

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes: (continued)

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.

27. SHARE CAPITAL AND TREASURY SHARES

Shares

	2022 RMB'000	2021 RMB'000
Authorised: ordinary shares of HKD0.025 each (2021: HKD0.025 each)	100,000	100,000
Issued and fully paid: 2,331,590,000 (2021: 2,331,590,000) ordinary shares of HKD0.025 each	46,576	46,576
	46,576	46,576

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue ('000)	Share capital RMB'000
At 1 January 2021	2,356,322	47,088
Repurchase and cancellation of shares (note)	(24,732)	(512)
At 31 December 2021 and 1 January 2022	2,331,590	46,576
At 31 December 2022	2,331,590	46,576

Note:

The Group repurchased and cancelled 24,732,500 shares on the Hong Kong Stock Exchange at a total consideration of HK$27,063,200 in accordance with section 257 of the Hong Kong Companies Ordinance, among which 24,732,500 shares were repurchased and cancelled in 2021.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 93 of the financial statements.

Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands. Under the constitutional documents and the Companies Law (Revised) of the Cayman Islands, the share premium is distributable as a dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

28. RESERVES (CONTINUED)

Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of shares of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefor.

Put options written on non-controlling interests

The put options written on non-controlling interests represent the difference between the non-controlling interests that the non-controlling shareholders hold at each financial year end but have the right to dispose of the equity interests to the Group and the present value of the amount payable by the Group to the non-controlling shareholders at the time of acquiring the corresponding equity interests.

Statutory reserve fund

In accordance with the relevant regulations in Mainland China applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with People's Republic of China Generally Accepted Accounting Principles ("**PRC GAAP**") to the statutory reserve fund (the "**SRF**") until the reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant regulations in Mainland China, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in Mainland China as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of this reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Anbaida Group Companies	5.83%	5.83%
Hongen	10%	10%
Derunlijia	30%	30%

	2022 RMB'000	2021 RMB'000
Profit for the year allocated to non-controlling interests:		
Anbaida Group Companies	(14,729)	8,363
Hongen	2,355	2,262
Derunlijia	178	942
Dividends paid to non-controlling interests of		
Anbaida Group Companies	4,200	59,400
Hongen	2,942	—
Derunlijia	9,000	24,274
Accumulated balances of non-controlling interests at the reporting date (note):		
Anbaida Group Companies	243,101	262,030
Hongen	13,548	14,135
Derunlijia	43,509	52,331

Note:

The accumulated balances of Anbaida Group Companies were reclassified to payables to non-controlling interests in the account of other payables and accruals as set out in note 26.

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2022	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,489,692	480,095	176,100
Current assets	1,296,351	95,461	126,770
Non-current assets	246,768	24,772	19,586
Current liabilities	829,030	73,180	21,270
Net cash flows (used in)/from operating activities	(35,943)	61,185	13,441
Net cash flows (used in)/from investing activities	(14,466)	(1,063)	1,756
Net cash flows from/(used in) financing activities	19,528	(38,547)	(34,215)
Net (decrease)/increase in cash and cash equivalents	(30,881)	21,575	(19,018)

2021	Anbaida Group Companies RMB'000	Hongen RMB'000	Derunlijia RMB'000
Revenue	1,623,534	446,247	166,352
Current assets	1,093,181	107,728	141,285
Non-current assets	239,264	17,570	23,397
Current liabilities	648,985	87,408	26,767
Net cash flows from operating activities	47,568	21,284	72,374
Net cash flows used in investing activities	(20,210)	(635)	(2,967)
Net cash flows used in financing activities	(138,882)	(82,719)	(85,571)
Net decrease in cash and cash equivalents	(111,524)	(62,070)	(16,164)

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB101,500,000 (2021: RMB120,554,000) and RMB101,500,000 (2021: RMB120,554,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2022

	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Other payable RMB'000
At 1 January 2022	417,228	1,159,547	457	213,649	30,000
Changes from financing cash flows	(106,217)	—	(114,358)	(117,773)	208,000
New leases	—	—	—	101,500	—
Foreign exchange movement	—	110,954	—	—	—
Interest expense	—	232,928	54,670	10,977	—
Interest payable for senior notes	—	(125,381)	125,381	—	—
Disposal of expired leases	—	—	—	(81)	—
At 31 December 2022	311,011	1,378,048	66,150	208,272	238,000

2021

	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Other payable RMB'000
At 1 January 2021	346,101	1,300,289	26,570	194,820	30,000
Changes from financing cash flows	71,127	(150,777)	(121,715)	(112,518)	—
Transfer	—	73,585	(73,585)	—	—
New leases	—	—	—	120,554	—
Foreign exchange movement	—	(63,550)	—	—	—
Interest expense	—	—	169,187	10,793	—
At 31 December 2021	417,228	1,159,547	457	213,649	30,000

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	23,470	42,010
Within financing activities	117,773	112,518
	141,243	154,528

31. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, which are secured by the assets of the Group, are included in notes 13, and 23, respectively, to the financial statements.

32. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Mr. Li Bin*	Director of the Company
Shanghai Qinyi marketing center*	Controlled by Mr. Li Bin
Shanghai Lushun enterprise marketing center*	Controlled by Mr. Li Bin
Ms. Liu Hong*	Close family member of Mr. Li Bin
Ms. Li Yue*	Close family member of Mr. Li Bin
Guangxi MY Eurostar Co., Ltd.	Controlled by Mr. James Hartono

* Mr. Li Bin was appointed as an executive director of the Company on 18 June 2021 and resigned on 31 December 2021. As a result, Mr. Li Bin, Shanghai Qinyi marketing center, Shanghai Lushun enterprise marketing center, Ms. Liu Hong and Ms. Li Yue were not the Group's related parties in 2022.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Rental and marketing fee to related parties		
Ms. Li Yue	—	6,801
Ms. Liu Hong	—	685
Mr. Li Bin	—	246
Shanghai Qinyi marketing center	—	315
Shanghai Lushun enterprise marketing center	—	1,558
	—	9,605
Purchase of a right-of-use asset		
Mr. Li Bin	—	20,932

Note: Rental and marketing fees were charged in line with the terms in the agreement.

(b) Outstanding balances with related parties:

(i) The Group had an outstanding balance due from Guangxi MY Eurostar Co., Ltd. of RMB7,059,000 (2021: Nil) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

(ii) The Group had an outstanding balance due to Guangxi MY Eurostar Co., Ltd. of RMB1,000,000 (2021: RMB1,000,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

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

	2022 RMB'000	2021 RMB'000
Basic salaries and other benefits	5,287	8,979
Discretionary bonuses	1,274	2,274
Pension scheme contributions	198	172
	6,759	11,425

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income
Trade receivables	1,550,524	—
Bills receivables	—	18,667
Financial assets included in prepayments, other receivables and other assets	123,856	—
Pledged deposits	1,810	—
Cash and cash equivalents	294,290	—
	1,970,480	18,667

Financial liabilities

	Financial assets at amortised cost RMB'000
Trade payables	666,533
Financial liabilities included in other payables and accruals (note 26)	838,559
Lease liabilities	208,272
Interest-bearing bank and other borrowings (note 23)	1,689,059
	3,402,423

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2021

Financial assets

	Financial assets at amortised cost RMB'000
Trade and bills receivables	1,590,861
Financial assets included in prepayments, other receivables and other assets	166,608
Pledged deposits	1,812
Cash and cash equivalents	585,159
	2,344,440

Financial liabilities

	Financial assets at amortised cost RMB'000
Trade payables	657,316
Financial liabilities included in other payables and accruals (note 26)	685,615
Other long-term payables (note 26)	83,132
Lease liabilities	213,649
Interest-bearing bank and other borrowings (note 23)	1,576,775
	3,216,487

At 31 December 2022, the Group discounted certain bills accepted by banks in the PRC included in bills receivable (the "**Discounted Bills**") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB17,908,000. The Discounted Bills had a maturity of one to five months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Bills may exercise the right of recourse against any, several or all of the persons liable for the Discounted Bills, including the Group, in disregard of the order of precedence (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Discounted Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Discounted Bills and the undiscounted cash flows to repurchase these Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Discounted Bills are not significant.

During the year ended 31 December 2022, the Group recognised finance cost on the date of transfer of the Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings (senior notes)	1,378,048	1,159,547	688,679	1,327,755

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, the current portion of lease liabilities and the current portion of interest-bearing bank and other borrowings (except senior notes) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the non-current portion of financial liabilities including other long term payables and non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the Notes is based on the quoted market price. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of financial liabilities including other long-term payables and non-current portion of lease liabilities as at 31 December 2022 were assessed to be insignificant.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The fair value of the investments is based on quoted market prices.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Bills receivables	—	18,667	—	18,667

As at 31 December 2021

The Group did not have any financial assets measured at fair value as at 31 December 2021.

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 31 December 2021.

