THIS CIRCULAR IS IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Yestar Healthcare Holdings Company Limited** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(Stock Code: 2393)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF THE TARGET SHARES IN THE TARGET COMPANIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

南華融資有限公司
South China Capital Limited

A notice convening the extraordinary general meeting (the "**EGM**") of the Company to be held at 8/F., Block A, No. 58 Shen Jian Dong Lu, Min Hang District, Shanghai, the PRC on 28 December 2023 (Thursday) at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is also enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange of Hong Kong Limited at **www.hkexnews.hk** and the Company at **www.yestarcorp.com**.

Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and return the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment should you so wish.

13 December 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expression have the following meanings:

"2015 Equity Transfer Agreement"	the agreement dated 9 April 2015 entered into among the Yestar Medical, as the purchaser, the then shareholders of the Target Companies and the Target Companies in relation to the acquisition of 70% equity interests in the Target Companies for further details in relation to the 2015 Equity Transfer Agreement, please refer to the Company's announcement dated 10 April 2015
"2020 Equity Transfer Agreement"	the equity transfer agreement dated 7 August 2020 entered into between Yestar Medical, as the purchaser, and the Purchaser and Mr. Li Changgui, as the vendors, for the acquisition of 30% equity interests in each of the Target Companies for a consideration of RMB675,000,000 pursuant to the 2015 Equity Transfer Agreement, which stated that should the combined net profit of the Target Companies for the three years ended 31 December 2017 be able to reach the annual guarantee profit as specified in the 2015 Equity Transfer Agreement, the Yestar Medical shall acquire the remaining 30% equity interests in each of the Target Companies at a consideration with reference to the fair value of the Target Companies, representing 30% of a price earnings ratio of 10 times to the total combined net profit of the Target Companies for the year ended 31 December 2017 audited by the auditor appointed by Yestar Medical up to a maximum consideration of RMB675,000,000 for further details in relation to the 2020 Equity Transfer Agreement, please refer to the Company's announcement dated 10 August 2020
"associate(s)"	as the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	Yestar Healthcare Holdings Company Limited (巨星醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed and traded on the Main Board of the Stock Exchange (stock code: 2393)
"Completion"	completion of the Disposal in accordance with the terms of the Equity Transfer Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	a total consideration of RMB574,750,000 payable by the Purchaser to the Vendor in respect of the Disposal pursuant to the Equity Transfer Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Target Shares as contemplated under the Equity Transfer Agreement
"EGM"	The extraordinary general meeting of the Company to be held and convened for the Shareholders to approve the Equity Transfer Agreement and the transactions contemplated thereunder
"Equity Transfer Agreement"	the equity transfer agreement entered into between the Vendor and the Purchaser on 30 December 2022 in respect of the Disposal
"Group"	the Company and its subsidiaries from time to time
"HK$" or "HKD"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board which comprises all the independent non-executive Directors, namely Mr. Zhao Ziwei, Mr. Koeswondo Michael David and Mr. Zeng Jinsong to advise the Independent Shareholders in respect of the Disposal
"Independent Financial Adviser" or "SC Capital"	South China Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO, and the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Disposal
"Independent Shareholders"	Shareholder(s) other than Shareholders who have material interest in the Disposal and will abstain from voting on the resolutions in relation to the Disposal at the EGM
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the directors, chief executive or substantial Shareholders of the Company or any of its subsidiaries, or any of their respective associates (as defined under the Listing Rules)

"Latest Practicable Date"	12 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	Mr. Li Bin (李斌)
"Remaining Group"	the Group excluding the Target Companies upon Completion
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Chaolian Trading"	Shanghai Chaolian Trading Co., Ltd. (上海超聯商貿有限公司), a company incorporated under the laws of the PRC
"Shanghai Dingpei Industrial"	Shanghai Dingpei Industrial Co., Ltd. (上海定佩實業有限公司), a company incorporated under the laws of the PRC
"Shanghai Emphasis Investment"	Shanghai Emphasis Investment Management Consulting Co., Ltd. (上海安百達投資管理顧問有限公司), a company incorporated under the laws of the PRC
"Shanghai Haole Industrial"	Shanghai Haole Industrial Co., Ltd. (上海顥樂實業有限公司), a company incorporated under the laws of the PRC
"Shanghai Jianchu Medical"	Shanghai Jianchu Medical Instrument Co., Ltd. (上海建儲醫療器械有限公司), a company incorporated under the laws of the PRC
"Shareholder(s)"	holder(s) of the Share(s)
"Shares"	ordinary share(s) of the Company having a par value of HK$0.025 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	Shanghai Emphasis Investment, Shanghai Jianchu Medical, Shanghai Chaolian Trading, Shanghai Haole Industrial and Shanghai Dingpei Industrial
"Target Shares"	the 94.2% equity interests in each of the Target Companies
"US$" or "USD"	the lawful currency for the time being of the United States of America

"Vendor"	Yestar Medical
"Yestar HK"	Yestar International (HK) Company Limited (巨星國際(香港)集團有限公司), a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Yestar Medical"	Yestar (Guangxi) Medical System Co., Ltd. (廣西巨星醫療器械有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
"%"	per cent

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

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:
Mr. Zhao Ziwei
Mr. Koeswondo Michael David
Mr. Zeng Jinsong

Registered Office:
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18 Harbour Road
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Principal Place of Business in Shanghai:
Room 805, Block 2
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Min Hang District
Shanghai
PRC

13 December 2023

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF THE TARGET SHARES IN THE TARGET COMPANIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement and the supplemental announcement of the Company dated 30 December 2022 and 23 March 2023, respectively, pursuant to which the Board announces that on 30 December 2022 (after trading hours), the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Target Shares at a Consideration of RMB574,750,000. Upon Completion, the Company will cease to hold any equity interests in the Target Companies. Accordingly, the Target Companies will cease to be the subsidiaries of the Company and will no longer be consolidated into the financial statements of the Group. The Disposal and the transactions contemplated thereunder constitute a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules. The Purchaser was appointed as an executive Director of the Company on 18 June 2021 and resigned on 31 December 2021. Therefore, given that the Purchaser was a Director in the last 12 months preceding the date of entering into the Equity Transfer Agreement, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) financial information of the Target Companies and the Remaining Group; (iii) the unaudited pro forma financial information of the Remaining Group; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) the notice of the EGM and other information as required under the Listing Rules.

EQUITY TRANSFER AGREEMENT

Date

30 December 2022 (after trading hours)

Parties

Vendor	:	Yestar Medical
Purchaser	:	Mr. Li Bin

Assets to be disposed of

The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Target Shares under the terms and conditions as set out in the Equity Transfer Agreement.

Consideration

The Consideration is RMB574,750,000. For the avoidance of doubt, the Purchaser agreed to pay the Consideration less the outstanding amount of RMB131,250,000 and the interest expenses to be paid by the Vendor to the Purchaser in accordance with the 2020 Equity Transfer Agreement (the "**Actual Payment**").

The Consideration was determined after arm's length commercial negotiations between the Vendor and the Purchaser based on normal commercial terms, with reference to, among other things, (i) the price-to-earnings ("**P/E**") ratios of comparable companies in the market; (ii) the historical earnings of the Target Companies, in particular the revenue, profit before tax and non-IFRS measure adjusted profit of the Target Companies for the two years ended 31 December 2021 and the nine months ended 30 September 2022; (iii) the business development and future prospects of the Target Companies; and (iv) the factors as set out in the paragraph headed "Reasons for and Benefits of the Disposal" in this circular below.

Considering that (i) the Target Companies are companies with asset-light business model that their value lies on the provision of strong sales and distribution network and value-added services to the customers; (ii) the adoption of P/E ratio as a valuation method in determining the consideration of the previous acquisitions of the Target Companies in April 2015 and August 2020, respectively; and (iii) the commercial negotiation between the Purchaser and the Vendor in adopting the P/E ratio to determine the Consideration, the Company has adopted the P/E ratio as the multiple to estimate the value of the Target Companies. The calculation of the P/E ratio of the Consideration is illustrated below:

Consideration = C = RMB574,750,000

Profit for the year/period of the Target Companies for the year ended 31 December 2021 = P = RMB122,066,000

P/E Ratio = C/P = 574,750,000/122,066,000 = 4.71 times

Reference is also made to the acquisition of the Target Companies in April 2015 and August 2020, respectively. The consideration of RMB910,000,000 for the acquisition of 70% equity interests in the Target Companies in April 2015 represents a P/E ratio of approximately 8.3 times when taking into account the annual guarantee total combined net profit of the Target Companies for the year ended 31 December 2015 as specified in the 2015 Equity Transfer Agreement. Considering that the vendor guaranteed that each of the net profit in 2015, 2016 and 2017 shall not be less than the annual guarantee profit as specified in the 2015 Equity Transfer Agreement; and that the vendor agreed to pay a compensation on the shortfall of the annual guarantee profit by multiplying the shortfall by two up to the consideration received by the vendor, the Board considered that it would be more relevant to make reference to the P/E ratio taking into account the guarantee net profit when determining the consideration for the acquisition of 70% equity interests in the Target Companies in April 2015. Moreover, according to the 2015 Equity Transfer Agreement, should the combined net profit of the Target Companies for the three years ended 31 December 2017 be able to reach the annual guarantee profit as specified in the

2015 Equity Transfer Agreement, the Company shall acquire the remaining 30% equity interests in the Target Companies at a consideration with reference to the fair value of the Target Companies, representing 30% of a P/E ratio of 10 times to the guarantee total combined net profit of the Target Companies for the year ended 31 December 2017. As the combined net profits of the Target Companies for the three years ended 31 December 2017 reached the annual guarantee profit as specified in the 2015 Equity Transfer Agreement, the Company entered into the 2020 Equity Transfer Agreement for the acquisition of the remaining 30% equity interests in the Target Companies in August 2020. Therefore, the consideration of RMB675,000,000 for the acquisition of the remaining 30% equity interests in the Target Companies in August 2020 represents a P/E ratio of 10 times to the guarantee total combined net profit of the Target Companies for the year ended 31 December 2017 which fulfilled the commitment made by the Company in accordance with the 2015 Equity Transfer Agreement and after arm's length negotiation between the Company and the vendor. For further details in relation to the acquisitions of the Target Companies in April 2015 and August 2020, please refer to the Company's announcements dated 10 April 2015 and 10 August 2020, respectively. In view of the negative impact of COVID-19 pandemic on the business and financial performance of the Target Companies since 2020 and the uncertainty of the future development and prospects as abovementioned, the Board considered that the P/E ratio for determining the Consideration would be lower than the P/E ratios for determining the consideration for both the acquisitions in April 2015 and August 2020.

In order to determine the fairness of the Consideration, the Board also made reference to the P/E ratios of two comparable companies in the market. The two comparable companies were identified based on the following selection criteria:

- the companies have similar operation model as the Target Companies in the sales and distribution of In Vitro Diagnostic products ("**IVD products**"), medical equipment and other related consumables and are one of the distributors of IVD products of Roche Diagnostic in the PRC;
- the revenue contribution mainly from the sales and distribution of IVD products, medical equipment and other related consumables (being around or over 50% of total revenue);
- types of customers;
- the companies are publicly listed;
- the companies mainly operate in the PRC;
- geographical focus of the revenue contribution of the comparable companies (namely, over 95% of total revenue derived from the PRC market); and
- sufficient data, including the P/E ratios, on the companies are available.

The comparable companies satisfying the aforementioned criteria are:

Company Name	**P/E Ratio** *Note 1*
Company A	9.6 time *Note 2*
Company B	10.43 times *Note 3*

Notes:

1. The P/E ratio of a company is defined as the company's market capitalization as of the valuation date to its net profit in 2021.

2. The P/E ratio of Company A is calculated based on the market capitalization of Company A as of the valuation date (22 December 2022), i.e. about RMB5,749,000,000 divided by the net profit in 2021, i.e. RMB598,200,717.03.

3. The P/E ratio of Company B is calculated based on the market capitalization of Company B as of the valuation date (22 December 2022), i.e. about RMB15,470,000,000 divided by the net profit in 2021, i.e. RMB1,483,601,123.12.

The detailed basis of selection of the comparable companies are set out below:

Company Name	**Basis of comparable selection**
Company A	— Principal nature of business activities: Company A is principally engaged in the sales and distribution of IVD products, medical equipment and other related consumables. — Principal business segment: As to the breakdown of revenue by products for the year ended 31 December 2021, Company A generated over 90% of its total revenue from the sales and distribution of IVD products, medical equipment and other related consumables. — Business model: The business model on the sales and distribution of IVD products, medical equipment and other related consumables of Company A is substantially the same as that of the Target Companies that the sales channel of IVD products, medical equipment and other related consumables is mainly through distribution.

Company Name	**Basis of comparable selection**
	— Customers: The type of customers for the sales and distribution of IVD products, medical equipment and other related consumables of Company A is substantially the same as that of the Target Companies, i.e. hospitals, medical clinics and distributors. Similar to the Target Companies, Company A sell and distribute IVD products of Roche Diagnostics.
	— Principal geographical focus: For the year ended 31 December 2021, Company A generated over 95% of its revenue from the PRC.
Company B	— Principal nature of business activities: One of the principal business activities of Company B that are in common with those of the Target Companies is the sales and distribution of IVD products, medical equipment and other related consumables.
	— Principal business segment: As to the breakdown of revenue by products for the year ended 31 December 2021, Company B generated about 50% of its total revenue from the sales and distribution of IVD products, medical equipment and other related consumables.
	— Business model: The business model on the sales and distribution of IVD products, medical equipment and other related consumables of Company B is substantially the same as that of the Target Companies that the sales channel of IVD products, medical equipment and other related consumables is mainly through distribution.
	— Customers: The type of customers of the sales and distribution of IVD products, medical equipment and other related consumables of Company B is substantially the same as that of the Target Companies, i.e. hospitals, medical clinics and distributors. Similar to the Target Companies, Company B sell and distribute IVD products of Roche Diagnostics.

Company Name	Basis of comparable selection
	— Principal geographical focus: For the year ended 31 December 2021, Company B generated all of its revenue from the PRC.

Considering that these comparable companies fulfill the selection criteria with publicly available information for the year ended 31 December 2021 for the calculation of their respective P/E ratios, the Board is of the view that the selected companies represent a representative of comparables.

Despite the low number of comparables, it does not devalue their importance as a reference point in the basis of Consideration as they are the reliable reference for the value of similar companies in the market, and especially as the number of listed market participants in the same business scope, i.e. the sales and distribution of medical devices, IVD products and other related consumables as the Target Companies in the PRC and Hong Kong is itself limited. The comparables were used only as reference as indicated by how the actual P/E ratio is lower than all the comparables which is due to the Board taking into account that the Target Companies are not listed companies; and of a smaller size than the comparables; and that the comparables have a wider business scope than that of the Target Companies. First, the Target Companies are only the subsidiaries of the Group that its size is obviously much smaller than that of the two listed comparable companies. More importantly, despite the Target Companies and the two comparable companies shared similar characteristics in terms of their principal nature of business activities, business model, customers and principal geographical focus as abovementioned, the Board has considered the differences between the Target Companies and the two comparable companies in order to provide a more comprehensive analysis.

In particular, both Company A and Company B have a wider business scope than that of the Target Companies. In addition to the sales and distribution of IVD products, Company A is engaged in the provision of medical testing services and the manufacturing of its own brand of IVD products and other related consumables. As to the breakdown of revenue by the sales channel, Company A generated about 66% of its total revenue from distribution channel for the year ended 31 December 2021, whereas the Target Companies generated over 90% of its total revenue from the distribution of IVD products for the year ended 31 December 2021. Also, unlike the Target Companies that over 90% of its total revenue was generated from the sales and distribution of IVD products in Shanghai, Company A generated about 59% of its total revenue from Huadong District in the PRC. Moreover, Company A offers a wider variety of brands of IVD products, including both domestic and overseas brands of IVD products than that of the Target Companies while about 91% of IVD products that sold and distributed by the Target Companies are Roche Diagnostics.

On the other hand, Company B is not only a distributor of IVD products, but also a medical diagnostic solution provider which provides both IVD products and medical testing services. As one of the leading companies in the domestic third-party medical diagnostic industry in the PRC, Company B has laboratories nationwide, with a service network covering most of the provinces in the PRC. Company B generated around 50% of its total revenue from the provision of medical testing services for the year ended 31 December 2021, whereas the Target Companies generated over 90% of its total revenue from the sales and distribution of IVD products for the year ended 31 December 2021. Also, Company B's sales network covers most of the provinces in the PRC and that Company B generated about 54% of its total revenue from Huadong District in the PRC for the year ended 31 December 2021, whereas the geographical focus of the Target Companies is Shanghai only. Over 90% of the total revenue of the Target Companies was generated from the sales and distribution of IVD products in Shanghai for the year ended 31 December 2021. Moreover, Company B offers a wider range of IVD products to its customers than that of the Target Companies. In addition to Roche Diagnostics, Company B sells and distributes around 1,000 types of IVD products, including both domestic and overseas brands of IVD products.

Taking into account the differences between the Target Companies and the two comparable companies that the Target Companies are not listed companies; of a much smaller size and with less diversified business segments, the P/E ratios of the two comparable companies are only used as a starting reference point for the Board to determine the Consideration. Based on the above reasons, the Board considered that the P/E ratio of the Target Companies should be lower than that of the two comparable companies and that the comparison with the two comparable companies is fair and reasonable.

In addition to the two comparable companies as abovementioned, the Board made reference to the acquisition of 51% equity interests of Guangzhou Kehua Bio Engineering Co., Ltd. ("**Guangzhou Kehua**") and 38.95% equity interests of Nanjing Yuanheng Biological Engineering Co., Ltd. ("**Nanjing Yuanheng**") which are principally engaged in the sales and distribution of IVD products by Shanghai Kehua Bio-Engineering Co., Ltd. (stock code: 002022.SZ). Set out below is the brief information on the acquisition of these two companies which are principally engaged in the sales and distribution of IVD products:

Name of buyer *Note 1*	Name of target	Transaction date *Note 1*	Principal business of the target *Note 1*	Consideration *Note 1*	P/E ratio
Shanghai Kehua Bio-Engineering Co., Ltd. (stock code: 002022.SZ)	51% equity interests of Guangzhou Kehua	January 2018	Sales and distribution of IVD products	RMB21,420,000	6.0 *Note 2*
Shanghai Kehua Bio-Engineering Co., Ltd. (stock code: 002022.SZ)	38.95% equity interests of Nanjing Yuanheng	January 2018	Sales and distribution of IVD products	RMB48,000,000	7.1 *Note 3*

Notes:

1. Information about the acquisitions above were obtained from the relevant announcement of the buyer.

2. The P/E ratio of Guangzhou Kehua is calculated based on the approximate acquisition price of 100% equity interests of Guangzhou Kehua divided by guarantee net profit in 2018.

3. The P/E ratio of Nanjing Yuanheng is calculated based on the approximate acquisition price of 100% equity interests of Nanjing Yuanheng divided by the guarantee net profit in 2018.

Despite that the acquisition took place in January 2018 prior to the outbreak of COVID-19 pandemic, the Directors considered that given Guangzhou Kehua and Nanjing Yuanheng are principally engaged in the sales and distribution of IVD products which has the same business segment as the Target Companies, the acquisition price of Guangzhou Kehua and Nanjing Yuanheng would be the comparable transactions to be considered when determining the pricing of the Target Companies. The P/E ratio for the acquisitions of Guangzhou Kehua and Nanjing Yuanheng were approximately 6.0 and 7.1 times, respectively which were slightly higher than the P/E ratio for the Disposal. However, taking into account the adverse impact of the outbreak of COVID-19 pandemic on the business and financial performance of the Target Companies since 2020 and the uncertainty of the future development and prospects as mentioned below, the Board considered that the P/E ratio for determining the Consideration would be lower than the P/E ratios for the acquisitions of Guangzhou Kehua and Nanjing Yuanheng and that the Consideration is fair and reasonable.

