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Yestar Healthcare Holdings Company Limited

巨星醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

Revenue increased by approximately 20.1% to approximately RMB4,930.7 million in 2021 from approximately RMB4,106.9 million in 2020.

Gross profit increased by approximately 5.2% to approximately RMB848.7 million in 2021 from approximately RMB806.9 million in 2020.

Profit for the year amounted to approximately RMB12.7 million in 2021 as compared with loss in 2020 amounted to approximately RMB645.3 million. Profit attributable to owners of the parent amounted to approximately RMB3.3 million in 2021 as compared with loss in 2020 amounted to approximately RMB590.5 million.

Non operating expenses comprise impairment of assets, amortisation of intangible assets and costs in relation to restructuring of senior notes recorded during the year amounted to RMB178.2 million, out of which RMB136.8 million is non cash item.

Earnings per share amounted to RMB0.1 cent in 2021 as compared with loss per shares of RMB25.0 cents in 2020.

The Board did not recommend the payment of a final dividend for the year 2021 (2020: Nil).

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Yestar Healthcare Holdings Company Limited (“Yestar” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021 (the “Year”) together with comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
REVENUE	4	4,930,692	4,106,938
Cost of sales		<u>(4,081,997)</u>	<u>(3,300,058)</u>
Gross profit		848,695	806,880
Other income and gains	4	89,691	70,894
Selling and distribution expenses		(336,343)	(286,699)
Administrative expenses		(320,665)	(336,763)
Impairment loss on financial assets		(7,321)	(25,279)
Other expenses		(52,922)	(802,794)
Finance costs	5	(169,187)	(124,081)
Share of profit of an associate		<u>7,994</u>	<u>5,247</u>
PROFIT/(LOSS) BEFORE TAX	6	59,942	(692,595)
Income tax (expense)/credit	7	<u>(47,263)</u>	<u>47,297</u>
PROFIT/(LOSS) FOR THE YEAR		<u>12,679</u>	<u>(645,298)</u>
Attributable to:			
Owners of the parent		3,327	(590,485)
Non-controlling interests		<u>9,352</u>	<u>(54,813)</u>
		<u>12,679</u>	<u>(645,298)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE			
PARENT			
Basic and diluted			
For profit/(loss) for the year	9	<u>RMB0.1 cents</u>	<u>RMB(25.0) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2021*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>12,679</u>	<u>(645,298)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>36,618</u>	<u>79,064</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>36,618</u>	<u>79,064</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>36,618</u>	<u>79,064</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>49,297</u>	<u>(566,234)</u>
Attributable to:		
Owners of the parent	<u>39,945</u>	<u>(511,421)</u>
Non-controlling interests	<u>9,352</u>	<u>(54,813)</u>
	<u>49,297</u>	<u>(566,234)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2021*

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		193,238	181,428
Right-of-use assets		266,684	247,078
Other intangible assets		820,109	956,842
Goodwill		420,067	420,067
Investment in an associate		13,241	5,247
Deferred tax assets		21,762	20,336
Total non-current assets		<u>1,735,101</u>	<u>1,830,998</u>
CURRENT ASSETS			
Inventories		366,686	591,523
Trade and bills receivables	10	1,590,861	1,471,872
Prepayments, other receivables and other assets	11	279,262	173,409
Pledged deposits		1,812	15,105
Cash and cash equivalents		585,159	572,348
Total current assets		<u>2,823,780</u>	<u>2,824,257</u>
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		458,815	1,646,390
Trade and bills payables	12	657,316	558,241
Contract liabilities		74,874	37,461
Other payables and accruals	13	757,048	835,986
Lease liabilities		83,455	79,449
Tax payable		129,482	130,880
Total current liabilities		<u>2,160,990</u>	<u>3,288,407</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>662,790</u>	<u>(464,150)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,397,891</u>	<u>1,366,848</u>