Liabilities for which fair values are disclosed

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings — senior notes	688,679	—	—	688,679

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings — senior notes	1,327,755	—	—	1,327,755

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, financial assets included in prepayments, other receivables and other assets and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and bills receivables and trade payables as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in USD and HKD, with all other variables held constant, of the Group's profit/(loss) before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity due to the changes of the exchange fluctuation reserves of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	Increase/(decrease) in USD rate %	Increase/(decrease) in profit/(loss) before tax HKD'000
Year ended 31 December 2022		
If USD weakens against the RMB	5	5,924
If USD strengthens against the RMB	(5)	(5,924)
Year ended 31 December 2021		
If USD weakens against the RMB	5	5,134
If USD strengthens against the RMB	(5)	(5,134)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	1,612,234	1,612,234
Financial assets included in prepayments, other receivables and other assets					
— Normal**	123,856	—	142,114	—	265,970
Pledged deposits					
— Not yet past due	1,810	—	—	—	1,810
Cash and cash equivalents					
— Not yet past due	294,290	—	—	—	294,290
	419,956	—	142,114	1,612,234	2,174,304

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	1,650,044	1,650,044
Financial assets included in prepayments, other receivables and other assets					
— Normal**	166,608	—	—	—	166,608
Pledged deposits					
— Not yet past due	1,812	—	—	—	1,812
Cash and cash equivalents					
— Not yet past due	585,159	—	—	—	585,159
	753,579	—	—	1,650,044	2,403,623

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables), and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2022

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing loans	311,011	—	—	—	311,011
Lease liabilities	—	18,619	79,049	125,563	223,231
Trade payables	30,573	635,960	—	—	666,533
Other payables and accruals	182,728	—	—	—	182,728
Senior notes	1,378,048	—	—	—	1,378,048
Payables to non-controlling interests	665,263	—	—	—	665,263
	2,567,623	654,579	79,049	125,563	3,426,814

2021

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing loans	—	148,497	284,062	—	432,559
Lease liabilities	—	20,760	75,568	144,438	240,766
Trade payables	36,166	621,150	—	—	657,316
Other payables and accruals	340,059	—	—	—	340,059
Senior notes	—	29,961	152,960	1,563,975	1,746,896
Payables to non-controlling interests	214,306	—	131,250	96,436	441,992
	590,531	820,368	643,840	1,804,849	3,859,588

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2022 RMB'000	2021 RMB'000
Interest-bearing bank and other borrowings (note 23)	1,689,059	1,576,775
Less: Cash and cash equivalents	(294,290)	(585,159)
Net debt	1,394,769	991,616
Adjusted capital	(408,869)	755,225
Capital and net debt	985,900	1,746,841
Gearing ratio	141%	57%

36. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	—	27,594
Total non-current assets	—	27,594
CURRENT ASSETS		
Amounts due from subsidiaries	1,318,781	1,668,099
Prepayments, other receivables and other assets	1,763	59,547
Cash and cash equivalents	2,900	3,471
Total current assets	1,323,444	1,731,117
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,378,048	41,587
Amounts due to subsidiaries	280,360	204,894
Other payables and accruals	65,497	36
Total current liabilities	1,723,905	246,517
NET CURRENT (LIABILITIES)/ASSETS	(400,461)	1,484,600
TOTAL ASSETS LESS CURRENT LIABILITIES	(400,461)	1,512,194
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	—	1,117,960
Total non-current liabilities	—	1,117,960
Net (liabilities)/assets	(400,461)	394,234
EQUITY		
Share capital	46,576	46,576
Reserves (note)	(447,037)	347,658
TOTAL (DEFICIENCY IN NET ASSETS)/EQUITY	(400,461)	394,234

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium account RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
Balance at 1 January 2021	—	787,947	(354,152)	51,457	485,252
Total comprehensive loss for the year	—	—	(102,020)	(13,689)	(115,709)
Shares repurchased	—	(21,885)	—	—	(21,885)
At 31 December 2021 and 1 January 2022	—	766,062	(456,172)	37,768	347,658
Total comprehensive loss for the year	—	—	(795,977)	(1,282)	(794,695)
At 31 December 2022	—	766,062	(1,252,149)	39,050	(447,037)

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
RESULTS					
Revenue	4,293,982	4,930,692	4,106,938	4,903,268	4,446,954
(Loss)/Profit for the year	(779,433)	12,679	(645,298)	301,254	349,535
(Loss)/Profit for the year attributable to:					
Owners of parent	(754,276)	3,327	(590,485)	202,673	251,746
Non-controlling interests	(25,157)	9,352	(54,813)	98,581	97,789
ASSETS AND LIABILITIES					
Total assets	3,542,150	4,558,881	4,655,255	6,021,555	5,847,754
Total Liabilities	3,636,049	3,726,847	3,799,499	4,710,708	4,758,812
Net assets	(93,899)	832,034	855,756	1,310,847	1,088,942

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