In addition, the Board considered the business development and future prospects of the Target Companies in determining the Consideration. Before the outbreak of COVID-19, many patients from other provinces and cities came to Shanghai for medical treatment in hospitals and medical clinics. However, since the COVID-19 pandemic in 2020, under regional lock-down and continuous quarantine measures in the PRC, most hospital resources have been reserved to combat COVID-19 and hospitals have been occasionally shut down, which caused a plunge in demand of the medical devices, IVD products and related consumables. In particular, the large-scale lock down in Shanghai in the first half of 2022 seriously hindered the regular services in hospitals and medical clinics which in turn adversely affected the business operations of the Target Companies. Also, in October 2016, the State Council issued the "the Outlines on Carrying Out Health China Operation 2030" which set out the outlines of promoting the construction of a healthy China (the "**Outlines**"). One of the objectives of the Outlines is to establish a medical quality management and control system and improve the quality of medical services. In June 2021, the General Office of the State Council issued the "Opinions on Promoting the High-Quality Development of Public Hospitals" (the "**Opinions**"), pursuant to which the PRC government emphasized on the development of high-quality public hospitals by the construction of national and regional medical centers. In particular, the PRC government urged the reduction of cross-province medical care by building more high-level provincial public hospitals. In implementing the Opinions, the PRC government introduced a pilot construction of regional medical centers by selecting a number of high-quality public hospitals in Beijing, Shanghai and Guangzhou to set up their branches and sub-medical centers in other provinces. Going forward, the PRC government is strive to strengthen the construction of the system of public hospital services and develop high-quality public hospitals so as to construct a healthy China. Therefore, the Board is of the view that even if regular services in hospitals and medical clinics have started to resume services in the PRC, including Shanghai during the second half of 2022, leading to an increase in the demand of IVD products and medical devices, the habits of patients in visiting hospitals and medical clinics have changed significantly that patients from other provinces and cities may tend to seek medical services locally due to the Opinions. Moreover, since the outbreak of COVID-19 pandemic, the PRC government has been actively encouraging priority procurement of domestic medical equipment and IVD products and promoting substitution of imported medical equipment and IVD products by domestic ones in order to reduce medical costs. Under the continuous promotion of such policy, many provinces and cities in the PRC adjusted their procurement policy to prioritize the procurement of domestic medical equipment and IVD products which accelerated the substitution of imported medical equipment and IVD products by the domestic ones, reducing the demand of imported medical equipment and IVD products. As such, taking into account the promotion of domestic product substitution, the Board expects that there may pose an uncertainty on the future development and prospects of the Target Companies given that the Target Companies primarily sell and distribute IVD products of Roche Diagnostics, which is a brand from Switzerland in Shanghai. In addition, due to the poor market sentiment in the capital market in the PRC, there were limited or even no acquisitions or transactions of companies with similar business activities over the three years of 2021, 2022 and 2023 since the outbreak of COVID-19 pandemic in 2020. The Board has been encountered difficulty in looking for potential purchaser to acquire the Target Companies. However, the Purchaser, as the founder of the Target Companies, expressed his interest in acquiring the Target Companies with fair and reasonable consideration. The Board considered this as a good opportunity for the Group to realize its investment in the Target Companies and repay its outstanding liabilities.

Taking into account the abovementioned factors, the Board is of the view that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders.

Settlement Terms

The Actual Payment is to be settled by the Purchaser in cash within ten Business Days from the date of fulfillment of all conditions precedent of the Equity Transfer Agreement or within 30 days from the date of publishment of this circular (whichever is later).

Conditions precedent

The transfer of the Target Shares under the Equity Transfer Agreement is subject to the fulfilment (or waiver, if applicable) of the following conditions precedent:

(i) the Actual Payment being settled in full by the Purchaser;

(ii) there has been no change in the principal business of the Target Companies;

(iii) there has been no material adverse change in the asset structure and status of the Target Companies; there is no event that may have a material adverse impact on the financial position, prospects, assets or obligations of the Target Companies; and there is no circumstance which causes the Target Companies to cease the operation; and the Target Shares are free from mortgage, pledge, sealing, freezing or any other encumbrance or third party claim;

(iv) the representations and warranties made by the Vendor and the Purchaser being performed and completed in all material aspects;

(v) the passing of the necessary resolution(s) by the Shareholders of the Target Companies approving the Equity Transfer Agreement and the transactions contemplated thereunder;

(vi) the Shareholders' written approval from the Shareholders holding more than 50% of the issued share capital of the Company approving the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained (if necessary); and

(vii) all necessary consents and approvals to be obtained by the Company having been obtained.

According to the Equity Transfer Agreement, save for the conditions precedent (i), (vi) and (vii), the rest of the conditions precedent could be waived upon mutual agreement between the parties. Save for the conditions precedent (ii) and (iii) which has no material change as at the Latest Practicable Date, the rest of the conditions precedent have not been fulfilled as at the Latest Practicable Date.

Completion

Completion will take place on the date upon the completion and satisfaction of the following:

(i) the settlement of the Actual Payment by the Purchaser;

(ii) the registration and filing procedures of the transfer of the Target Shares at the relevant government department;

(iii) the amendment of the register of shareholders and articles of association of the Target Companies; and

(iv) the fulfillment (or waiver) of the conditions mentioned above.

Upon Completion, the Company will cease to hold any equity interests in the Target Companies and the financial information of the Target Companies will no longer be consolidated into the Group's consolidated financial statements.

INFORMATION ON THE TARGET COMPANIES

The Target Companies are principally engaged in the sales and distribution of IVD products, medical equipment and other related consumables in Shanghai. The Target Companies generated over 90% of their total revenue from the sales and distribution of IVD products for the year ended 31 December 2021. Typical example of the brand of IVD products the Target Companies sell and distribute is Roche Diagnostics which is one of the popular brands in pharmaceuticals and diagnostics from Switzerland. On the other hand, the Remaining Group continues to distribute IVD products with its existing distribution rights in locations other than Shanghai, including Beijing, Guangzhou, Shenzhen, Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu, Hebei, Anhui and Inner Mongolia. With separate distribution rights of IVD products, the Target Companies and the Remaining Group have their own independent business operation on the sales and distribution of IVD products.

Shanghai Emphasis Investment

Shanghai Emphasis Investment is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the date of this circular, Shanghai Emphasis Investment is beneficially held as to 94.2%, 4.4% and 1.4% by Yestar Medical, the Purchaser and Mr. Li Changgui, respectively. Yestar Medical is a direct wholly-owned subsidiary of Yestar HK and hence an indirect wholly-owned subsidiary of the Company as at the date of this circular. Mr. Li Changgui is an Independent Third Party as at the date of this circular.

Upon Completion, the Company will cease to hold any equity interests in Shanghai Emphasis Investment. Accordingly, Shanghai Emphasis Investment will cease to be a subsidiary of the Company and will no longer be consolidated into the financial statements of the Group.

Shanghai Jianchu Medical

Shanghai Jianchu Medical is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the date of this circular, Shanghai Jianchu Medical is beneficially held as to 94.2% and 5.8% by Yestar Medical and the Purchaser, respectively. Yestar Medical is a direct wholly-owned subsidiary of Yestar HK and hence an indirect wholly-owned subsidiary of the Company as at the date of this circular.

Upon Completion, the Company will cease to hold any equity interests in Shanghai Jianchu Medical. Accordingly, Shanghai Jianchu Medical will cease to be a subsidiary of the Company and will no longer be consolidated into the financial statements of the Group.

Shanghai Chaolian Trading

Shanghai Chaolian Trading is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the date of this circular, Shanghai Chaolian Trading is beneficially held as to 94.2% and 5.8% by Yestar Medical and the Purchaser, respectively. Yestar Medical is a direct wholly-owned subsidiary of Yestar HK and hence an indirect wholly-owned subsidiary of the Company as at the date of this circular.

Upon Completion, the Company will cease to hold any equity interests in Shanghai Chaolian Trading. Accordingly, Shanghai Chaolian Trading will cease to be a subsidiary of the Company and will no longer be consolidated into the financial statements of the Group.

Shanghai Haole Industrial

Shanghai Haole Industrial is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the date of this circular, Shanghai Haole Industrial is beneficially held as to 94.2% and 5.8% by Yestar Medical and the Purchaser, respectively. Yestar Medical is a direct wholly-owned subsidiary of Yestar HK and hence an indirect wholly-owned subsidiary of the Company as at the date of this circular.

Upon Completion, the Company will cease to hold any equity interests in Shanghai Haole Industrial. Accordingly, Shanghai Haole Industrial will cease to be a subsidiary of the Company and will no longer be consolidated into the financial statements of the Group.

Shanghai Dingpei Industrial

Shanghai Dingpei Industrial is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the date of this circular, Shanghai Dingpei Industrial is beneficially held as to 94.2% and 5.8% by Yestar Medical and the Purchaser, respectively. Yestar Medical is a direct wholly-owned subsidiary of Yestar HK and hence an indirect wholly-owned subsidiary of the Company as at the date of this circular.

Upon Completion, the Company will cease to hold any equity interests in Shanghai Dingpei Industrial. Accordingly, Shanghai Dingpei Industrial will cease to be a subsidiary of the Company and will no longer be consolidated into the financial statements of the Group.

The Unaudited Combined Financial Information of the Target Companies

The following is a summary of the unaudited combined financial information of the Target Companies for the three years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	1,322,924	1,623,534	1,489,692	890,323
Profit before tax	144,666	165,011	87,676	21,412
Profit for the year/period	109,656	122,066	59,529	2,364

As at 30 June 2023, the unaudited combined net asset value of the Target Companies was approximately RMB641.5 million. The deficit of the Consideration under the unaudited combined net asset value of the Target Companies as at 30 June 2023 is approximately RMB66.8 million.

The unaudited combined financial information extracted from the unaudited combined financial information of the Target Companies for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 which are prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board. The unaudited combined financial information in relation to the Target Companies is set out in Appendix II-A and Appendix II-B of this circular.

To supplement the combined financial information of the Target Companies, which are presented in accordance with IFRS, the Company also use the adjusted net profit as an additional financial measure. The Company presents such non-IFRS measure can be used for understanding and assessing the underlying business by considering the impact of items relating to the Target Companies, mainly including impairment and amortization of goodwill and other intangible assets (customer relationship and distribution rights) arising from the acquisition of the Target Companies. The following table reconciles the adjusted net profit/loss for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is the profit/(loss) for the corresponding years and period:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the year/period	109,656	122,066	59,529	2,364
Add:				
Amortization of other intangible assets provided during the year/period Note 1	(54,573)	(54,573)	(54,573)	(3,437)
Impairment of Goodwill Note 1	(76,425)	—	(293,977)	—
Impairment of other intangible assets Note 1	—	—	(361,690)	—
Tax impact Note 1	13,643	13,643	104,066	859
Non-IFRS measure adjusted profit/(loss) for the year/period	**(7,699)**	**81,136**	**(546,645)**	**(214)**

Note:

1. The adjusted items shown in the table above represent the gain or loss in the Group's consolidated statement of profit/loss due to goodwill, other intangible assets (customer relationship and distribution rights) and related deferred income tax liabilities relating to the Target Companies arising from the acquisition of the Target Companies.

INFORMATION ON THE PURCHASER

The Purchaser was appointed as an executive Director on 18 June 2021 and resigned on 31 December 2021. Therefore, given that the Purchaser was a Director in the last 12 months preceding the date of entering into the Equity Transfer Agreement, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Purchaser was the founder of the Target Companies. As at the Latest Practicable Date, the Purchaser holds 164,600,600 Shares in the Company, representing approximately 7.1% equity interests in the Company.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the manufacturing and sale of colour photographic paper, industrial NDT x-ray films and PWB films, and trading of imaging equipment; and (ii) manufacturing and sale of medical dry films, medical wet films and dental films, distribution of medical equipment and diagnostic reagents throughout various major provinces and cities in the PRC. The Company is an investment holding company.

The Vendor is a company established in the PRC with limited liability and is principally engaged in the manufacturing of dental films and manufacturing and sale of medical dry films and medical wet films. The Vendor is a direct wholly-owned subsidiary of Yestar HK and an indirect wholly-owned subsidiary of the Company.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Company will cease to hold any equity interests in the Target Companies. Accordingly, the Target Companies will cease to be the subsidiaries of the Company and will no longer be consolidated into the financial statements of the Group.

As if the Disposal had taken place on 1 January 2022, the Group expects to record an unaudited net loss from the Disposal after deducting the expenses directly attributable thereto and without taking into account the income tax impact, will amount to approximately RMB574.6 million. The net loss arising from the Disposal represents the Consideration paid by the Vendor of approximatively RMB574.8 million, deducting (i) the unaudited combined net asset value of the Target Companies of approximately RMB593.6 million; (ii) an aggregate amount of goodwill and other intangible assets arising from the acquisition of the Target Companies in 2015 of approximatively RMB669.3 million; and (iii) the estimated transaction costs of approximatively RMB2.5 million, offset by (iv) the agreed adjustment of the retained earnings of the Target Companies of RMB116.1 million attributable to the Purchaser as at 1 January 2022 which was committed to be distributed to the Purchaser according to the 2020 Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Yestar Medical and the Purchaser agreed that no further distribution will be required from the Target Companies and effectively such retained earnings of the Target Companies attributable to the Purchaser is exempted from payment. The above figures are for illustrative purpose only. The actual loss in connection with the Disposal will be determined based on the net proceeds received, the financial position of the Target Companies at Completion.

As if the Disposal had taken place on 31 December 2022, the Group expects to record an unaudited net loss from the Disposal after deducting the expenses directly attributable thereto and without taking into account the income tax impact, will amount to approximately RMB10.8 million. The net loss arising from the Disposal represents the Consideration paid by the Vendor of approximatively RMB574.8 million, deducting (i) the unaudited combined net asset value of the Target Companies as at 31 December 2022 of approximately RMB639.2 million; (ii) an aggregate amount of goodwill and other intangible assets arising from the acquisition of the Target Companies in 2015 of approximatively RMB63.1 million; and (iii) the estimated transaction costs of approximatively RMB2.5 million, offset by (iv) the agreed adjustment of the retained earnings of the Target Companies of RMB119.2 million attributable to the Purchaser as at 31 December 2022 which was committed to be distributed to the Purchaser according to the 2020 Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Yestar Medical and the Purchaser agreed that no further distribution will be required from the Target Companies and effectively such retained earnings of the Target Companies attributable to the Purchaser is exempted from payment. The above figures are for illustrative purpose only. The actual loss in connection with the Disposal will be determined based on the net proceeds received, the financial position of the Target Companies at Completion.

As if the Disposal had taken place on 30 June 2023, the Group expects to record an unaudited net loss from the Disposal after deducting the expenses directly attributable thereto and without taking into account the income tax impact, will amount to approximately RMB11.3 million. The net loss arising from the Disposal represents the Consideration paid by the Vendor of approximatively RMB574.8 million, deducting (i) the unaudited combined net asset value of the Target Companies as at 30 June 2023 of approximately RMB641.5 million; (ii) an aggregate amount of goodwill and other intangible assets arising from the acquisition of the Target Companies in 2015 of approximatively RMB60.5 million; and (iii) the estimated transaction costs of approximatively RMB2.9 million, offset by (iv) the agreed adjustment of the retained earnings of the Target Companies of RMB119.0 million attributable to the Purchaser as at 30 June 2023 which was committed to be distributed to the Purchaser according to the 2020 Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Yestar Medical and the Purchaser agreed that no further distribution will be required from the Target Companies and effectively such retained earnings of the Target Companies attributable to the Purchaser is exempted from payment. The above figures are for illustrative purpose only. The actual loss in connection with the Disposal will be determined based on the net proceeds received, the financial position of the Target Companies at Completion.

Except for the transaction costs as illustrated above, the other expenses and costs items included in the calculation of net loss from the Disposal are non-cash in nature. In addition, all of these expenses and costs will have no continuing impact on the Remaining Group's business operations. The Directors are of the view that the Remaining Group will have a healthier financial position and the Disposal will bring continuous benefits to the Shareholders despite the loss to be recorded by the Group on the Disposal.

The net proceeds of approximately RMB420.0 million, being the Actual Payment less the estimated transaction costs of approximately RMB2.9 million, are intended to be used for the settlement of outstanding liabilities of the Group. It is expected that the net proceeds will be used up within 12 months from obtaining the net proceeds.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has encountered difficulty and challenging market conditions since outbreak of the COVID-19 pandemic in 2020. Since the first half of 2020, most hospital resources have been reserved to combat COVID-19 and hospitals have been occasionally shut down due to regional lockdown and quarantine measures in the PRC, which caused a plunge in demand of the IVD equipment installment reagent and related consumables. As a result, the Group recorded decreased revenue and profit subsequent to 2020 compared to those before the pandemic outbreak. In particular, the resurgence of COVID-19 disrupted the relative stability of the PRC in 2022 and Shanghai, the financial center of the PRC, was hit the hardest. The city of Shanghai was completely locked down for nearly three months — including the entire April and May 2022.

As the Target Companies mainly operated in Shanghai and is clearly delineated from the Remaining Group by geographical area, the profit contribution from the Target Companies has recorded a rapid drop in 2022 led by the complete-lockdown in Shanghai. The unaudited combined financial information of the Target Companies is set forth in the paragraph headed "Information of the Target Companies — The unaudited combined financial information of the Target Companies" and Appendix II-A and Appendix II-B in this circular. The Board is of the view that given (i) the general negative impact and uncertainty brought by COVID-19 to the Group's business performance since 2020, especially in the city of Shanghai; (ii) the interest of the Purchaser, as the founder, in acquisition of the Target Companies; and (iii) the financial status of the Company, the Disposal provides a good opportunity for the Group to realize its investment in the Target Companies and repay the outstanding liabilities due by the Company.

In view of the aforesaid challenges faced by the Group brought by the COVID-19, the Company has been exploring ways to raise funds to reduce its indebtedness, improve the liquidity and the overall financial position of the Remaining Group. As disclosed in the Company's announcement dated 8 April 2022, with an aim to strengthen the Company's capital base and help reduce the Company's debt ratio and improve its financial position, the Company and the potential investor entered into the memorandum of understanding, pursuant to which the Company intends to allot and issue, and the potential investor intends to subscribe for new shares to be allotted and issued by the Company under the possible subscription. However, the potential subscription did not proceed due to the commercial negotiation between the Company and the potential investor. In view of current unfavourable market conditions, the Company faced difficulty in raising funds in the capital market.

Nevertheless, the Company has successfully carried out a series of offshore debt restructuring actions with an aim to pave way for sustainable development, including but not limited to issuance of US$197,864,523 new senior notes (the "**New Notes**") due 2026 at a coupon rate of 9.5%. Details of the terms of the aforesaid restructuring actions and the New Notes are set forth in the Company's announcements dated 8 November 2021, 3 December 2021, 12 December 2021, 14 December 2021, 29 December 2021, 31 December 2021, 3 January 2023, 22 March 2023, 17 April 2023, 28 April 2023, 31 July 2023, and 6 December 2023 respectively.