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,117,960	—
Lease liabilities	130,194	115,371
Deferred tax liabilities	227,249	267,961
Other long-term payables	90,454	127,760
	<u>1,565,857</u>	<u>511,092</u>
NET ASSETS	<u>832,034</u>	<u>855,756</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	46,576	47,088
Reserves	708,649	709,950
	<u>755,225</u>	<u>757,038</u>
Non-controlling interests	76,809	98,718
TOTAL EQUITY	<u>832,034</u>	<u>855,756</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

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

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

The Company is an investment holding company. During the year, the Company’s subsidiaries were involved in the following principal activities:

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power on the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
IFRS 17	<i>Insurance Contracts</i> ²
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{2, 4}
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i> ²
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ¹
<i>Annual Improvements to IFRS Standards 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

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

3. OPERATING SEGMENT INFORMATION

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

- (a) Imaging printing products: manufacture and sale of colour photographic paper, industrial NDT x-ray films and PWB films, and trading of imaging equipment; and
- (b) Medical products and equipment: manufacture and sale of medical dry films, medical wet films and dental films, sale of medical equipment and diagnostic reagents.

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

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

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

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

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

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

Year ended 31 December 2020	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Segment revenue: (note 4)			
Sales to external customers	348,908	3,758,030	4,106,938
Intersegment sales	487,790	1,295,359	1,783,149
	<hr/>	<hr/>	<hr/>
<u>Reconciliation:</u>			
Elimination of intersegment sales			(1,783,149)
Revenue			<u>4,106,938</u>
Segment results	(1,870)	(679,527)	(681,397)
<u>Reconciliation:</u>			
Corporate and other unallocated expenses			<u>(11,198)</u>
Loss before tax			<u>(692,595)</u>
Segment assets	326,402	4,237,299	4,563,701
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>91,554</u>
Total assets			<u>4,655,255</u>
Segment liabilities	113,637	3,396,767	3,510,404
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			<u>289,095</u>
Total liabilities			<u>3,799,499</u>
Other segment information:			
Depreciation of items of property, plant and equipment	6,193	25,917	32,110
Depreciation of items of right-of-use assets	2,286	100,221	102,507
Amortisation of intangible assets	1,203	115,431	116,634
Share of profit of an associate	—	(5,247)	(5,247)
Impairment loss recognised in the statement of profit or loss, net	930	817,654	818,584
Loss/(Gain) on disposal of items of property, plant and equipment	628	(8)	620
Gain on disposal of other intangible assets	—	(17,189)	(17,189)
Gain on disposal of right-of-use assets	(23)	(334)	(357)
Capital expenditure*	3,049	76,704	79,753
	<hr/>	<hr/>	<hr/>

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

Information about major customers

During the year ended 31 December 2021, the Group had one customer from whom the revenue was raised by selling medical imaging products and printing imaging products of RMB902,596,000 (2020: RMB850,478,000) which accounted for more than 18% (2020: more than 20%) of the Group's total revenue during the year.

Geographical information

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

Seasonality of operations

The Group's operations are not subject to seasonality.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers	<u>4,930,692</u>	<u>4,106,938</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments

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

For the year ended 31 December 2020

Segments

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	348,908	3,685,683	4,034,591
Rendering of services	<u>—</u>	<u>72,347</u>	<u>72,347</u>
Total revenue from contracts with customers	<u><u>348,908</u></u>	<u><u>3,758,030</u></u>	<u><u>4,106,938</u></u>
Timing of revenue recognition			
Goods transferred at a point time	348,908	3,685,683	4,034,591
Services transferred over time	<u>—</u>	<u>72,347</u>	<u>72,347</u>
Total revenue from contracts with customers	<u><u>348,908</u></u>	<u><u>3,758,030</u></u>	<u><u>4,106,938</u></u>