As abovementioned, under the Indenture governing the New Notes, the Company is due to redeem 5%, 15%, 30% and 45% of the original principal amount of the New Notes by 30 December 2022, 30 December 2023, 30 December 2024 and 30 December 2025 respectively. The Company is due to redeem the remaining principal amount and the interests of the New Notes by 30 December 2026. The Company did not redeem any of the New Notes as at the Latest Practicable Date and may not be able to redeem the New Notes in accordance with the requirements on the New Notes (the "**Default**"). As the Default has occurred and is still continuing, the Company is prohibited by the terms of the Indenture governing the New Notes from consummating the asset sale. As a result, the noteholders of the New Notes have the right under the Indenture governing the New Notes to immediately accelerate repayment of the entire principal amount of the New Notes, together with any premium and accrued and unpaid interests. In response to such default and the asset sale restriction, the Company has been maintaining close communication with the noteholders of the New Notes with a view in exploring solutions for the repayment of the outstanding liabilities under the Indenture governing the New Notes that is beneficial to both parties. Reference is made to the announcement of the Company dated 17 April 2023, pursuant to which, the Board wishes to inform the Shareholders and potential investors of the Company that a writ of summons under the action number HCA 570 of 2023 was issued in the Court of First Instance of the High Court of The Hong Kong Special Administrative Region (the "**High Court**") by Madison Pacific Trust Limited against the Company in respect of the New Notes (the "**Writ**"). The Writ claimed for, among other things, (i) payment of the sum of US$9,893,226.15, being the outstanding payment of at least 5% of US$197,864,523 at a redemption price equal to par plus any accrued and unpaid interest and accrued semi-annual interest in respect of the notes of the Company; (ii) payment of interest at the rate of 9.5% per annum on the sum of US$9,239,065.78 from 31 December 2021 until payment; (iii) injunction restraining the Company to, among other matters, convene the EGM and approve the Disposal; (iv) interest; (v) costs; and (vi) further relief as the court may think fit. The Board believes that the Disposal will serve as an important source of funding for the settlement of part of the outstanding liabilities of the New Notes which will be beneficial to both the Company and the noteholders of the New Notes.

The Company has been engaged in active discussions with certain significant beneficial holders of the New Notes in relation to the implementation of a consensual restructuring to address the outstanding liabilities under the New Notes in a holistic manner. The proposed restructuring of the existing liabilities outstanding under the New Notes is agreed to be implemented by way of a Cayman Scheme (the "**Restructuring**") and on 30 November 2023, a restructuring support agreement (the "**RSA**") was signed by, among others, the Company and certain subsidiaries within the Group. An ad-hoc group of holders (the "**Noteholder Committee**") and other supporting holders of the New Notes representing, in aggregate, approximately 47.8% of the aggregate outstanding principal amount of the New Notes have, as at the Latest Practicable Date, signed and acceded to the RSA with a view to, among other things, support and facilitate the Restructuring, the Cayman Scheme and all other transactions contemplated under or in connection with the RSA and/or the Restructuring (the "**Restructuring Arrangements**").

The RSA forms the basis for the implementation of the Restructuring Arrangements. The Restructuring is expected to be implemented through a Cayman Scheme which can be approved by a majority in number, representing at least 75% in value, of the holders of New Notes who are present and voting (either in person or by proxy) at the scheme meeting convened in respect of the Cayman Scheme. The Company expects to commence the process of implementing the Restructuring Arrangements on terms set forth in the RSA as soon as possible. Please refer to the announcement of the Company dated 6 December 2023 for further details on the Restructuring Arrangements.

Meanwhile, the main noteholders of the New Notes instructed their solicitors to apply to the High Court to withdraw the Writ by way of consent summons on 1 December 2023 and the High Court accepted and approved the withdrawal application on 6 December 2023.

That said, the outstanding liabilities of the Group, including the New Notes, are expected to incur significant financial costs taking into account (i) the terms and conditions regarding interest rate and repayment of the Group's outstanding liabilities; and (ii) the depreciation of RMB. Based on the current financial position and unfavorable market conditions, the Group has limited opportunities of obtaining new financing or refinancing from the banks. As such, the Board also considers that the Consideration and the Disposal will enable the Company to reduce its indebtedness, improve the liquidity and the overall financial position of the Remaining Group.

In addition, the net proceeds of the Disposal of approximately RMB420.0 million, being the Actual Payment less the estimated transaction costs of approximately RMB2.9 million, will enhance the Remaining Group's financial position by reducing its indebtedness and lowering the gearing ratio. The net proceeds from the Disposal will be used to settle the outstanding liabilities of the Remaining Group, and reduce its indebtedness improve the liquidity and the overall financial position of the Remaining Group, which are critical to stay competitive locally and internationally and generate long-term growth to shareholders. As abovementioned, the Remaining Group recorded significant finance cost from senior notes in 2021 and such finance cost has further increased in 2022 given the depreciation of RMB. Therefore, the net proceeds from the Disposal will serve as a source of funding for settlement of part of the outstanding liabilities, so that the Remaining Group is able to deploy more resources in the business development after the finance cost is lowered.

The terms of the Equity Transfer Agreement (including the Consideration) were arrived at arm's length commercial negotiation amongst the Company and the Purchaser. In view of the above, the Directors are of the opinion that the terms and conditions of the Equity Transfer Agreement (including the Consideration) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

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

The Purchaser was appointed as an executive Director of the Company on 18 June 2021 and resigned on 31 December 2021. Therefore, given that the Purchaser was a Director in the last 12 months preceding the date of entering into the Equity Transfer Agreement, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPROVAL BY THE BOARD

None of the Directors is required to abstain from voting on the Board resolutions to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

EGM

The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy to the Company's Branch Share Registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish and in such event, the proxy form shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by way of poll. Therefore, all proposed resolutions put to vote at the EGM shall be taken by way of poll.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, apart from Mr. Li Bin, no Shareholder has material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. Therefore, only Mr. Li Bin, who holds 164,600,600 Shares in the Company (representing approximately 7.1% of the equity interests in the Company), shall abstain from voting at the resolution considering and approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting under the Listing Rules at the EGM on the resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Disposal, and to advise and provide recommendation to the Independent Shareholders as to whether the same are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole. SC Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Disposal are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 28 to 29 of this circular and the letter from the Independent Financial Adviser on pages 30 to 47 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal.

The Board (including the independent non-executive Directors) is of the view that the terms and conditions of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

RISK FACTOR

Shareholders and potential investors should note that the completion of the Disposal is subject to the fulfillment of the conditions precedent set out in the Equity Transfer Agreement and therefore may or may not occur. As the Disposal may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Shareholders and potential investors should note that completion of the Disposal is subject to the fulfillment of the conditions precedent set out in the Equity Transfer Agreement and therefore may or may not occur. As the Disposal may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Yours faithfully,
By order of the Board
Yestar Healthcare Holdings Company Limited
Liao Changxiang
CEO and Executive Director

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Circular.

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)

(Stock Code: 2393)

13 December 2023

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF THE TARGET SHARES IN THE TARGET COMPANIES

We refer to the circular issued by the Company to the Shareholders dated 13 December 2023 (the "**Circular**") which this letter forms a part of. Terms defined in this letter shall have the same meanings as those used in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the Circular. SC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the "Letter from the Board" and the "Letter from the Independent Financial Adviser" as set out in the Circular. Having considered the terms of the Equity Transfer Agreement and the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we are of the opinion that the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Company due to its nature of transaction. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee of
Yestar Healthcare Holdings Company Limited
Mr. Zhao Ziwei **Mr. Koeswondo Michael David** **Mr. Zeng Jinsong**
Independent Non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser setting out its opinion regarding the Disposal contemplated under the Equity Transfer Agreement for the purpose of inclusion in this circular.

南華融資有限公司
South China Capital Limited

South China Capital Limited
28/F., Bank of China Tower
No. 1 Garden Road, Central
Hong Kong

13 December 2023

To the Independent Board Committee and the Independent Shareholders

Yestar Healthcare Holdings Company Limited
Suite 2105, 21/F
Central Plaza
18 Harbour Road
Wai Chai
Hong Kong

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF THE TARGET SHARES IN THE TARGET COMPANIES

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal. Details of the Disposal are contained in the letter from the Board (the "**Letter from the Board**") as set out in the circular dated 13 December 2023 (the "**Circular**"). Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

On 30 December 2022 (after trading hours), the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Target Shares at a Consideration of RMB574,750,000. Upon Completion, the Company will cease to hold any equity interests in the Target Companies. Accordingly, the Target Companies will cease to be the subsidiaries of the Company and will no longer be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

The Purchaser was appointed as an executive Director on 18 June 2021 and resigned on 31 December 2021. Therefore, given that the Purchaser was a Director in the last 12 months preceding the date of entering into the Equity Transfer Agreement, the Purchaser is a connected person of the Company pursuant to the Listing Rules. The Disposal under the Equity Transfer Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 75%, the Disposal under the Equity Transfer Agreement constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. As the Purchaser has material interest in the Equity Transfer Agreement and is a party to the Equity Transfer Agreement, the Purchaser and its associates shall abstain from voting on the relevant resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Zhao Ziwei, Mr. Koeswondo Michael David and Mr. Zeng Jinsong, has been established to make recommendation to the Independent Shareholders regarding the Disposal.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Equity Transfer Agreement is on normal commercial terms and whether the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to give independent advice to the Independent Board Committee and the Independent Shareholders as to whether the Independent Shareholders should vote in favour of the Disposal.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interests in the Company that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transaction that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the

Company or the Directors, chief executives and substantial Shareholders or any of their associates. Therefore, we consider that we are independent of the Company pursuant to the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendation, we have reviewed, among other things, the Equity Transfer Agreement, the Company's annual report for the financial year ended 31 December 2020 (the "**2020 Annual Report**"), the Company's annual report for the financial year ended 31 December 2021 (the "**2021 Annual Report**"), the Company's annual report for the financial year ended 31 December 2022 (the "**2022 Annual Report**"), the Company's interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**"), the Company's interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**") and the Company's announcement dated 3 December 2021, 12 December 2021, 14 December 2021, 29 December 2021, 31 December 2021, 8 April 2022, 3 January 2023, 22 March 2023, 17 April 2023, 28 April 2023, 31 July 2023, 6 December 2023 (regarding the update of proceedings) and 6 December 2023 (regarding the proposed debt restructuring). We have also discussed with the management of the Company (the "**Management**") regarding the commercial implication of the Equity Transfer Agreement and the transactions contemplated thereunder. In addition, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the Management. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, the Remaining Group and the Target Companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Equity Transfer Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 Principal business of the Group

The Company is an investment holding company. The Group is one of the largest distributors and service providers of In Vitro Diagnostic ("**IVD**") products in the PRC. The Group principally engages in the distribution of IVD products in cities of Beijing, Shanghai, Guangzhou and Shenzhen, and in provinces of Anhui, Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu, Hebei as well as the autonomous region Inner Mongolia, the PRC. 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".

1.2 Financial information of the Group

Set out below is a summary of the consolidated financial information of the Company for the three financial years ("**FY**") ended 31 December from 2020 to 2022 as extracted from the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report and for the six months ended 30 June 2022 and 2023 as extracted from the 2022 Interim Report and 2023 Interim Report:

	For the FY ended 31 December			**For the six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
Revenue	4,106,938	4,930,692	4,293,982	1,966,063	2,363,002
Profit/(loss) for the year/period	(645,298)	12,679	(1,020,594)	(184,056)	11,619

	As at 31 December			As at 30 June	
	2020	2021	2022	2022	2023
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
Non-current assets	1,830,998	1,735,101	871,771	1,593,787	877,149
Current assets	2,824,257	2,823,780	2,497,874	2,596,581	2,597,628
Current liabilities	3,288,407	2,160,990	3,499,784	1,996,429	3,685,426
Net current assets/ (liabilities)	(464,150)	662,790	(1,001,910)	600,152	(1,087,798)
Non-current liabilities	511,092	1,565,857	211,720	1,608,192	186,496
Net assets/(deficits)	855,756	832,034	(341,859)	585,747	(397,145)

Note: We note from the 2022 Annual Report that the then Company's auditor has given a "disclaimer of opinion" on the consolidated annual financial statements of the Company for the year ended 31 December 2022 on the basis of multiple uncertainties relating to going concern and the possible cumulative effect on the consolidated financial statements. For further details, please refer to the 2022 Annual Report.

For the year ended 31 December 2021

The total revenue of the Group increased by approximately 20.1% from approximately RMB4,106.9 million for the FY ended 31 December 2020 to approximately RMB4,930.7 million for the FY ended 31 December 2021. Based on the 2021 Annual Report, such increase in revenue was attributable to the growing demand of the IVD reagents and consumables due to the increasing level of health awareness.

The Group recognised net profit of approximately RMB12.7 million for the FY ended 31 December 2021 as compared to net loss of approximately RMB645.3 million for the FY ended 31 December 2020. Based on the 2021 Annual Report, such turnaround was mainly attributable to (i) the increase of revenue of approximately RMB823.8 million; (ii) no impairment loss in respect of the goodwill was recognised during the period; and (iii) the decrease of impairment loss of other intangible assets of approximately RMB301.3 million.

As at 31 December 2021, the Group recorded net current assets and net assets of approximately RMB662.8 million and approximately RMB832.0 million, respectively.

For the year ended 31 December 2022

The total revenue of the Group decreased by approximately 12.9% from approximately RMB4,930.7 million for the FY ended 31 December 2021 to approximately RMB4,294.0 million for the FY ended 31 December 2022.

Based on the 2022 Annual Report, such decrease in revenue was attributable to lockdowns in response to the resurgence of COVID-19 in the first half of 2022.

The Group recognised net loss of approximately RMB1,020.6 million for the FY ended 31 December 2022 as compare to net profit of approximately RMB12.7 million for the FY ended 31 December 2021. Based on the 2022 Annual Report, such turnaround was mainly attributable to (i) the increase of finance cost of approximately RMB129.4 million; and (ii) the increase of impairment loss in goodwill and other intangible assets of approximately RMB736.8 million.

As at 31 December 2022, the Group recorded net current liabilities and net deficits of approximately RMB1,001.9 million and approximately RMB341.9 million, respectively.

For the six months ended 30 June 2023

The total revenue of the Group increased by approximately 20.2% from approximately RMB1,966.1 million for the six months ended 30 June 2022 to approximately RMB2,363.0 million for the six months ended 30 June 2023. Based on the 2023 Interim Report, such increase in revenue was mainly attributable to the absence of lockdowns in 2023 that had a relatively big impact on the Company's products.

The Group recognised net profit of approximately RMB11.6 million for the six months ended 30 June 2023 as compare to net loss of approximately RMB184.1 million for the six months ended 30 June 2022. Such turnaround was mainly attributable to (i) an overall increase in revenue of the medical business and non-medical business; (ii) a slight increase in gross profit margin of the products due to an increase in demand; and (iii) the absence of any significant impairment losses on inventories, financial assets, goodwill and other intangible assets of the Group for the six months ended 30 June 2023.

As at 30 June 2023, the Group recorded net current liabilities and net liabilities of approximately RMB1,087.8 million and approximately RMB397.1 million, respectively.

2. Information of the Purchaser

The Purchaser is Mr. Li Bin, who was appointed as an executive Director on 18 June 2021 and resigned on 31 December 2021. Therefore, given that the Purchaser was a Director in the last 12 months preceding the date of entering into the Equity Transfer Agreement, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Purchaser was the founder of the Target Companies. As at the Latest Practicable Date, the Purchaser holds 164,600,600 Shares, representing approximately 7.1% equity interests in the Company.

3. Information of the Target Companies

3.1 Principal business of the Target Companies

The Target Companies are principally engaged in the sales and distribution of IVD products, medical equipment and other related consumables in Shanghai. The Target Companies generated over 90% of their total revenue from the sales and distribution of IVD products for the year ended 31 December 2021. Typical example of the brand of IVD products the Target Companies sell and distribute is Roche Diagnostics which is one of the popular brands in pharmaceuticals and diagnostics from Switzerland. With separate distribution rights of IVD products, the Target Companies and the Remaining Group have their own independent business operation on the sales and distributors of IVD products.

Shanghai Emphasis Investment

Shanghai Emphasis Investment is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the Latest Practicable Date, Shanghai Emphasis Investment is beneficially held as to 94.2%, 4.4% and 1.4% by Yestar Medical, the Purchaser and Mr. Li Changgui, respectively. Mr. Li Changgui is an Independent Third Party as at the Latest Practicable Date.

Shanghai Jianchu Medical

Shanghai Jianchu Medical is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the Latest Practicable Date, Shanghai Jianchu Medical is beneficially held as to 94.2% and 5.8% by Yestar Medical and the Purchaser, respectively.

Shanghai Chaolian Trading

Shanghai Chaolian Trading is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the Latest Practicable Date, Shanghai Chaolian Trading is beneficially held as to 94.2% and 5.8% by Yestar Medical and the Purchaser, respectively.

Shanghai Haole Industrial

Shanghai Haole Industrial is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the Latest Practicable Date, Shanghai Haole Industrial is beneficially held as to 94.2% and 5.8% by Yestar Medical and the Purchaser, respectively.

Shanghai Dingpei Industrial

Shanghai Dingpei Industrial is a company established in the PRC with limited liability and is principally engaged in sale of medical equipment and reagents. As at the Latest Practicable Date, Shanghai Dingpei Industrial is beneficially held as to 94.2% and 5.8% by Yestar Medical and the Purchaser, respectively.

3.2 Financial information of the Target Companies

Set out below is certain unaudited combined financial information of the Target Companies for each of the three FY ended 31 December from 2020 to 2022 and the six months ended 30 June 2023, prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and as extracted from the Appendices II-A and II-B to this Circular.

	For the FY ended 31 December			**For the six months ended 30 June**
	2020	**2021**	**2022**	**2023**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,322,924	1,623,534	1,489,692	890,323
Profit for the year/period	109,656	122,066	59,529	2,364

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	206,219	239,263	246,769	239,016
Current assets	1,120,955	1,103,330	1,296,351	1,297,085
Current liabilities	580,466	659,133	829,030	829,468
Net current assets	540,489	444,197	467,321	467,617
Non-current liabilities	77,132	89,818	74,919	65,098
Net assets	669,576	593,642	639,171	641,535

4. Information of the Remaining Group

Following the Disposal, the Remaining Group would be mainly engaged in (i) the distribution in IVD products in cities in Beijing, Guangzhou and Shenzhen, and in provinces of Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu, Hebei, Anhui and the autonomous region in Inner Mongolia, the PRC; (ii) manufacturing of medical products and equipment; and (iii) non-medical business:

Distribution of IVD products

The Remaining Group entered into the IVD market in 2014 after its first acquisition of a medical device company in Jiangsu and had established partnerships with Roche Diagnostics. As one of the leading IVD distributors in the PRC, the Remaining Group strives to provide high-quality services and products to facilitate its customers. For top-tier institutions which are performance driven and less price sensitive, the Remaining Group has been actively promoting various imported products to ease their operational bottleneck. Such products do not only allow the Remaining Group to strengthen its market position as the one-stop solutions provider, but also greatly enhance its customer stickiness, laying a solid foundation for future orders and cash flow. On the other hand, the Remaining Group has introduced a number of domestic IVD brands, catering the needs of lower-tier hospitals and medical institutions. Riding on its extensive market knowledge and industry experience, the Remaining 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.

Manufacturing of medical products and equipment

Since 2010, the Remaining Group has engaged in the manufacturing of medical film (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC and manufacturing, marketing and sale of dental film and medical dry film products under the house brand "Yes!Star".

Non-medical business

The Remaining Group's non-medical business was put into operation in 2000. The Remaining Group is mainly engaged in the manufacturing, marketing, distribution and sale of Fujifilm color photographic paper (professional and minilab), as well as industrial imaging products ("Yes!Star" NDT X-ray film and Fujifilm PWB film) in the PRC.

In our discussion with the Management, except for the Disposal, the Company does not have any plan to dispose/downsize the business operation and assets of the Group as at the Latest Practicable Date.

5. Reasons for and benefits of the Equity Transfer Agreement and the transactions contemplated thereunder

In assessing the fairness and reasonableness of entering in the Equity Transfer Agreement and the transactions contemplated thereunder, we have primarily taken into account for the following factors:

5.1 The general negative impact and uncertainty brought by COVID-19 to the Group's business performance since 2020, especially in the city of Shanghai

According to the Letter from the Board, the Group has encountered difficulty and challenging market conditions since outbreak of the COVID-19 pandemic in 2020. Since the first half of 2020, most hospital resources have been reserved to combat COVID-19 and hospitals have been occasionally shut down due to regional lockdown and quarantine measures in the PRC, which caused a plunge in demand of the IVD equipment installment reagent and related consumables. As a result, the Group recorded decreased revenue and profit subsequent to 2020 compared to those before the pandemic outbreak. In particular, the resurgence of COVID-19 disrupted the relative stability of the PRC in 2022 and Shanghai, the financial center of the PRC, was hit the hardest. The city of Shanghai was completely locked down for nearly three months — including the entire April and May 2022.

As the Target Companies mainly operated in Shanghai and is clearly delineated from the Remaining Group by geographical area, the profit contribution from the Target Companies has recorded a rapid drop in 2022 led by the complete-lockdown in Shanghai. The unaudited combined financial information of the Target Companies is set forth in the Appendix II-A and II-B in this Circular.

5.2 Alternative financing and the interest of the Purchaser

According to the Letter from the Board, in view of the aforesaid challenges faced by the Group brought by the COVID-19, the Company has been exploring ways to raise funds to reduce its indebtedness, improve the liquidity and the overall financial position of the Remaining Group. As disclosed in the Company's announcement dated 8 April 2022, with an aim to strengthen the Company's capital base and help reduce the Company's debt ratio and improve its financial position, the Company and the potential investor entered into the memorandum of understanding, pursuant to which the Company intends to allot and issue, and the potential investor intends to subscribe for new shares to be allotted and issued by the Company under the possible subscription. However, the potential subscription did not proceed due to the commercial negotiation between the Company and the potential investor. In view of current unfavourable market conditions, the Company faced difficulty in raising funds in the capital market.

Nevertheless, the Company has successfully carried out a series of offshore debt restructuring actions with an aim to pave way for sustainable development, including but not limited to issuance of US$197,864,523 new senior notes (the "**New Notes**") due 2026 at a coupon rate of 9.5%. Details of the terms of the aforesaid restructuring actions and the New Notes are set forth in the Company's announcements dated 8 November 2021, 3 December 2021, 12 December 2021, 14 December 2021, 29 December 2021, 31 December 2021, 3 January 2023, 22 March 2023, 17 April 2023, 28 April 2023, 31 July 2023 and 6 December 2023, respectively.

As abovementioned, under the indenture governing the New Notes, the Company is due to redeem 5%, 15%, 30% and 45% of the original principal amount of the New Notes by 30 December 2022, 30 December 2023, 30 December 2024 and 30 December 2025 respectively. The Company is due to redeem the remaining principal amount and the interests of the New Notes by 30 December 2026. The Company did not redeem any of the New Notes as at the Latest Practicable Date and may not be able to redeem the New Notes in accordance with the requirements on the New Notes (the "**Default**"). As the Default has occurred and is still continuing, the Company is prohibited by the terms of the indenture governing the New Notes from consummating the asset sale. As a result, the noteholders of the New Notes have the right under the indenture governing the New Notes to immediately accelerate repayment of the entire principal amount of the New Notes, together with any premium and accrued and unpaid interests. In response to such default and the asset sale restriction, the Company has been maintaining close communication with the noteholders of the New Notes with a view in exploring solutions for the repayment of the outstanding liabilities under the indenture governing the New Notes that is beneficial to both parties. Reference is made to the announcement of the Company dated 17 April 2023, pursuant to which, a writ of summons under the action number HCA 570 of 2023 was issued in the Court of First Instance of the High Court of The Hong Kong Special Administrative Region (the "**High Court**") by Madison Pacific Trust Limited against the Company in respect of the New Notes (the "**Writ**"). The Writ claimed for, among other things, (i) payment of the sum of US$9,893,226.15, being the outstanding payment of at least 5% of US$197,864,523 at a redemption price equal to par plus any accrued and unpaid interest and accrued semi-annual interest in respect of the notes of the Company; (ii) payment of interest at the rate of 9.5% per annum on the sum of US$9,239,065.78 from 31 December 2021 until payment; (iii) injunction restraining the Company to, among other matters, convene the EGM and approve the Disposal; (iv) interest; (v) costs; and (vi) further relief as the court may think fit. The Board believes that the Disposal will serve as an important source of funding for the settlement of part of the outstanding liabilities of the New Notes which will be beneficial to both the Company and the noteholders of the New Notes.

The Company has been engaged in active discussions with certain significant beneficial holders of the New Notes in relation to the implementation of a consensual restructuring to address the outstanding liabilities under the New

Notes in a holistic manner. The proposed restructuring of the existing liabilities outstanding under the New Notes is agreed to be implemented by way of a Cayman Scheme (the "**Restructuring**") and on 30 November 2023, a restructuring support agreement (the "**RSA**") was signed by, among others, the Company and certain subsidiaries within the Group. An ad-hoc group of holders (the "**Noteholder Committee**") and other supporting holders of the New Notes representing, in aggregate, approximately 47.8% of the aggregate outstanding principal amount of the New Notes have, as at the Latest Practicable Date, signed and acceded to the RSA with a view to, among other things, support and facilitate the Restructuring, the Cayman Scheme and all other transactions contemplated under or in connection with the RSA and/or the Restructuring (the "**Restructuring Arrangements**").

The RSA forms the basis for the implementation of the Restructuring Arrangements. The Restructuring is expected to be implemented through a Cayman Scheme which can be approved by a majority in number, representing at least 75% in value, of the holders of New Notes who are present and voting (either in person or by proxy) at the scheme meeting convened in respect of the Cayman Scheme. The Company expects to commence the process of implementing the Restructuring Arrangements on terms set forth in the RSA as soon as possible. Please refer to the announcement of the Company dated 6 December 2023 for further details on the Restructuring Arrangements.

Meanwhile, the main noteholders of the New Notes instructed their solicitors to apply to the High Court to withdraw the Writ by way of consent summons on 1 December 2023 and the High Court accepted and approved the withdrawal application on 6 December 2023.

The outstanding liabilities of the Group, including the New Notes, are expected to incur significant financial costs taking into account (i) the terms and conditions regarding interest rate and repayment of the Group's outstanding liabilities; and (ii) the depreciation of RMB. Based on the current financial position and unfavorable market conditions, the Group has limited opportunities of obtaining new financing or refinancing from the banks. As advised by the Management, the Purchaser is the only potential purchaser which showed his interest to acquire the Target Companies and the net proceeds from the Disposal will serve as an important source of funding for the settlement of part of the outstanding liabilities which will be beneficial to both the Company and the noteholders of the New Notes.

5.3 The financial status of the Company and the intended use of net proceeds

As disclosed in the 2022 Annual Report, 2023 Interim Report and the Company's announcements dated 3 January 2023, 17 April 2023 and 6 December 2023 (regarding the proposed debt restructuring), given that (i) the Group has the total interest-bearing bank and other borrowings amounted to approximately RMB1,711.9 million as at 30 June 2023; (ii) the net liabilities of the Company amounted to approximately RMB397.1 million as at 30 June 2023; (iii) the Company was in a net deficits position as at 31 December 2022 and the then Company's auditor has given a "disclaimer of opinion" on the consolidated annual financial statements of the Company for the year ended 31 December 2022 on the basis of multiple uncertainties relating to going concern; and (iv) the Default has occurred and are currently continuing as at the Latest Practicable Date, the Consideration will enable the Company to reduce its indebtedness and improve the liquidity. In addition, the net proceeds of the Disposal of approximately RMB420.0 million, being the Actual Payment less the estimated transaction costs of approximately RMB2.9 million, will enhance the Remaining Group's financial position by reducing its indebtedness. The net proceeds from the Disposal will be used to settle the outstanding liabilities of the Remaining Group, reduce its indebtedness and improve the liquidity of the Remaining Group, which are critical to stay competitive locally and internationally and generate long-term growth to shareholders. As advised by the Management, it is expected that the net proceeds will be used up within 12 months from obtaining the net proceeds. As abovementioned, the Remaining Group recorded significant finance cost from the New Notes and such finance cost was further increased in 2022. Therefore, the net proceeds from the Disposal will serve as a source of funding for settlement of part of the outstanding liabilities, so that the Remaining Group is able to deploy more resources in the business development after the finance cost is lowered.

In conclusion, in light of the foregoing, we are of the view that entering into of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Principal terms of the Equity Transfer Agreement and the transactions contemplated thereunder

Pursuant to the Equity Transfer Agreement, among others, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Target Shares.

The Consideration is RMB574,750,000. For the avoidance of doubt, the Purchaser agreed to pay the Consideration less the outstanding amount of RMB131,250,000 and the interest expenses to be paid by the Vendor to the Purchaser in accordance with the 2020 Equity Transfer Agreement (the "**Actual Payment**"). The Actual Payment is to be settled by the Purchaser in cash within ten Business Days from the date of fulfillment of all conditions precedent of the Equity Transfer Agreement or within 30 days from the date of publishment of this circular (whichever is later).

Completion will be conditional upon the completion and satisfaction of the conditions as set out in the sub-section "Completion" in the Letter from the Board.

Assessment of the Consideration

With reference to the Letter from the Board, the Consideration of RMB574,750,000, was determined after arm's length commercial negotiations between the Vendor and the Purchaser based on normal commercial terms, with reference to, among other things, (i) the price-to-earnings ratios of comparable companies in the market; (ii) the historical earnings of the Target Companies, in particular the revenue, profit before tax and non-IFRS measure adjusted profit of the Target Companies for the two years ended 31 December 2021 and the nine months ended 30 September 2022; (iii) the business development and future prospects of the Target Companies; and (iv) the factors as set out in the sub-section "Reasons for and Benefits of the Disposal" in the Letter from the Board, details of which are set out in the sub-section "Consideration" in the Letter from the Board.

We understand that the Target Companies are principally engaged in the sales and distribution of IVD products, medical equipment and other related consumables in Shanghai. In this regard, we have identified a list of comparable companies (the "**Comparable Companies**") based on the public information with the following selection criteria (the "**Criteria**"):

(1) listed on the Stock Exchange and the Shanghai Stock Exchange in the PRC;

(2) principally engaged in the manufacturing and sales of IVD products, medical equipment and other related consumables (the "**Target Business**"); and

(3) with more than 90% of annual segment revenue for the financial year ended 31 December 2022 which was generated from the Target Business.

Based on the Criteria, we have identified three Comparable Companies in Hong Kong and in the PRC which satisfied the Criteria. Notwithstanding that only three Comparable Companies were identified based on the Criteria, given that (i) the Criteria was objectively set after taking into account business nature of the Target Companies and we have no control over the number of Comparable Companies which satisfies the Criteria; and (ii) there are only a small number of companies listed on the Stock Exchange and in the PRC whose business are considered to be comparable to that of the Target Companies, which are niche in nature, we believe and confirm the Comparable Companies are fair and representative samples for comparison purposes and the list of Comparable Companies as shown below is an exhaustive list. In our assessment, we have considered the price-to-earnings ("**P/E**"), the price-to-book ("**P/B**") and the price-to-sales ("**P/S**"), which are the commonly adopted valuation multiples and would be appropriate to assess the fairness and reasonableness of the Consideration.

List of Comparable Companies:

Name	Stock code	Listing location	Principal business activities	Market Capitalisation *Note 1* *HK$ million*	P/E *Note 2* *(times)*	P/B *Note 3* *(times)*	P/S *Note 4* *(times)*	Revenue contribution from Target Business *Note 5* *(%)*
IVD Medical Holding Limited	1931	Hong Kong	The company is a China-based company mainly engaged in the sales of in vitro diagnostic products (IVD). The company's distribution business is mainly engaged in the sales of IVD analyzers and IVD reagents and other consumables. The company's self-branded products business is mainly engaged in research, development, production and sales of the company's self-brand IVD products. The company also provides repair services for self-brand IVD products.	2,655.0	12.13	0.75	0.86	94%
Biosino Bio Technology and Science Incorporation	8247	Hong Kong	The company is a China-based company principally engaged in the research and development, manufacture, sales and distribution of in-vitro diagnostics reagent products. The company's products include mono diagnostic reagent products and double diagnostic reagent products. Its products categories include liver diseases category, kidney diseases category, lipid diseases category, cardiovascular diseases category, glycometabolism category, inorganic ion category, pancreas diseases category and specific protein category. Its products are sold to hospitals and medical institutions.	81.6	5.14	0.31	0.20	90%

Name	Stock code	Listing location	Principal business activities	Market Capitalisation	P/E	P/B	P/S	Revenue contribution from Target Business
				Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*
				HK$ million	*(times)*	*(times)*	*(times)*	*(%)*
Shanghai Runda Medical Technology Co., Ltd.	603108	Shanghai	The company is principally engaged in providing integrated medical laboratory service by offering various meaningful medical solutions, a full range of IVD products and professional technical support.	6,559.2	8.94	1.17	0.56	93%
			Maximum		**12.13**	**1.17**	**0.86**	
			Minimum		**5.14**	**0.31**	**0.20**	
			Average		**8.74**	**0.74**	**0.54**	
The Target Companies			The Target Companies are principally engaged in the sales and distribution of IVD products, medical equipment and other related consumables in Shanghai.		9.65	0.90	0.39	100%

Source: the website of the Stock Exchange and the respective website of the Comparable Companies

Notes:

1. Computed based on the closing price and the total number of outstanding ordinary shares of the Comparable Companies as at the date of the Equity Transfer Agreement.

2. Computed by dividing the respective market capitalization of the Comparable Companies as at the date of the Equity Transfer Agreement by the respective net profits of the Comparable Companies for the financial year ended 31 December 2022, as extracted from their annual reports.

3. Computed by dividing the respective market capitalization of the Comparable Companies as at the date of the Equity Transfer Agreement by the respective net assets of the Comparable Companies as at 31 December 2022, as extracted from their annual reports.

4. Computed by dividing the respective market capitalization of the Comparable Companies as at the date of the Equity Transfer Agreement by the respective revenue of the Comparable Companies for the financial year ended 31 December 2022, as extracted from their annual reports.

5. Computed by dividing the respective revenue from Target Business for the financial year ended 31 December 2022 by the respective total revenue for the financial year ended 31 December 2022, as extracted from their annual reports.

6. The reporting currency of the Comparable Companies and the Target Companies is dominated in RMB, the exchange rate applied herein is based on RMB0.89327:HK$1 as at the date of the Equity Transfer Announcement according to the official website of the State Administration of Foreign Exchange (https://www.safe.gov.cn/en/).

As set out above, the P/E of the Comparable Companies ranged from approximately 5.14 times to approximately 12.13 times (the "**P/E Range**") with the average of approximately 8.74 times (the "**Average P/E**"). The P/E of the Target Companies is approximately 9.65 times, which falls within the P/E Range and exceeds the Average P/E. The P/B of the Comparable Companies ranged from approximately 0.31 time to approximately 1.17 times (the "**P/B Range**") with the average of approximately 0.74 time (the "**Average P/B**"). The P/B of the Target Companies is approximately 0.90 time, which falls within the P/B Range and exceeds the Average P/B. The P/S of the Comparable Companies ranged from approximately 0.20 time to approximately 0.86 time (the "**P/S Range**") with the average of approximately 0.54 time (the "**Average P/S**"). The P/S of the Target Companies is approximately 0.39 time, which falls within the P/S Range but below the Average P/S.

Given the fact that (1) the P/E of the Target Companies is approximately 9.65 times, which falls within the P/E Range and exceeds the Average P/E; (2) the P/B of the Target Companies is approximately 0.90 time, which falls within the P/B Range and exceeds the Average P/B; (3) the P/S of the Target Companies is approximately 0.39 times, which falls within the P/S Range; and (4) the equities of the Target Companies were not publicly listed and the lack of marketability, in general, should discount the value of the equities of the Target Companies when compared to the valuation of the shares of the Comparable Companies which are all listed on the Stock Exchange or listed on the Shanghai Stock Exchange in the PRC, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

7. Financial impacts of the Disposal

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company, and will no longer be consolidated into the financial statements of the Group.

Reference is made to the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV in this Circular. For illustration purposes, (i) if the Disposal had been completed on 30 June 2023, the net current liabilities of the Group as at 30 June 2023 would be decreased from approximately RMB1,087.8 million to approximately RMB864.6 million and the net liabilities of the Group as at 30 June 2023 would be slightly increased from approximately RMB397.1 million to approximately RMB408.4 million and the Group expects to record an unaudited net loss from the Disposal, after deducting the expenses directly attributable thereto and without taking into account the income tax impact, will amount to approximately RMB11.3 million; and (ii) if the Disposal had been completed on 1 January 2022, the revenue of the Group for the FY ended 31 December 2022 would be decreased from approximately RMB4,294.0 million to approximately RMB2,811.3 million and the net loss of the Group for the FY ended 31 December 2022 would be slightly increased from approximately RMB1,020.6 million to approximately RMB1,048.5 million and the Group expects to record an unaudited net loss from the Disposal, after deducting the expenses directly attributable thereto and without taking into account the income tax impact, will amount to approximately RMB574.6 million. The actual loss in connection with the Disposal will be determined based on the net proceeds received and the financial position of the Target Companies at Completion.

RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, we are of the view that the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the forthcoming EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
South China Capital Limited

Nicholas Cheng
Managing Director

Felix Leung
Associate Director

Note:

Mr. Nicholas Cheng and Mr. Felix Leung are licensed persons registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Nicholas Cheng has extensive experience in corporate finance industry and has participated in, and completed, the provision of independent financial advisory services for numerous connected transactions involving listed companies in Hong Kong. Mr. Felix Leung has over ten years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are disclosed on pages 73–171, 73–167 and 86–175, respectively, in the annual reports of the Company for the three years ended 31 December 2020, 2021 and 2022 and pages 21–48 in the interim report for the six months ended 30 June 2023 which are published on both the websites of HKExnews (www.hkexnews.hk) and the Company (www.yestarcorp.com).

(i) annual report of the Company for the year ended 31 December 2020, published on 23 April 2021, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300053.pdf

(ii) annual report of the Company for the year ended 31 December 2021, published on 27 April 2022, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700028.pdf

(iii) annual report of the Company for the year ended 31 December 2022, published on 28 April 2023, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042803415.pdf

(iv) interim report of the Company for the six months ended 30 June 2023, published on 15 September 2023, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0915/2023091500064.pdf

2. INDEBTEDNESS STATEMENT

Indebtedness

As at the close of business on 31 October 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately RMB1,797.4 million, comprising New Notes of approximately RMB1,444.8 million and bank and other borrowings of approximately RMB352.6 million of which RMB69.7 million was secured and guaranteed, RMB42.0 million was secured and unguaranteed, RMB87.5 million was unsecured and guaranteed, RMB153.4 million was unsecured and unguaranteed and lease liabilities of approximately RMB166.6 million. In addition, under the Indenture governing the New Notes, the Company is due to redeem 5%, 15%, 30% and 45% of the original principal amount of the New Notes by 30 December 2022, 30 December 2023, 30 December 2024 and 30 December 2025 respectively. The Company is due to redeem the remaining principal amount and the interests of the New Notes by 30 December 2026. The Company did not redeem any of the New Notes as at the Latest Practicable Date and may not be able to redeem the New Notes in accordance with the requirements on the New Notes.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 October 2023, the Group did not have any other debt securities issued and outstanding or authorized or otherwise created and unissued, bank overdrafts, loans or other similar indebtedness, liabilities or debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

Since the COVID-19 pandemic in 2020, the Group's business performance has been severely impacted due to rounds of regional lock-downs and continuous quarantine measures in the PRC, especially the large-scale lock down in Shanghai in the first half of 2022, which seriously hindered the regular services of hospitals and medical clinics. The Group continues to encounter difficulty in liquidity constraints due to its disrupted operation and cashflow generation.

(i) New Notes

Reference is made to the announcements of the Company dated 8 November 2021, 3 December 2021, 12 December 2021, 14 December 2021, 29 December 2021, 31 December 2021, 3 January 2023, 23 March 2023, 17 April 2023, 28 April 2023, 31 July 2023 and 6 December 2023 relating to the 9.5% senior notes due 2026 issued by the Company in the principal amount of US$197,864,523.

Under the Indenture governing the New Notes, the Company is due to redeem 5%, 15%, 30% and 45% of the original principal amount of the New Notes by 30 December 2022, 30 December 2023, 30 December 2024 and 30 December 2025 respectively. The Company is due to redeem the remaining principal amount and the interests of the New Notes by 30 December 2026. The Company did not redeem any of the New Notes as at the Latest Practicable Date and may not be able to redeem the New Notes in accordance with the requirements on the New Notes.

In addition, the interest on the New Notes became due and payable on 30 December 2022 and 30 June 2023. Under the Indenture governing the New Notes, the Company has a grace period of 30 days to make the interest payment. As at the Latest Practicable Date, the Company had not made the outstanding interest payment.

As a result of the above, the trustee or the holders of at least 25% in aggregate principal amount of the New Notes, then outstanding, by written notice to the Company (and to the trustee if such notice is given by the holders), may, and the trustee at the written request of such holders shall (subject to receiving indemnity and/or security and/or prefunding to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the New Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. As disclosed in the announcement of the Company dated 17 April 2023, a writ of summons under the action number HCA 570 of 2023 was issued in the Court of First Instance of the High Court by Madison Pacific Trust Limited against the Company in respect of the New Notes.

The Company has been engaged in active discussions with certain significant beneficial holders of the New Notes in relation to the implementation of a consensual restructuring to address the outstanding liabilities under the New Notes in a holistic manner. The Restructuring of the existing liabilities outstanding under the New Notes is agreed to be implemented by way of a Cayman Scheme and on 30 November 2023, the RSA was signed by, among others, the Company and certain subsidiaries within the Group. The Noteholder Committee and other supporting holders of the New Notes representing, in aggregate, approximately 47.8% of the aggregate outstanding principal amount of the New Notes have, as at the Latest Practicable Date, signed and acceded to the RSA with a view to, among other things, support and facilitate the Restructuring, the Cayman Scheme and all other transactions contemplated under or in connection with the RSA and/or the Restructuring.

The RSA forms the basis for the implementation of the Restructuring Arrangements. The Restructuring is expected to be implemented through a Cayman Scheme which can be approved by a majority in number, representing at least 75% in value, of the holders of New Notes who are present and voting (either in person or by proxy) at the scheme meeting convened in respect of the Cayman Scheme. The Company expects to commence the process of implementing the Restructuring Arrangements on terms set forth in the RSA as soon as possible. Please refer to the announcement of the Company dated 6 December 2023 for further details on the Restructuring Arrangements.

Meanwhile, the main noteholders of the New Notes instructed their solicitors to apply to the High Court to withdraw the Writ by way of consent summons on 1 December 2023 and the High Court accepted and approved the withdrawal application on 6 December 2023.

As the default has occurred and is still continuing, there has been a material adverse change in the Group's financial position since 31 December 2022 (being the date to which the latest published consolidated financial statements of the Group had been made up).

(ii) The Loan

Historically, the Group relies on loans from financial institutions to finance its operations. Most of the loans are of maturity dates within the next twelve months from the date of this circular. In case the financial institutions demand for early repayment or the Group is not able to renew or roll over or obtain replacement borrowings upon their maturity, the Group may not be able to meet the repayment requests from the relevant financial institutions.

The working capital available to the Group will not be sufficient to satisfy the above cash flow requirements together with the other scheduled payment which due or will be due within twelve months from the date of this circular. The statement as to the sufficiency of the Group's working capital has been made by the Directors after due and careful enquiry; and the persons or institutions providing finance have confirmed in writing that such facilities exist. In view of the above circumstances, the Directors have taken the following measures and actions:

(a) The Company is proactively engaged in dialogues with major holders of its New Notes with a view to exploring and implementing potential ways to address its liquidity issue, and to reach a consensual solution to best protect the interests of all its stakeholders. On 30 November 2023, the RSA was signed by, among others, the Company and certain subsidiaries within the Group. The Noteholder Committee and other supporting holders of the New Notes representing, in aggregate, approximately 47.8% of the aggregate outstanding principal amount of the New Notes have, as at the Latest Practicable Date, signed and acceded to the RSA with a view to, among other things, support and facilitate the Restructuring, the Cayman Scheme and all other transactions contemplated under or in connection with the RSA and/or the Restructuring.

(b) The Group has been procuring the Disposal of the Target Shares of the Target Companies in exchange for cash proceeds and to improve the Group's financial and liquidity position.

(c) The Group has been actively seeking additional standby facilities from independent financial institutions to finance the settlement of its existing financial obligations, commitments and future operating expenditures. For the bank loans approaching the maturity date, the Company has actively communicated with the banks and applied for loan renewal with the goal of maintaining the stability of the original loan amount. In the meanwhile, the Company looks for the opportunities to develop new bank cooperation projects and strives to obtain more lines of credit. In addition, the Company maintained cooperation with factoring companies. Factoring with flexible repayment which may supplement the gap time period that may exist in bank loans and ensure smooth and orderly operation.

(d) As at the Latest Practicable Date, the Directors had not received any requests from the financial institutions for early repayment of the loans.

(e) Before strengthening the Company's management of accounts receivable and according to the previous internal policy of the Company, the finance department of the Company would report the aging analysis and turnover days of account receivable to the senior management of the Company every month. However, no three-month collection target and achievement rate was set and no responsible persons were specifically assigned for these responsibilities. Also, bad debt accrual policy for account receivable is implemented at the end of each year but the bad debt accrual policy did not affect the performance assessment of each subsidiary. Moreover, at the beginning of each month, the Company would hold a meeting to report on the collection of account receivable plan for the month. The finance department would report to the Company on the actual collection of account receivable weekly.

In order to adopt a stricter control of the operating and investing activities, the Company has strengthened its management of account receivable and cost control. According to the current internal policy of the Company, the finance department of the Company would report the aging analysis and turnover days of account receivable to the senior management of the Company every month, and assign them to the relevant responsible persons of the subsidiaries of the Group. A three-month collection target and achievement rate is set for the subsidiaries of the Group to achieve. Also, account receivable accrual bad debt policy is implemented at the end of each year and such bad debt condition may affect the performance assessment of each subsidiary. Moreover, the finance department of the Company would make a three-month collection plan for all customers with account receivable 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). At the beginning of each month, the Company would hold a meeting to report on the collection of account receivable plan for the month and the indicators completed in the previous period. The finance department would report to the Company on the tracking of account receivable weekly.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save and except for the failure to redeem 5% of the original principal amount of the New Notes by 30 December 2022 and pay the interest on the New Notes due and payable on 30 December 2022 and 30 June 2023 as disclosed in the letter from the Board of this circular, the Directors were not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2022 (being the date to which the latest published consolidated financial statements of the Group had been made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Following the Disposal, the Remaining Group would be mainly engaged in (i) the distribution in In Vitro Diagnostic ("**IVD**") products in cities in Beijing, Guangzhou and Shenzhen, and in provinces of Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu, Hebei, Anhui and the autonomous region in Inner Mongolia; (ii) manufacturing of medical products and equipment; and (iii) non-medical business:

Distribution of IVD products

The Remaining Group entered into the IVD market in 2014 after its first acquisition of a medical device company in Jiangsu and had established partnerships with Roche Diagnostics. As one of the leading IVD distributors in the PRC, the Remaining Group strives to provide high-quality services and products to facilitate its customers. For top-tier institutions which are performance driven and less price sensitive, the Remaining Group has been actively promoting various imported products to ease their operational bottleneck. Such products do not only allow the Remaining Group to strengthen its market position as the one-stop solutions provider, but also greatly enhance its customer stickiness, laying a solid foundation for future orders and cash flow. On the other hand, the Remaining Group has introduced a number of domestic IVD brands, catering the needs of lower-tier hospitals and medical institutions. Riding on its extensive market knowledge and industry experience, the Remaining 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.

Manufacturing of medical products and equipment

Since 2010, the Remaining Group has engaged in the manufacturing of medical film (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC and manufacturing, marketing and sale of dental film and medical dry film products under the house brand "Yes!Star".

Non-medical business

The Remaining Group's non-medical business was put into operation in 2000. The Remaining Group is mainly engaged in the manufacturing, marketing, distribution and sale of Fujifilm color photographic paper (professional and minilab), as well as industrial imaging products ("Yes!Star" NDT X-ray film and Fujifilm PWB film) in the PRC.

Except for the Disposal, the Company does not have any plan to dispose/downsize the Company business operation and assets as at the Latest Practicable Date.

INDEPENDENT PRACTITIONER'S REVIEW REPORT ON THE FINANCIAL INFORMATION OF THE TARGET COMPANIES

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

We have reviewed the unaudited combined financial information of Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd. (collectively, the "**Target Companies**") set out on pages 3 to 11, which comprise the unaudited combined statements of financial position of the Target Companies as at 31 December 2020, 31 December 2021 and 31 December 2022, and the unaudited combined statements of profit or loss, the unaudited combined statements of comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows of the Target Companies for the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**"), and explanatory notes (collectively referred to as the "**Unaudited Combined Financial Information**"). The Unaudited Combined Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Yestar Healthcare Holdings Company Limited (the "**Company**") dated 13 December 2023 (the "**Circular**") in connection with the disposal of the Target Companies by the Company in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation and presentation of this Unaudited Combined Financial Information in accordance with the basis of presentation and preparation set out in note 2 to the Unaudited Combined Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rules. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of the Unaudited Combined Financial Information that is free from material misstatement, whether due to fraud or error. The Unaudited Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 *Presentation of Financial Statements* or an interim financial report as defined in International Accounting Standard 34 *Interim Financial Reporting* issued by International Accounting Standards Board.

Practitioner's Responsibility

Our responsibility is to express a conclusion on this Unaudited Combined Financial Information. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements* and with reference to Practice Note 750, *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants. HKSRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial information, taken as a whole, is not prepared in all material respects in accordance with the basis of presentation and preparation set out in note 2 to the Unaudited Combined Financial Information. This Standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with HKSRE 2400 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Hong Kong Standards on Auditing. Accordingly, we do not express an audit opinion on this financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Combined Financial Information of the Target Companies for the Relevant Periods is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in note 2 to the Unaudited Combined Financial Information.

Ernst & Young
Certified Public Accountants
Hong Kong

13 December 2023

UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS OF THE TARGET COMPANIES

For the three years ended 31 December 2020, 2021 and 2022

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
REVENUE	1,322,924	1,623,534	1,489,692
Cost of sales	(989,875)	(1,232,880)	(1,178,535)
Gross profit	333,049	390,654	311,157
Other income and gains	20,533	18,923	9,956
Selling and distribution expenses	(123,988)	(147,832)	(136,916)
Administrative expenses	(79,619)	(83,290)	(87,831)
Impairment losses on financial assets	(156)	(6,114)	(2,524)
Other expenses	(3,683)	(266)	(457)
Finance costs	(6,717)	(15,058)	(25,440)
Share of profit of an associate	5,247	7,994	19,731
PROFIT BEFORE TAX	144,666	165,011	87,676
Income tax expense	(35,010)	(42,945)	(28,147)
PROFIT FOR THE YEAR	109,656	122,066	59,529
Attributable to:			
Owners of the parent	109,656	122,066	59,529
Non-controlling interests	—	—	—
	109,656	122,066	59,529

UNAUDITED COMBINED STATEMENTS OF COMPREHENSIVE INCOME OF THE TARGET COMPANIES

For the three years ended 31 December 2020, 2021 and 2022

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
PROFIT FOR THE YEAR	109,656	122,066	59,529
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	—	—	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	109,656	122,066	59,529
Attributable to:			
Owners of the parent	109,656	122,066	59,529
Non-controlling interests	—	—	—
	109,656	122,066	59,529

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANIES

31 December 2020, 2021 and 2022

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	37,347	45,867	44,723
Right-of-use assets	160,546	175,335	163,191
Other intangible assets	183	124	65
Investment in an associate	5,247	13,241	32,972
Deferred tax assets	2,896	4,696	5,818
Total non-current assets	206,219	239,263	246,769
CURRENT ASSETS			
Inventories	122,702	60,340	143,003
Trade receivables	691,988	773,063	899,690
Prepayments, other receivables and other assets	48,373	123,127	139,319
Pledged deposits	1,179	1,580	—
Cash and cash equivalents	256,713	145,220	114,339
Total current assets	1,120,955	1,103,330	1,296,351
CURRENT LIABILITIES			
Interest-bearing bank loans	70,000	150,000	70,000
Trade and bills payables	196,445	267,031	326,223
Contract liabilities	12,378	15,123	10,560
Other payables and accruals	174,553	93,508	300,418
Lease liabilities	54,219	55,859	60,964
Tax payable	72,871	77,612	60,865
Total current liabilities	580,466	659,133	829,030
NET CURRENT ASSETS	540,489	444,197	467,321

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
NON-CURRENT LIABILITIES			
Lease liabilities	77,132	89,818	74,919
Total non-current liabilities	77,132	89,818	74,919
NET ASSETS	669,576	593,642	639,171
EQUITY			
Share capital	51,712	51,712	51,712
Reserves	617,864	541,930	587,459
	669,576	593,642	639,171
TOTAL EQUITY	669,576	593,642	639,171

UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE TARGET COMPANIES

For the three years ended 31 December 2020, 2021 and 2022

	Share capital*	**Statutory surplus reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2020	51,712	29,621	818,587	899,920
Profit for the year	—	—	109,656	109,656
Dividends paid	—	—	(340,000)	(340,000)
At 31 December 2020 and 1 January 2021	51,712	29,621	588,243	669,576
Profit for the year	—	—	122,066	122,066
Dividends paid	—	—	(198,000)	(198,000)
At 31 December 2021 and 1 January 2022	51,712	29,621	512,309	593,642
Profit for the year	—	—	59,529	59,529
Dividends paid	—	—	(14,000)	(14,000)
At 31 December 2022	51,712	29,621	557,838	639,171

* Share capital is the sum of share capital of the Target Companies.

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS OF THE TARGET COMPANIES

For the three years ended 31 December 2020, 2021 and 2022

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	144,666	165,011	87,676
Adjustments for:			
Depreciation of property, plant and equipment	12,641	14,897	15,610
Depreciation of right-of-use assets	69,126	66,931	72,896
Amortisation of intangible assets	59	59	59
Share of profit of an associate	(5,247)	(7,994)	(19,731)
Finance costs	6,717	15,058	25,440
Interest income	(5,902)	(1,689)	(618)
Impairment of inventories	—	—	1,532
Impairment of financial assets	156	6,114	2,524
	222,216	258,387	185,388
Decrease/(increase) in trade receivables	47,046	(87,188)	(129,151)
Decrease/(increase) in prepayments, other receivables and other assets	17,423	(74,754)	5,874
Decrease/(increase) in inventories	130,337	62,362	(84,195)
Increase in trade and bills payables	12,890	70,587	59,192
Increase/(decrease) in contract liabilities	9,517	2,745	(4,563)
Decrease in other payables and accruals	(56,047)	(19,046)	(23,090)
Cash generated from operations	383,382	213,093	9,455
Income tax paid	(44,925)	(40,005)	(46,016)
Interest received	5,902	1,689	618
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	344,359	174,777	(35,943)

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(10,200)	(23,851)	(14,466)
Proceeds from disposal of property, plant and equipment	286	433	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(9,914)	(23,418)	(14,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	70,000	180,000	30,000
Repayment of bank loans	—	(100,000)	(110,000)
Increase in advance from a non-controlling shareholder	—	—	230,000
Repayment to a non-controlling shareholder	—	—	(22,066)
(Increase)/decrease in pledged deposits for bank borrowings	(1,179)	(401)	1,580
Principal portion of lease payments	(71,377)	(67,393)	(70,546)
Dividends paid	(348,000)	(260,000)	(14,000)
Interest paid	(6,717)	(15,058)	(25,440)
NET CASH FLOWS (USED IN)/ FROM FINANCING ACTIVITIES	(357,273)	(262,852)	19,528
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,828)	(111,493)	(30,881)
Cash and cash equivalents at beginning of the year	279,541	256,713	145,220
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	256,713	145,220	114,339
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	257,892	146,800	114,339
Less: Pledged deposits	1,179	1,580	—
	256,713	145,220	114,339

NOTES TO UNAUDITED COMBINED FINANCIAL INFORMATION

31 December 2020, 2021 and 2022

1. GENERAL INFORMATION

Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd. (collectively, the "**Target Companies**") are limited liability enterprises established in the People's Republic of China ("**PRC**") which are principally engaged in the sales and distribution of In Vitro Diagnostic products, medical equipment and other related consumables and the provision of medical equipment maintenance service in Shanghai.

On 30 December 2022, Yestar (Guangxi) Medical System Co., Ltd. (the "**Vendor**"), the immediate holding company of the Target Companies, has entered into the equity transfer agreement ("**Agreement**") with Mr. Li Bin (the "**Purchaser**") for all equity interests of the Target Companies held by the Vendor (the "**Disposal**").

The Unaudited Combined Financial Information is presented in Renminbi ("**RMB**"). All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. BASIS OF PRESENTATION AND PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION OF THE TARGET COMPANIES

The Unaudited Combined Financial Information of the Target Companies for the years ended 31 December 2020, 2021 and 2022 has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules.

Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company.

The details of the Target Companies are set out below:

Name of company	Date and place of incorporation/registration and place of operations	Registered capital
Shanghai Emphasis Investment Management Consulting Co., Ltd.	PRC/Mainland China 4 April 2005	RMB29,880,000
Shanghai Jianchu Medical Instrument Co., Ltd.	PRC/Mainland China 26 August 2011	RMB8,880,000
Shanghai Chaolian Trading Co., Ltd.	PRC/Mainland China 26 February 2002	RMB500,000
Shanghai Haole Industrial Co., Ltd.	PRC/Mainland China 1 June 2010	RMB11,952,000
Shanghai Dingpei Industrial Co., Ltd.	PRC/Mainland China 4 April 2014	RMB500,000

For the purpose of this report, the Unaudited Combined Financial Information has been prepared on a combined basis of the Target Companies for the Relevant Periods, and all intra-group transactions and balances have been eliminated on combination.

The amounts included in the Unaudited Combined Financial Information of the Target Companies have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the relevant years, which conform 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. The Unaudited Combined Financial Information of the Target Companies has been prepared under the historical cost convention.

The Unaudited Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in IAS 1 *Presentation of Financial Statements* or an interim financial report as defined in IAS 34 *Interim Financial Reporting* and should be read in conjunction with the relevant published annual reports or interim reports of the Group for the Relevant Periods.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Unaudited Combined Financial Information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the years ended 31 December 2020, 2021 and 2022. There are no new policies adopted after 31 December 2022.

REPORT ON REVIEW OF FINANCIAL INFORMATION OF THE TARGET COMPANIES

To the board of directors of Yestar Healthcare Holdings Company Limited

Introduction

We have reviewed the unaudited combined financial information of Shanghai Emphasis Investment Management Consulting Co., Ltd.* (上海安百達投資管理顧問有限公司), Shanghai Jianchu Medical Instrument Co., Ltd.* (上海建儲醫療器械有限公司), Shanghai Chaolian Trading Co., Ltd.* (上海超聯商貿有限公司), Shanghai Haole Industrial Co., Ltd.* (上海顥樂實業有限公司) and Shanghai Dingpei Industrial Co., Ltd.* (上海定佩實業有限公司) (collectively, the "**Target Companies**") set out on pages II-B-3 to II-B-13 which comprises the unaudited combined statements of financial position as at 30 June 2023 and the unaudited combined statements of profit or loss, the unaudited combined statements of comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows of the Target Companies for the six months ended 30 June 2023 and explanatory notes (collectively, the "**Unaudited Combined Financial Information**"). The Unaudited Combined Financial Information has been prepared solely for the purpose of inclusion in the circular dated 13 December 2023 issued by Yestar Healthcare Holdings Company Limited (the "**Company**") in connection with the proposed disposal of the entire equity interests of the Target Companies in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The directors of the Company are responsible for the preparation and presentation of the Unaudited Combined Financial Information of the Target Companies in accordance with the basis of preparation set out in note 2 to the Unaudited Combined Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rules. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of the Unaudited Combined Financial Information that is free from material misstatement, whether due to fraud or error. The Unaudited Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by International Accounting Standards Board. Our responsibility is to express a conclusion on this Unaudited Combined Financial Information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

* *The English names are for identification purpose only and the official names of the entities are in Chinese.*

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Combined Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Combined Financial Information.

BDO Limited
Certified Public Accountants
Hong Kong, 13 December 2023

UNAUDITED COMBINED FINANCIAL INFORMATION OF THE TARGET COMPANIES FOR THE SIX MONTHS ENDED 30 JUNE 2023

Set out below are the unaudited combined statements of financial position of the Target Companies as at 30 June 2023, and the unaudited combined statements of profit or loss, the unaudited combined statements of comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows of the Target Companies for the six months ended 30 June 2023, and explanatory notes.

The Unaudited Combined Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing rule and the basis of preparation as set out in Note 2 to the Unaudited Combined Financial Information.

The Unaudited Combined Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the proposed disposal of the entire equity interest in the Target Companies. The new auditor of the Company, BDO Limited, has reviewed the Unaudited Financial Information of the Target Companies in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable the Company's new auditor to obtain assurance that the Company's new auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the Company's new auditor does not express an audit opinion. The Company's new auditor has issued an unmodified review report.

UNAUDITED COMBINED STATEMENT OF PROFIT OR LOSS OF THE TARGET COMPANIES

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	**2022**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	890,323	580,578
Cost of sales	(690,325)	(459,542)
Gross profit	199,998	121,036
Other income and gains	5,171	5,800
Selling and distribution expenses	(102,875)	(63,217)
Administrative expenses	(48,491)	(42,462)
Impairment loss of financial assets	(8,696)	(340)
Other expenses	(52)	(142)
Finance costs	(28,473)	(12,707)
Share of profit of an associate	4,830	7,891
PROFIT BEFORE TAX	21,412	15,859
Income tax expense	(19,048)	(4,953)
PROFIT FOR THE PERIOD	2,364	10,906

UNAUDITED COMBINED STATEMENT OF COMPREHENSIVE INCOME OF THE TARGET COMPANIES

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	**2022**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	2,364	10,906
OTHER COMPREHENSIVE INCOME		
Other comprehensive income	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,364	10,906

UNAUDITED COMBINED STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANIES

As at 30 June 2023

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NON-CURRENT ASSETS		
Property, plant and equipment	44,802	44,723
Right-of-use assets	148,389	163,191
Other intangible assets	36	65
Investment in an associate	37,802	32,972
Deferred tax assets	7,987	5,818
Total non-current assets	239,016	246,769
CURRENT ASSETS		
Inventories	121,766	143,003
Trade and bills receivables	960,252	899,690
Prepayments, other receivables and other assets	163,473	139,319
Cash and cash equivalents	51,594	114,339
Total current assets	1,297,085	1,296,351
CURRENT LIABILITIES		
Trade payables	293,547	326,223
Contract liabilities	12,712	10,560
Other payables and accruals	361,027	300,418
Interest-bearing bank borrowings	40,000	70,000
Lease liabilities	61,085	60,964
Tax payable	61,097	60,865
Total current liabilities	829,468	829,030
NET CURRENT ASSETS	467,617	467,321

	30 June 2023	**31 December 2022**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NON-CURRENT LIABILITIES		
Lease liabilities	65,098	74,919
Total non-current liabilities	65,098	74,919
NET ASSETS	641,535	639,171
EQUITY		
Share capital	51,712	51,712
Reserves	589,823	587,459
	641,535	639,171
TOTAL EQUITY	641,535	639,171

UNAUDITED COMBINED STATEMENT OF CHANGES IN EQUITY OF THE TARGET COMPANIES

For the six months ended 30 June 2023

	Share capital*	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2023	51,712	29,621	557,838	639,171
Profit and total comprehensive income for the period	—	—	2,364	2,364
At 30 June 2023	51,712	29,621	560,202	641,535

	Share capital*	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2022	51,712	29,621	512,309	593,642
Profit and total comprehensive income for the period	—	—	10,906	10,906
At 30 June 2022	51,712	29,621	523,215	604,548

* Share capital is the sum of share capital of the Target Companies.

UNAUDITED COMBINED STATEMENT OF CASH FLOWS OF THE TARGET COMPANIES

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	**2022**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	21,412	15,859
Adjustments for:		
Depreciation of property, plant and equipment	7,525	8,279
Depreciation of right-of-use assets	35,641	39,343
Amortisation of intangible assets	29	29
Share of profit of an associate	(4,830)	(7,891)
Finance costs	28,473	12,707
Interest income	(250)	(304)
Impairment of inventories	—	1,532
Impairment of financial assets	8,696	340
	96,696	69,894
(Increase)/decrease in trade and bills receivables	(67,388)	69,019
(Increase)/decrease in prepayments, other receivables and other assets	(26,023)	12,057
Decrease/(increase) in inventories	21,237	(34,607)
Decrease in trade payables	(32,676)	(63,633)
Increase/(decrease) in other payables and accruals	1,735	(28,559)
Increase/(decrease) in contract liabilities	2,152	(2,492)
Cash (used in)/generated from operations	(4,267)	21,679
Income tax paid	(20,985)	(39,229)
Interest received	250	304
NET CASH USED IN OPERATING ACTIVITIES	(25,002)	(17,246)

	Six months ended 30 June	
	2023	**2022**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(7,605)	(9,650)
Proceeds from disposal of property, plant and equipment	1	—
NET CASH FLOW USED IN INVESTING ACTIVITIES	(7,604)	(9,650)
CASH FLOW FROM FINANCING ACTIVITIES		
New bank loans	—	30,000
Repayment of bank loans	(30,000)	—
Increase in advance from a non-controlling shareholder	56,000	—
Principal portion of lease payments	(30,539)	(36,767)
Interest paid	(25,600)	(12,707)
NET CASH USED IN FINANCING ACTIVITIES	(30,139)	(19,474)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,745)	(46,370)
Cash and cash equivalents at beginning of the period	114,339	145,220
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	51,594	98,850
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	51,594	100,430
Less: Pledged deposits	—	(1,580)
	51,594	98,850

NOTES TO THE UNAUDITED COMBINED FINANCIAL INFORMATION

30 June 2023

1. GENERAL INFORMATION

Shanghai Emphasis Investment Management Consulting Co., Ltd., Shanghai Jianchu Medical Instrument Co., Ltd., Shanghai Chaolian Trading Co., Ltd., Shanghai Haole Industrial Co., Ltd. and Shanghai Dingpei Industrial Co., Ltd. (collectively, the "**Target Companies**") are limited liability enterprises established in the People's Republic of China ("**PRC**") which are principally engaged in the sales and distribution of In Vitro Diagnostic products, medical equipment and other related consumables and the provision of medical equipment maintenance service in Shanghai.

On 30 December 2022, Yestar (Guangxi) Medical System Co., Ltd. (the "**Vendor**"), the immediate holding company of the Target Companies, has entered into the equity transfer agreement (the "**Agreement**") with Mr. Li Bin (the "**Purchaser**") for all equity interests of the Target Companies held by the Vendor (the "**Disposal**").

The Unaudited Combined Financial Information is presented in Renminbi ("**RMB**"). All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. BASIS OF PREPARATION AND PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION OF THE TARGET COMPANIES

The Unaudited Combined Financial Information of the Target Companies for the six months ended 30 June 2023 has been prepared solely for the purpose of inclusion in the circular dated 13 December 2023 issued by the Company in connection with the proposed disposal of the entire equity interest in the Target Companies in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules.

Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company.

The details of the Target Companies are set out below:

Name of company	Date and place incorporation/ registration and place of operations	Registered capital
Shanghai Emphasis Investment Management Consulting Co., Ltd	PRC/Mainland China 4 April 2005	RMB29,880,000
Shanghai Jianchu Medical Instrument Co., Ltd.	PRC/Mainland China 26 August 2011	RMB8,880,000
Shanghai Chaolian Trading Co., Ltd.	PRC/Mainland China 26 February 2002	RMB500,000
Shanghai Haole Industrial Co., Ltd.	PRC/Mainland China 1 June 2010	RMB11,952,000
Shanghai Haole Industrial Co., Ltd.	PRC/Mainland China 4 April 2014	RMB500,000

For the purpose of this report, the Unaudited Combined Financial Information has been prepared on a combined basis of the Target Companies for the six months ended 30 June 2023, and all intra-group transactions and balances have been eliminated on combination.

The amounts included in the Unaudited Combined Financial Information of the Target Companies have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023, which conform 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. The Unaudited Combined Financial Information of the Target Companies has been prepared under the historical cost convention.

The Unaudited Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in IAS 1 *Presentation of Financial Statements* or an interim financial report as defined in IAS 34 *Interim Presentation Financial Reportin*g and should be read in conjunction with the relevant published annual reports or interim reports of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Unaudited Combined Financial Information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2022 except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

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

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

(i) 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 HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the Unaudited Combined Financial Information of the Target Companies.

(ii) Amendments to IAS 8 *Definition of Accounting Policies* 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 Target Companies has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Target Companies policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Target Companies.

(iii) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 Target Companies has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Target Companies has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. The amendments had no impact on the Unaudited Combined Financial Information of the Target Companies.

(iv) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Target Companies has applied the amendments retrospectively. Since the Target Companies did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Target Companies.

Set out below is the management discussion and analysis on the Remaining Group for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023. Upon Completion of the Disposal, the Company will no longer hold any interest in the Target Companies, and the Target Companies will no longer remain as subsidiaries of the Company.

For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the exclusion of the Target Companies.

There will be no change to the principal business of the Remaining Group as a result of the Disposal. Following the Disposal, the Remaining Group will continue to carry out its existing businesses. The management discussion and analysis of the Remaining Group for each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023 respectively are set out below.

BUSINESS AND FINANCIAL REVIEW

Segmental information

The Remaining Group is principally engaged in two business segments, namely (i) medical products and equipment; and (ii) non-medical business, such as imaging printing products. Medical products and equipment comprise of (i) the distribution of IVD products in cities of Beijing, Guangzhou and Shenzhen and in provinces of Anhui, Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu, Hebei and the autonomous region Inner Mongolia; and (ii) the manufacturing, marketing and sales of medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC and dental film and medical dry film products under the house brand "Yes!Star". Apart from medical products and equipment, the Remaining Group is engaged in manufacturing, marketing, distribution and sale of Fujifilm color photographic paper (professional and minilab), as well as industrial imaging products ("Yes!Star" NDT x-ray film and Fujifilm PWB film) in the PRC. A summary of the revenues and operating results of each business segment of the Remaining Group for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023 are as follows:

The year ended 31 December 2020	**Imaging printing products**	**Medical products and equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	348,908	2,436,473	2,785,381
Segment operating results	(1,870)	(693,193)	(695,063)

For the year ended 31 December 2020, revenue of the Remaining Group was approximately RMB2,785.4 million, which was mainly derived from medical products and equipment which was primarily attributable to the distribution of IVD products. The operating loss of the Remaining Group was approximately RMB695.1 million.

The year ended 31 December 2021	**Imaging printing products**	**Medical products and equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	395,556	2,925,647	3,321,203
Segment operating results	(62,795)	17,780	(45,015)

For the year ended 31 December 2021, revenue of the Remaining Group was approximately RMB3,321.2 million, which was mainly derived from medical products and equipment. This was primarily attributable to the distribution of IVD products. The revenue is increased by 19.2% compared with that of last year as the demand for IVD products increased, primarily due to the resumption of hospital services. The operating loss of the Remaining Group was approximately RMB45.0 million.

The year ended 31 December 2022	**Imaging printing products**	**Medical products and equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	263,629	2,547,654	2,811,283
Segment operating results	(151,357)	(286,988)	(438,345)

For the year ended 31 December 2022, revenue of the Remaining Group was approximately RMB2,811.3 million, which was mainly derived from medical products and equipment. The revenue is decreased by 15.4% compared with that of last year, which was mainly because of (i) the decrease in the revenue from imaging printing products of RMB131.9 million due to: (a) the decrease in demand of the photographic paper impacted by the COVID-19 pandemic in the second quarter of 2022 and the new digital imaging market trend; and (b) the decrease in the revenue from industrial imaging products due to the reduced demand of consumer electronics and household appliances impacted by the COVID-19 pandemic in Shanghai and other places, resulting in a corresponding decrease in revenue; and (ii) the decrease in the revenue from the medical products and equipment due to: (a) the suspension of medical services in many hospitals under the adverse impact of the COVID-19 pandemic, resulting in a decline in demand for diagnostic reagents; (b) the reduction in sales volume in some regions and the decrease in the price of some diagnostic reagents in certain region affected by the local procurement policy. The operating loss of the Remaining Group was approximately RMB438.3 million.

The six months ended 30 June 2023	Imaging printing products	Medical products and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	139,320	1,337,098	1,476,418
Segment operating results	13,201	29,949	43,150

For the six months ended 30 June 2023, revenue of the Remaining Group was approximately RMB1,476.4 million, which was mainly derived from medical products. The revenue is increased by 6.3% compared with that of corresponding period in 2022 of RMB1,388.7 million, which was mainly because of medical products. The operating gain of the Remaining Group was approximately RMB43.2 million.

Distribution of IVD products

For the years ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023, the revenue from the distribution of IVD products was approximately RMB1,582.6 million, RMB1,899.1 million, RMB1,761.0 million and RMB952.3 million, respectively.

The revenue from the distribution of IVD products increased by approximately RMB316.5 million or 20.0% for the year ended 31 December 2021 as compared to the year ended 31 December 2020, which was mainly because the COVID-19 pandemic outbreak in early 2020 led to a significant reduction in demand for IVD products in general outpatient clinics and medical screening centres in most hospitals under the suspension of medical services, while the demand for IVD products returned to normal in most hospitals in 2021 gradually through mass vaccination programs and pandemic control measures.

The revenue from the distribution of IVD products decreased by approximately RMB138.1 million or 7.3% for the year ended 31 December 2022 as compared to the year ended 31 December 2021, which was mainly due to: (i) the suspension of medical services in many hospitals under resurgence of COVID-19 and complete lock-down in Shanghai in early 2022, resulting in a decline in demand for IVD products; (ii) the reduction in sales volume in some regions and (iii) the decrease in price of some IVD products in certain region affected by the local procurement policy.

The revenue from the distribution of IVD products increased by approximately RMB60.0 million or 6.7% for the six months ended 30 June 2023 of RMB952.3 million as compared to the six months ended 30 June 2022 of RMB892.3 million, which was mainly due to the resumption of services by hospitals after all COVID-19 controls and restrictions were lifted.

Manufacturing of medical products and equipment

For the years ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023, the revenue from the manufacturing of medical products and equipment was approximately RMB853.9 million, RMB1,026.5 million, RMB786.7 million and RMB409.5 million, respectively.

The revenue from the manufacturing of medical products and equipment increased by approximately RMB172.6 million or 20.2% for the year ended 31 December 2021 as compared to the year ended 31 December 2020, which was mainly due to the growing demand for the medical products and equipment from the major customers of the Group under the relief of COVID-19 pandemic.

The revenue from the manufacturing of medical products and equipment decreased by approximately RMB239.8 million or 23.4% for the years ended 31 December 2022 as compared to the year ended 31 December 2021, which was mainly due to the suspension of medical services under the resurgence of COVID-19 in the first half of 2022 resulting to the decrease in demand for the medical products and equipment.

The revenue from the manufacturing of medical products and equipment increased by approximately RMB37.9 million or 10.2% for the six months ended 30 June 2023 of RMB409.5 million as compared to the six months ended 30 June 2022 of RMB371.6 million, which was mainly due to the resumption of services by hospitals after all COVID-19 controls and restrictions were lifted.

Non-medical business

For the years ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023, the revenue from the non-medical business was approximately RMB348.9 million, RMB395.6 million, RMB263.6 million and RMB114.6 million, respectively.

The revenue from the non-medical business increased by approximately RMB46.7 million or 13.4% for the year ended 31 December 2021 as compared to the year ended 31 December 2020, which was mainly due to the relief of the COVID-19 pandemic and sale of long-aged photographic paper at a discount in order to accelerate the disposal of inventory of the Company.

The revenue from the non-medical business decreased by approximately RMB132.0 million or 33.4% for the years ended 31 December 2022 as compared to the year ended 31 December 2021, which was mainly due to the decrease in the revenue of the photographic paper business impacted by the COVID-19 pandemic in the second quarter of 2022 and the new digital imaging market trend; and (b) the decrease in the revenue of the industrial imaging products because of the reduced demand of consumer electronics and household appliances impacted by the COVID-19 pandemic.

The revenue from the non-medical business decreased by approximately RMB10.2 million or 8.20% for the six months ended 30 June 2023 of RMB114.6 million as compared to the six months ended 30 June 2022 of RMB124.8 million, which was mainly due to the industry trends and business shrinkage.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Remaining Group's total assets of RMB2,915.4 million, net current liabilities of RMB293.8 million and equity attributable to Shareholders of RMB340.8 million.

As at 31 December 2020, the current assets and current liabilities of the Remaining Group were RMB2,131.5 million and RMB2,425.3 million, respectively. Accordingly, the Remaining Group's current ratio was 0.88.

As at 31 December 2021, the Remaining Group's total assets of RMB2,925.4 million, net current assets of RMB823.8 million and equity attributable to Shareholders of RMB257.5 million. The decrease in equity attributable to Shareholders was approximately 24.5% when compared with that of last year.

As at 31 December 2021, the current assets and current liabilities of the Remaining Group were RMB2,215.9 million and RMB1,392.1 million, respectively. Accordingly, the Remaining Group's current ratio was 1.59.

As at 31 December 2022, the Remaining Group's total assets of RMB2,232.4 million, net current liabilities of RMB777.8 million and deficiency in equity attributable to Shareholders of RMB419.7 million.

As at 31 December 2022, the current assets and current liabilities of the Remaining Group were RMB1,683.6 million and RMB2,461.3 million, respectively. Accordingly, the Remaining Group's current ratio was 0.68.

As at 30 June 2023, the Remaining Group's total assets of RMB2,337.0 million, net current liabilities of RMB864.6 million and deficiency in equity attributable to Shareholders of RMB474.8 million.

As at 30 June 2023, the current assets and current liabilities of the Remaining Group were RMB1,771.6 million and RMB2,636.1 million, respectively. Accordingly, the Remaining Group's current ratio was 0.67.

GEARING RATIO

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the gearing ratio of the Remaining Group were 74.7%, 76.6%, 141.2% and 149.1%, respectively. The gearing ratio was calculated as the net debt which includes the interest-bearing bank loans and other borrowings less cash and cash equivalents divided by equity attributable to owners of the Company plus net debt.

CAPITAL COMMITMENTS

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Remaining Group had no significant capital commitments.

CONTINGENT LIABILITIES

The Remaining Group had no material contingent liabilities as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023.

CAPITAL STRUCTURE

The Remaining Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may raise new debts, adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debts.

The Remaining Group's assets portfolio was mainly financed by bank and other borrowings:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans — unsecured	82,470	53,001	53,000	28,900
Bank loans — secured	193,631	214,228	166,011	192,032
Current portion of long term bank loans — unsecured	—	—	5,000	—
Current portion of long term bank loans — secured	—	—	17,000	24,500
Senior notes	1,300,289	1,159,547	1,378,048	1,426,515

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, the Remaining Group's bank and other borrowings were repayable:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within the first year	1,576,390	308,816	1,619,059	1,671,947
Within the second year	—	103,691	—	—
Within the third to fifth years	—	1,014,269	—	—
	1,576,390	1,426,776	1,619,059	1,671,947
Interest rates of bank and other borrowings per annum	3.60% to 7.43%	2.30% to 12.13%	2.08% to 9.80%	2.47% to 9.5%

As at 30 June 2023, the total borrowings of the Remaining Group were approximately RMB1,671.9 million, all of which were bearing at fixed interest rates. Except for the senior notes and secured bank loans of RMB19.5 million which are denominated in USD, all the borrowings of the Remaining Group are principally dominated in RMB, which is the presentation currency of the Remaining Group.

As at 30 June 2023, the cash and cash equivalents amounted to RMB230.4 million. Except for approximately RMB36.2 million are denominated in HKD and approximately RMB0.9 million are denominated in USD, all the cash and cash equivalents of Remaining Group are principally dominated in RMB.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2020

On 27 March 2020 and 7 August 2020, the Company has entered into share transfer agreements with respective vendors to acquire remaining 20% and 30% equity interests in Guangzhou Hongen Medical Diagnostic Technologies Company Limited and the Target Companies, respectively pursuant to the terms of the respective share transfer agreement. Please refer to the Company's announcements dated 27 March 2020 and 7 August 2020 respectively for details of the acquisitions.

For the year ended 31 December 2021

In 2020, Yestar Medical signed a share purchase agreement to acquire 30% of non-controlling interests in Target Companies. As at 31 December 2021, the Yestar Medical completed the acquisition of 24.2% of the non-controlling interests.

For the year ended 31 December 2022

The Remaining Group did not have any other material acquisitions and disposals during the year ended 31 December 2022.

For the six months ended 30 June 2023

The Remaining Group did not have any other material acquisitions and disposals during the six months ended 30 June 2023.

FOREIGN CURRENCY MANAGEMENT

Most of the revenue-generating operations of the Remaining Group were transacted in RMB which is the presentation currency of the Remaining Group. The Remaining Group was exposed to foreign currency risk arising from the purchase of USD, senior notes in USD and secured bank loans in USD. The Remaining Group will closely monitor its foreign exchange exposure to minimize the exchange risk.

EMPLOYMENT AND REMUNERATION POLICY

The remuneration policy of the Remaining 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.

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. No share options were granted during the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023.

The Remaining Group had approximately 895, 868, 750 and 700 employees as at 31 December 2020, 2021, 2022 and 30 June 2023.

As at 31 December 2020, 2021, 2022 and 30 June 2023, the staff costs (including directors' emoluments) of the Remaining Group amounted to approximately RMB156.1 million, RMB178.1 million, RMB163.8 million and RMB67.3 million, respectively.

SIGNIFICANT INVESTMENTS

Except for investment in subsidiaries, the Remaining Group had no significant investments for the years ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023.

PLEDGE ON ASSETS

As at 31 December 2020, the shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited, two wholly-owned subsidiaries of the Company, were pledged to the holders of the Senior Notes. In addition, the following was the pledge of assets as at 31 December 2020:

(i) the Group's bank loans of RMB54,000,000 were secured by the pledged deposits of RMB15,105,000 and accounts receivables of RMB20,238,000;

(ii) the Group's bank loans of RMB9,950,000 were secured by the pledge of the Group's patent rights; and

(iii) the Group's bank loans of RMB199,681,000 were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

The following was the pledge of assets as at 31 December 2021:

(i) the Group's bank loans of RMB100,000 were secured by the pledged deposits of RMB120,000;

(ii) the Group's bank loans of RMB100,000,000 were secured by the pledge of the Group's building and guaranteed by the Company's subsidiaries;

(iii) the Group's bank loans of RMB104,128,000 were guaranteed by a non-controlling shareholder and the Company's subsidiaries; and

(iv) As at 31 December 2021, the Group's bank loans of RMB10,000,000 were guaranteed by local government.

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; and

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

The following was the pledge of assets as at 30 June 2023:

(i) the Group's bank loans of RMB112,232,000 were secured by the pledge of the Group's building and guaranteed by the Company's subsidiaries; and

(ii) the Group's bank loans of RMB144,299,000 were guaranteed by a non-controlling shareholder and the Company's subsidiaries.

OUTLOOK AND FUTURE PLAN

The Company believes that there is ample room for growth in the Remaining Group's business operations, taking into account the following:

Medical business — (i) Distribution of IVD products and (ii) manufacturing of medical products and equipment

(i) Industry outlook

- 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 strive to implement national healthcare reform by accelerating the construction of a "healthy China". Under the latest policies, there is a growing emphasis on disease detection and prevention instead of treatment, and the trend is expected to support a growing demand of IVD products. After the relief of COVID-19 pandemic, economic activities are expected to gradually resume, and hospital and clinics will be able to return to normal operation.

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

(ii) Competitive niches

- The Remaining Group has an extensive product portfolio to satisfy customers' needs. The Remaining Group has taken a two-folded approach to satisfy the growing yet different needs among different tiers of medical institutions. For top-tier institutions which are performance driven and less price sensitive, the Remaining 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 (ECL) technology. To further improve the efficiency, the Remaining Group also introduced Roche Diagnostics's latest 'i-Manager' standardized management system, which has obtained ISO15189 certificate; and 'weDesign' consultancy service, which can maximize testing area and reduce the management needs of laboratories. Such products not only allow the Remaining Group to strengthen its market position as the one-stop solutions provider, but also greatly enhance its customer stickiness, laying a solid foundation for future orders and cash flow. On the other hand, the Remaining Group has introduced a number of domestic IVD brands (complementary to Roche Diagnostics's existing product offering), catering the needs of lower-tier hospitals and medical institutions. The market feedback for the products were positive, with the domestic brands also contributing decent profit margin. This provides a solid foundation for the Remaining Group to actively expand its domestic brands' product portfolio in the future. Riding on its extensive market knowledge and industry experience, the Remaining 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.

- The Remaining Group has a long-standing and stable strategic business relationship with its suppliers, in particular Fujifilm Group (as both the supplier and customer of the Remaining Group) and Roche Diagnostics. The Remaining Group has maintained business relationship with Fujifilm Group for over ten years purchasing raw material spool from Fujifilm Group for the manufacturing of medical film for Fujifilm and under the house brand "Yes!Star" or other brands. The Remaining Group also maintains over eight years of close relationship with Roche Diagnostics, one of the world's largest supplier of IVD products. The distribution rights of IVD products the Remaining Group acquired from Roche Diagnostics covers various affluent regions in the PRC, including Beijing, Guangzhou, Shenzhen, Fujian, Guangdong, Hainan, Hunan, Jiangsu, Hebei, Anhui and Inner Mongolia. The long-term relationship with the suppliers and stable procurement system in place enable the Remaining Group to provide products and services of comprehensive range and reliable quality. The Directors consider that the long-term cooperation with Fujifilm Group and Roche Diagnostics sets a cornerstone for the Remaining Group's further expansion of the product portfolio and capitalization on new opportunities in the PRC market.

- The Remaining Group has an extensive and well-established sales and marketing network across the PRC, comprising distributors, hospitals and clinics in Shenzhen, Fujian, Guangdong, Guangxi, Hainan, Hebei, Hunan, Jiangsu, Beijing, Anhui and Inner Mongolia. The Remaining Group has been devoted to providing satisfactory customer services in order to maintain long-term cooperation relationship with the customers, increase sales volume, and improve profitability. IVD manufacturers' distribution agreements are generally non-exclusive and need to be renewed annually. However, the Remaining Group 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. The Remaining Group has also established stable cooperation relationships with hospital administrators and maintained strong ties with several leading hospitals through the subsidiaries in the PRC. The extensive and well-established sales and marketing network across the PRC allows the Remaining Group to formulate and implement marketing plans effectively, launch new products and increase the market share expediently.

- The Remaining Group has an experienced management team to support the business. The Remaining Group has a strong senior management team with extensive experience and in-depth industry knowledge. The Chairman, Mr. James Hartono, has over 21 years of experiences in the manufacturing and distribution of image printing products and medical products. The core management team generally has more than 10 years of experiences in the manufacturing and marketing management in the medical consumables industry. They are equipped with in-depth industrial knowledge and professional executive abilities.

- The Remaining Group has a strong research and development team. The research and development team successfully developed different types of biochemical reagents (IVD products), such as alanine aminotransferase assay kit in relation to liver, uric acid assay kit in relation to kidney, lactate dehydrogenase assay kit in relation to cardiac muscle and glucose assay kit in relation to glucose metabolism. Leveraging on the research and development knowhow accumulated over the years, the Remaining Group has obtained over 30 certificates from Guangxi Zhuang Autonomous Region Medical Products Administration for its self-developed biochemical reagents (IVD products). The technical expertise and research and development capability of the Remaining Group will continue to help add new products to the product portfolio and diversify the source of revenue of the Remaining Group which continue to lay out the foundation for the wide variety of products of the Remaining Group.

(iii) Business development strategies

- The Remaining Group has submitted an application for IVD manufacturing license, in order to extend its value chain position to upstream production, create more values for medical institutions, and capture more market shares with better margins. Currently, the Remaining Group is at the final stage of the application process, and the approval will grant the Remaining Group the rights to manufacture IVD reagents under its house brand, essentially transforming it from a distribution and servicing company, to one that encompasses research and development, production, distribution, and after-sales services. To prepare for the eventual approval, the Remaining Group has also further upgraded its plant facilities in Guangxi province with supporting automated production line and testing equipment. The Remaining Group has recruited qualified and experienced IVD research and development talents to support its future development. Riding on the growing demand of IVD consumables from lower-tier hospitals under the hierarchical policy, the Remaining Group will adopt a cost-driven strategy to provide quality and affordable house brand IVD products to cater their needs, capturing more market shares.

- The Remaining Group will strive to promote its IVD products. The Remaining Group plans to obtain 79 registration certificates for the products of biochemical series, 69 of which have already been obtained and the remaining are registering as at the Latest Practicable Date, and are expected to be obtained by December 2023. For products under immunization series, the Remaining Group plans to obtain 64 registration certificates, three of which have already been obtained and the remaining are registering as at the Latest Practicable Date with 55 and six expected to be obtained by the end of 2023 and 2024, respectively.

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

- The Remaining Group will continue to adjust the product mix of its distribution products to increase the proportion of products under the house brand and the domestic brands' products with an aim to enhance the overall gross profit margin of the Remaining Group. The current sales ratio of Roche Diagnostics' IVD products to that of other products distributed by the Remaining Group is approximately 9:1 and the Remaining Group has been constantly communicating with reliable domestic IVD product manufacturers to introduce a number of domestic IVD products with good quality. The Remaining Group is determined to expand the portfolio of the domestic brands' products and the house brand products in the future and will continue to create value by distributing them through its well-established network across all tiers of medical institutions. The Remaining Group will also strengthen the publicity of house brand products and domestic brands' products toward hospitals and clinics, so that these customers could build up their trust in the house brand products and domestic brands' products, enabling the Remaining Group to provide more cost-effective products and value-added services for the customers.

- The Remaining Group plans to expand its medical business to the overseas markets, in particular Indonesia in Southeast Asia. The Remaining Group has established a professional team to take charge of the development of the Southeast Asian market. The Remaining Group plans to cooperate with its

Indonesian business partner to establish a production and marketing base for house brand IVD products. The Directors believe that this will serve as the foundation of expansion of the Remaining Group to the overseas markets.

Non-medical business

(i) Competitive niches

- The Remaining Group has a high quality and cost-effective processing platform. The Remaining Group processes image printing film and medical imaging film by cutting and slitting master rolls into customized sizes and packing the products under precisely controlled processing conditions. The processing capacity gives the Remaining Group greater quality control and flexibility in meeting market demands as it can produce color photographic paper and film of various sizes. The advanced processing technology has enabled the Remaining Group to meet stringent quality requirement of Fujifilm Group for years. The Remaining Group maintains close cooperation with Fujifilm Group to uphold processing quality.

- The Remaining Group has a long-standing successful and stable strategic business relationship with Fujifilm Group. Fujifilm Group normally do not enter into long-term contracts or grant exclusive rights in relation to color photographic paper. Nonetheless, Fujifilm Group has recognized that since May 2007, nearly all the Fujifilm photographic paper sold in ready-to-use form in the PRC have been distributed by the Remaining Group and since June 2009, nearly all the Fujifilm color photographic paper processed into ready-to-use form in the PRC have been processed by the Remaining Group.

(ii) Business development strategies

- The Remaining Group will strive to maintain and improve the profitability of non-medical business. The Remaining Group will continue to increase market share and control costs strictly, and will actively participate in expanding sales of value-added printing business as photobook and capturing printing demand from smartphones. Meanwhile, for the purpose of reducing costs, the Remaining Group will leverage on the localization of raw and auxiliary materials and the improvement of intelligence and human resource optimization.

Introduction

The following is a summary of the unaudited pro forma consolidated statement of financial position as at 30 June 2023, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022, and related notes (the "**Unaudited Pro Forma Financial Information**") of the Group excluding the Target Companies (as defined below) (the "**Remaining Group**") in connection with the proposed disposal of the entire equity interests in Shanghai Emphasis Investment Management Consulting Co., Ltd.* (上海安百達投資管理顧問有限公司), Shanghai Jianchu Medical Instrument Co., Ltd.* (上海建儲醫療器械有限公司), Shanghai Chaolian Trading Co., Ltd.* (上海超聯商貿有限公司), Shanghai Haole Industrial Co., Ltd.* (上海顥樂實業有限公司) and Shanghai Dingpei Industrial Co., Ltd.* (上海定佩實業有限公司) (collectively, the "**Target Companies**") at a consideration of RMB574.8 million (the "**Disposal**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal, as if the Disposal had been completed on 30 June 2023 or 1 January 2022, as appropriate.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position the Group as at 30 June 2023 as extracted from the Group's 2023 interim report after making pro forma adjustments relating to the Disposal as set out below. The Group's 2023 interim report includes the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 as extracted from the Group's 2022 annual report after making pro forma adjustments relating to the disposal as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 30 June 2023 or at any future date had the Disposal been completed on 30 June 2023, or the financial performance of and cash flows of the Remaining Group for the year ended 31 December 2022 or for any future period date had the Disposal been completed on 1 January 2022.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the 2022 annual report, 2023 interim report and other financial information included elsewhere in this circular.

* *The English names are for identification purpose only and the official names of the entities are in Chinese.*

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	Unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2023	Pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
NON-CURRENT ASSETS						
Property, plant and equipment	213,528	(44,802)	—	—	—	168,726
Right-of-use assets	232,224	(148,389)	—	—	—	83,835
Other intangible assets	239,924	(36)	—	—	(48,724)	191,164
Goodwill	124,651	—	—	—	(24,001)	100,650
Investment in an associate	37,802	(37,802)	—	—	—	—
Deferred tax assets	29,020	(7,987)	—	—	—	21,033
Total non-current assets	877,149	(239,016)	—	—	(72,725)	565,408
CURRENT ASSETS						
Inventories	429,213	(121,766)	—	—	—	307,447
Trade and bills receivables	1,660,061	(960,252)	—	10,234	—	710,043
Prepayments, other receivables and other assets	226,361	(163,473)	—	32,927	427,855	523,670
Pledged deposits	10	—	—	—	—	10
Cash and cash equivalents	281,983	(51,594)	—	—	—	230,389
Total current assets	2,597,628	(1,297,085)	—	43,161	427,855	1,771,559
CURRENT LIABILITIES						
Trade payables	691,522	(293,547)	—	10,234	—	408,209
Contract liabilities	38,313	(12,712)	—	—	—	25,601
Other payables and accruals	1,023,679	(361,027)	—	32,927	(262,974)	432,605
Interest-bearing bank and other borrowings	1,711,947	(40,000)	—	—	—	1,671,947
Lease liabilities	89,699	(61,085)	—	—	—	28,614
Tax payable	130,266	(61,097)	—	—	—	69,169
Total current liabilities	3,685,426	(829,468)	—	43,161	(262,974)	2,636,145
NET CURRENT LIABILITIES	(1,087,798)	(467,617)	—	—	690,829	(864,586)

	Unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2023	Pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
NON-CURRENT LIABILITIES						
Lease liabilities	97,769	(65,098)	—	—	—	32,671
Deferred tax liabilities	81,688	—	—	—	(12,181)	69,507
Other long-term payables	7,039	—	—	—	—	7,039
Total non-current liabilities	186,496	(65,098)	—	—	(12,181)	109,217
NET LIABILITIES	(397,145)	(641,535)	—	—	630,285	(408,395)
EQUITY						
Equity attributable to owner of the Company						
Share capital	46,576	(51,712)	51,712	—	—	46,576
Reserves	(510,142)	(589,823)	(51,712)	—	630,285	(521,392)
	(463,566)	(641,535)	—	—	630,285	(474,816)
Non-controlling interests	66,421	—	—	—	—	66,421
CAPITAL DEFICIENCY	(397,145)	(641,535)	—	—	630,285	(408,395)

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining Group

	The Group for the year ended 31 December 2022		Pro forma adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 6	*Note 7*	*Note 4*	*Note 8*	*Note 9*	
REVENUE	4,293,982	(1,489,692)	6,993	—	—	2,811,283
Cost of sales	(3,585,273)	1,178,535	(6,993)	—	—	(2,413,731)
Gross profit	708,709	(311,157)	—	—	—	397,552
Other income and gains	37,692	(9,956)	—	—	—	27,736
Selling and distribution expenses	(308,115)	136,916	—	—	—	(171,199)
Administrative expenses	(336,104)	87,831	—	54,573	—	(193,700)
Impairment losses on financial assets	(142,004)	2,524	—	—	—	(139,480)
Other expenses	(788,676)	457	—	655,667	(574,581)	(707,133)
Finance costs	(298,575)	25,440	—	—	—	(273,135)
Share of profit of an associate	19,731	(19,731)	—	—	—	—
LOSS BEFORE TAX	(1,107,342)	(87,676)	—	710,240	(574,581)	(1,059,359)
Income tax credit	86,748	28,147	—	(104,066)	—	10,829
LOSS FOR THE YEAR	(1,020,594)	(59,529)	—	606,174	(574,581)	(1,048,530)
Attributable to:						
Owners of the Company	(992,232)	(59,529)	—	587,973	(574,581)	(1,038,369)
Non-controlling interests	(28,362)	—	—	18,201	—	(10,161)
	(1,020,594)	(59,529)	—	606,174	(574,581)	(1,048,530)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

	The Group for the year ended 31 December 2022			Pro forma adjustments		Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 6	*Note 7*	*Note 4*	*Note 8*	*Note 9*	
LOSS FOR THE YEAR	(1,020,594)	(59,529)	—	606,174	(574,581)	(1,048,530)
OTHER COMPREHENSIVE INCOME						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations	(108,581)	—	—	—	—	(108,581)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of the Company	(23,525)	—	—	—	—	(23,525)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(132,106)	—	—	—	—	(132,106)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(1,152,700)	(59,529)	—	606,174	(574,581)	(1,180,636)
Attributable to:						
Owners of the Company	(1,124,338)	(59,529)	—	587,973	(574,581)	(1,170,475)
Non-controlling interests	(28,362)	—	—	18,201	—	(10,161)
	(1,152,700)	(59,529)	—	606,174	(574,581)	(1,180,636)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group for the year ended 31 December 2022		Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	*Note 10*	
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax:	(1,107,342)	(87,676)	710,240	(574,581)	—	(1,059,359)
Adjustments for:						
Finance costs	298,575	(25,440)	—	—	—	273,135
Impairment of inventories	22,286	(1,532)	—	—	—	20,754
Impairment of financial assets	142,004	(2,524)	—	—	—	139,480
Impairment of goodwill	295,416	—	(293,977)	—	—	1,439
Impairment of other intangible assets	482,981	—	(361,690)	—	—	121,291
Exchange gain	(23,527)	—	—	—	—	(23,527)
Interest income	(5,579)	618	—	—	—	(4,961)
Share of profit of an associate	(19,731)	19,731	—	—	—	—
Loss on disposal of subsidiaries	—	—	—	574,581	—	574,581
Depreciation of property, plant and equipment	37,237	(15,610)	—	—	—	21,627
Depreciation of right-of-use assets	109,048	(72,896)	—	—	—	36,152
Amortisation of other intangible assets	84,491	(59)	(54,573)	—	—	29,859
Gain on disposal of property, plant and equipment	(340)	—	—	—	—	(340)
Gain on disposal of right-of-use assets	(4)	—	—	—	—	(4)
	315,515	(185,388)	—	—	—	130,127

	The Group for the year ended 31 December 2022	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	*Note 10*	
Decrease in trade and bills receivables	18,954	129,151	—	—	—	148,105
Increase in prepayments, other receivables and other assets	(56,521)	(5,874)	—	—	—	(62,395)
Increase/(decrease) in inventories	(63,666)	84,195	—	—	—	20,529
Increase/(decrease) in trade and bills payables	9,217	(59,192)	—	—	—	(49,975)
Decrease in other payables and accruals	(211,788)	23,090	—	—	—	(188,698)
Decrease in contract liabilities	(31,527)	4,563	—	—	—	(26,964)
Increase in frozen funds for arbitration	(1,698)	—	—	—	—	(1,698)
Cash used in operations	(21,514)	(9,455)	—	—	—	(30,969)
Income tax paid	(71,780)	46,016	—	—	—	(25,764)
Interest received	1,567	(618)	—	—	—	949
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(91,727)	35,943	—	—	—	(55,784)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment	(23,852)	14,466	—	—	—	(9,386)
Addition to other intangible assets	(1,929)	—	—	—	—	(1,929)
Proceeds from disposal of property, plant and equipment	7,059	—	—	—	—	7,059
Proceeds received from disposal of the Target Companies	—	—	—	443,500	—	443,500
Transaction costs paid for disposal of the Target Companies	—	—	—	(2,455)	—	(2,455)
NET CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES	(18,722)	14,466	—	441,045	—	436,789

	The Group for the year ended 31 December 2022	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 6	*Note 7*	*Note 8*	*Note 9*	*Note 10*	
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans	479,720	(30,000)	—	—	—	449,720
Decrease in pledged deposits for bank borrowings and issuance of bank acceptance notes	1,700	(1,580)	—	—	—	120
Repayment of bank loans	(585,937)	110,000	—	—	—	(475,937)
Principal portion of lease payments	(106,796)	70,546	—	—	—	(36,250)
Repayment to a non-controlling shareholder	(44,066)	22,066	—	—	—	(22,000)
Increase in advance from a non-controlling shareholder	230,000	(230,000)	—	—	—	—
Dividends paid to non-controlling shareholders	(30,142)	14,000	—	—	(9,800)	(25,942)
Interest paid	(125,335)	25,440	—	—	—	(99,895)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(180,856)	(19,528)	—	—	(9,800)	(210,184)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(291,305)	30,881	—	441,045	(9,800)	170,821
Cash and cash equivalents at beginning of year	585,159	(145,220)	—	—	—	439,939
Effect of foreign exchange rate changes, net	436	—	—	—	—	436
CASH AND CASH EQUIVALENTS AT END OF YEAR	294,290	(114,339)	—	441,045	(9,800)	611,196
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	296,100	(114,339)	—	441,045	(9,800)	613,006
Less: Pledged deposits	(1,810)	—	—	—	—	(1,810)
	294,290	(114,339)	—	441,045	(9,800)	611,196

Notes to the Unaudited Pro Forma Financial Information

1. For the preparation of the unaudited pro forma consolidated statement of financial position, the amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 as set out in the published interim report of the Company for the six months ended 30 June 2023.

2. The adjustment represents derecognition of assets and liabilities of the Target Companies as at 30 June 2023 as if the Disposal had been completed on 30 June 2023. The assets and liabilities of the Target Companies are extracted from the unaudited combined statement of financial position of the Target Companies as at 30 June 2023 as set out in Appendix II-B to this circular.

3. The adjustment represents reclassification of share capital to reserves of the Target Companies as at 30 June 2023 as if the Disposal had been completed on 30 June 2023.

4. The adjustment represents the related parties' transactions and balances between the Remaining Group and the Target Companies. These transactions and balances have been eliminated in the Group's consolidated statement of profit or loss for the year ended 31 December 2022 and the Group's unaudited condensed consolidated statement of financial position as at 30 June 2023 and are herein restated to reflect the effects upon the deconsolidation of the Target Companies for the purpose of preparation of the Unaudited Pro Forma Financial Information of the Remaining Group.

5. The adjustment represents the pro forma loss on the Disposal as if the Disposal had taken place on 30 June 2023 and is calculated as follows:

	Notes	*RMB'000*
Total consideration	*(i)*	574,750
Less: Net assets of the Target Companies as at 30 June 2023	*(ii)*	(641,535)
Less: Goodwill, other intangible assets and related deferred tax liabilities recognised upon acquisition of the Target Companies in 2015	*(iii)*	(60,544)
Less: Estimated transaction costs directly attributable to the Disposal	*(iv)*	(2,902)
Add: Agreed adjustment of the retained earnings of the Target Companies attributable to the Purchaser	*(v)*	118,981
Pro forma loss on the Disposal		(11,250)

(i) The amount represents the total consideration of RMB574.8 million for the Disposal. Pursuant to the Equity Transfer Agreement dated 30 December 2022, Yestar (Guangxi) Medical System Co., Ltd., the subsidiary of the Remaining Group ("**Yestar Medical**") and the Purchaser agreed to settle the total consideration net of the outstanding amount and the related interest payable by Yestar Medical to the Purchaser in accordance with the 2020 Equity Transfer Agreement. As at 30 June 2023, the outstanding payable amount and the related interest amounted to RMB131.3 million and RMB15.6 million respectively. Accordingly, the net cash consideration is approximately RMB427.9 million for the Disposal. The Purchaser shall pay the net cash consideration within one month upon the effectiveness of the Equity Transfer Agreement.

(ii) The amount of net assets is extracted from the unaudited combined statement of financial position of the Target Companies as at 30 June 2023.

(iii) The amount represents the derecognition of carrying amounts as at 30 June 2023 of goodwill, fair value adjustment on other intangible assets and the associated deferred tax liabilities arising from the Group's acquisition of the equity interests in the Target Companies in 2015.

(iv) The amount represents the estimated transaction costs payable by the Group in relation to the Disposal.

(v) The amount represents the retained earnings of the Target Companies attributable to the Purchaser as at 30 June 2023 which was committed to be distributed to the Purchaser according to the 2020 Equity Transfer Agreement and recognised as other payable as at 30 June 2023 in the unaudited condensed consolidated statement of the financial position of the Group. Pursuant to the Equity Transfer Agreement dated 30 December 2022, Yestar Medical and the Purchaser agreed that no further distribution will be required from the Target Companies and effectively such retained earnings of the Target Companies attributable to the Purchaser is exempted from payment.

The pro forma loss on the Disposal above is subject to change. The actual carrying amounts of the assets and liabilities of the Target Companies, goodwill, other intangible assets and related deferred tax liabilities associated with the Target Companies, the retained earnings of the Target Companies attributable to the Purchaser and the loss on the Disposal at the date of Completion will likely be different from those stated in the Unaudited Pro Forma Financial Information.

6. The amounts are extracted from the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 as set out in the published annual report of the Company for the year ended 31 December 2022. Ernst & Young, the external auditor of the Company (resigned on 7 July 2023), issued a disclaimer of opinion due to multiple uncertainties in relation to going concern for the Group's consolidated financial statements for the year ended 31 December 2022.

7. The adjustments represent profit or loss and other comprehensive income of the Target Companies for the year ended 31 December 2022, which are extracted from the unaudited combined statement of profit or loss, the unaudited combined statement of comprehensive income and the unaudited combined statement of cash flows of the Target Companies for year ended 31 December 2022 as set out in Appendix II-A to this circular, assuming the Disposal had taken place on 1 January 2022.

8. The amount represents the reversal of the amortisation expenses of the other intangible assets as arised from the Group's acquisition of the equity interests of the Target Companies in 2015, and reversal of the impairment of the other intangible assets and goodwill, net of the associated deferred income tax expenses recognised during the year ended 31 December 2022.

9. The adjustment represents the pro forma loss on the Disposal as if the Disposal had taken place on 1 January 2022 and is calculated as follows:

	Notes	*RMB'000*
Total consideration	*(i)*	574,750
Less: Net assets of the Target Companies as at 1 January 2022	*(ii)*	(593,642)
Less: Goodwill, other intangible assets and related deferred tax liabilities recognised upon acquisition of the Target Companies in 2015	*(iii)*	(669,296)
Less: Estimated transaction costs directly attributable to the Disposal	*(iv)*	(2,455)
Add: Agreed adjustment of the retained earnings of the Target Companies attributable to the Purchaser	*(v)*	116,062
Pro forma loss on the Disposal		(574,581)

	Notes	RMB'000
Total consideration	(i)	574,750
Less: Outstanding amount in accordance with the 2020 Equity Transfer Agreement	(i)	(131,250)
Proceeds received from disposal of the Target Companies		443,500

(i) The amount represents the total consideration of RMB574.8 million for the Disposal. Pursuant to the Equity Transfer Agreement dated 30 December 2022, Yestar Medical and the Purchaser agreed to settle the total consideration net of the outstanding amount and the related interest payable by Yestar Medical to the Purchaser in accordance with the 2020 Equity Transfer Agreement. As at 1 January 2022, the outstanding payable amount of RMB131.3 million was recognised as other payables in the consolidated statement of the financial position of the Group. Accordingly, the net cash consideration is approximately RMB443.5 million for the Disposal.

(ii) The amount represents the net assets of the Target Companies which is extracted from the unaudited combined statement of financial position of the Target Companies as at 1 January 2022 as set out in Appendix II-A to this circular.

(iii) The amount represents the derecognition of carrying amounts as at 1 January 2022 of goodwill, fair value adjustment on other intangible assets and the associated deferred tax liabilities arising from the Group's acquisition of the equity interests in the Target Companies in 2015.

(iv) The amount represents the estimated transaction costs payable by the Group in relation to the Disposal.

(v) The amount represents the retained earnings of the Target Companies attributable to the Purchaser as at 1 January 2022 which was committed to be distributed to the Purchaser according to the 2020 Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Yestar Medical and the Purchaser agreed that no further distribution will be required from the Target Companies and effectively such retained earnings of the Target Companies attributable to the Purchaser is exempted from payment.

10. The adjustment represents dividends of RMB9.8 million declared and paid by the Target Companies to the Group for the period ended 31 December 2022. These dividends have been eliminated in the Group's consolidated statement of cash flows for the year ended 31 December 2022 and are herein restated to reflect the effects upon the deconsolidation of the Target Companies for the purpose of preparation of the Unaudited Pro Forma Financial Information.

11. The adjustments in respect of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows above are not expected to have a continuing effect on the Remaining Group.

12. No adjustment has been made to reflect any operating results or other transaction of the Group entered into subsequent to 30 June 2023 for the unaudited pro forma consolidated statement of profit and loss, the unaudited pro forma consolidated statement of comprehensive income, and the unaudited pro forma consolidated statement of cash flows and the unaudited pro forma consolidated statement of financial position.

Independent reporting accountants' assurance report on the compilation of unaudited pro forma financial information

To the directors of Yestar Healthcare Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yestar Healthcare Holdings Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") prepared by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2023 and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022, and related notes as set out in Appendix IV of the circular dated 13 December 2023 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed disposal of the entire equity interest in Shanghai Emphasis Investment Management Consulting Co., Ltd.* (上海安百達投資管理顧問有限公司), Shanghai Jianchu Medical Instrument Co., Ltd.* (上海建儲醫療器械有限公司), Shanghai Chaolian Trading Co., Ltd.* (上海超聯商貿有限公司), Shanghai Haole Industrial Co., Ltd.* (上海顥樂實業有限公司) and Shanghai Dingpei Industrial Co., Ltd.* (上海定佩實業有限公司) (collectively, the "**Target Companies**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed disposal of the Group's entire equity interest in the Target Companies (the "**Disposal**") on the Group's financial position as at 30 June 2023 as if the Disposal had taken place at 30 June 2023, and the Group's financial performance and cash flows for the year ended 31 December 2022 as if the Disposal had taken place at 1 January 2022. As part of this process, information about the Group's financial position has been extracted by the Directors of the Company from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023, on which no audit or review report has been published, and financial performance and cashflows have been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2022, on which an auditor's report with disclaimer of opinion has been published.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

* *The English names are for identification purpose only and the official names of the entities are in Chinese.*

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Disposal, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong, 13 December 2023

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares

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	598,515,000	—	20,000,000 *(Note 1)*	618,515,000	—	618,515,000 *(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 618,515,000 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 the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and other persons' interests in Shares and underlying shares

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% 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 Shares

Name of substantial Shareholder	Capacity	Number of Shares held	Approximately percentage of shareholding *(%)*
Hartono Jeane	Beneficial owner	391,870,000	16.80%
Hartono Rico	Beneficial owner	265,810,000	11.40%
FUJIFILM Corporation[1]	Beneficial owner	230,000,000	9.86%
Li Bin	Beneficial owner	164,600,600	7.06%

Note:

(1) 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 above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO as at the Latest Practicable Date.

3. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, save as disclosed of the receipt of writ of summons mentioned above (withdrawal application of the Writ has been accepted and approved by the High Court on 6 December 2023), there was no litigation, arbitration or claim of material importance in which any member of the Group is engaged or pending or threatened against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. MATERIAL CONTRACT

The following contract (not being contract entered into in the ordinary course of business) was entered into by the member of the Group within two years immediately preceding the date of this circular, and is or may be material:

(a) the Equity Transfer Agreement.

6. INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Group or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Group or any of its subsidiaries during the period since 31 December 2022, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interest in business which competed or were likely, either **directly** or **indirectly**, with the business of the Group.

8. EXPERTS' CONSENTS AND QUALIFICATIONS

The following is the qualification of the expert who has given an opinion or advice to the contents of this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
BDO Limited	Certified Public Accountants
South China Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above experts did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, the above experts were not interested beneficially or non-beneficially in any Shares in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.

9. MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business in Hong Kong is at Suite 2105, 21/F, Central Plaza, 18 Harbour Road, Hong Kong.

(c) The Company's share registrar and transfer office in Hong Kong is Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road, Central, Hong Kong.

(d) The company secretary is Mr. Ngai Tsz Him Michael. Mr. Ngai Tsz Him Michael is a practicing solicitor in Hong Kong, and currently 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.

(e) The English text of this circular shall prevail over its Chinese text in case of any inconsistency.

10. DOCUMENTS ON DISPLAY

The following documents are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yestarcorp.com) for a period of 14 days from the date of this circular:

(a) the Equity Transfer Agreement; and

(b) the written consents referred to in the paragraph headed "Experts' Consents and Qualifications" in this Appendix.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Yestar Healthcare Holdings Company Limited (the "**Company**") will be held at 8/F., Block A, No. 58 Shen Jian Dong Lu, Min Hang District, Shanghai, the PRC on 28 December 2023 (Thursday) at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the equity transfer agreement dated 30 December 2022 (the "**Equity Transfer Agreement**", a copy of which is tabled at the EGM and marked "A" and initialed by the chairman of the EGM for the purpose of identification) entered into between Yestar (Guangxi) Medical System Co., Ltd. (廣西巨星醫療器械有限公司) (the "**Vendor**") and Mr. Li Bin (李斌) (the "**Purchaser**") pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the 94.2% equity interests in Shanghai Emphasis Investment Management Consulting Co., Ltd. (上海安百達投資管理顧問有限公司), Shanghai Jianchu Medical Instrument Co., Ltd. (上海建儲醫療器械有限公司), Shanghai Chaolian Trading Co., Ltd. (上海超聯商貿有限公司), Shanghai Haole Industrial Co., Ltd. (上海顥樂實業有限公司), and Shanghai Dingpei Industrial Co., Ltd. (上海定佩實業有限公司) (collectively, the "**Target Companies**"), at a consideration of RMB574,750,000 and the transactions contemplated thereunder be and are ratified, confirmed and approved and any directors of the Company (the "**Directors**") be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and give effect to the Equity Transfer Agreement and the transactions contemplated thereunder; and

(b) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Equity Transfer Agreement and the transactions contemplated thereunder as he/she/they may in his/her/their absolute discretion consider necessary, desirable or expedient to give effect to the Equity Transfer Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

By order of the Board
Yestar Healthcare Holdings Company Limited
Liao Changxiang
CEO and Executive Director

Shanghai, 13 December 2023

Principal place of business in Hong Kong:
Suite 2105, 21/F
Central Plaza
18 Harbour Road
Hong Kong

i. A shareholder entitled to attend and vote at the meeting convened is entitled to appoint another person(s) as his proxy to attend and vote in his stead. A proxy need not be a shareholder of the Company.

ii. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

iii. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should they so wish.

iv. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the meeting, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

v. The above resolutions will be put to vote at the meeting by way of poll.