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

For the year ended 31 December 2021

Segments

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

For the year ended 31 December 2020

Segments

	Imaging printing products RMB'000	Medical products and equipment RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	348,908	3,758,030	4,106,938
Intersegment sales	<u>487,790</u>	<u>1,295,359</u>	<u>1,783,149</u>
	836,698	5,053,389	5,890,087
Intersegment adjustments and eliminations	<u>(487,790)</u>	<u>(1,295,359)</u>	<u>(1,783,149)</u>
Total revenue from contracts with customers	<u><u>348,908</u></u>	<u><u>3,758,030</u></u>	<u><u>4,106,938</u></u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	17,438	11,434
Rendering of services	20,023	10,401
	<u>37,461</u>	<u>21,835</u>
Revenue recognised from performance obligations satisfied in previous periods	<u>—</u>	<u>—</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 360 days from delivery, except for new customers, where payment in advance is normally required.

Rendering of services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. The service contracts which are related to the rendering of maintenance services are for periods of one year or less, or are billed based on the time incurred.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amount expected to be recognised as revenue:		
Within one year	<u>74,874</u>	<u>37,461</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income and gains		
Government grants (<i>note</i>)	44,540	29,345
Gain on repayment of the senior notes	35,158	—
Interest income	8,245	11,352
Net gain on disposal of items of property, plant and equipment	909	—
Net gain on financial assets at fair value through profit or loss	32	331
Net gain on disposal of other intangible assets	—	17,189
Foreign exchange differences, net	—	11,432
Gain on disposal of right-of-use assets	—	357
Others	807	888
	<u>89,691</u>	<u>70,894</u>

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance costs		
Interest on bank loans, overdrafts and other borrowings	116,505	113,201
Related expenses on senior notes	41,399	—
Interest on lease liabilities	10,793	9,935
Interest arising from discounted bills	490	945
	<u>169,187</u>	<u>124,081</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold and services provided (including the related depreciation and amortisation)	4,081,997	3,300,058
Depreciation of property, plant and equipment	36,256	32,110
Depreciation of right-of-use assets	100,948	102,507
Amortisation of other intangible assets	95,701	116,634
Research and development costs	1,242	648
Lease payments not included in the measurement of lease liabilities	55,086	37,861
Auditors' remuneration	4,100	4,030
Employee benefit expense (including directors' remuneration):		
Wages and salaries	232,314	194,531
Pension scheme contributions	15,775	3,617
	<u>248,089</u>	<u>198,148</u>
Foreign exchange differences, net	6,398	(11,432)
Impairment of trade receivables, net	7,321	25,279
Impairment of goodwill*	—	447,450
Impairment of other intangible assets*	41,582	342,857
Impairment of property, plant and equipment	—	941
Gain on disposal of other intangible assets	—	(17,189)
Gain on disposal of right-of-use assets	—	(357)
Gain on repayment of the senior notes	(35,158)	—
(Gain)/loss on disposal of items of property, plant and equipment	<u>(909)</u>	<u>620</u>

* The impairment of goodwill and other intangible assets is included in "Other expenses" in the consolidated statement of profit or loss, which is non-recurring loss in nature.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax is to be provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong.

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

Yestar (Guangxi) Medical was accredited as a high and new technology enterprise (“HNTE”) in the year ended 31 December 2019. The HNTE certificate needs to be renewed every three years so as to enable Yestar (Guangxi) Medical to enjoy the preferential CIT rate of 15%. For the year ended 31 December 2021, Yestar (Guangxi) Medical was entitled to a Corporate Income Tax (“CIT”) rate of 15% due to HNTE.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current — PRC		
Charge for the year	82,901	86,245
Deferred	(35,638)	(133,542)
Total tax charge/(credit) for the year	<u>47,263</u>	<u>(47,297)</u>

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

	2021 <i>RMB'000</i>	%	2020 <i>RMB'000</i>	%
Profit/(loss) before tax	<u>59,942</u>		<u>(692,595)</u>	
Tax at applicable tax rate	14,986	25.0%	(173,149)	25.0%
Lower tax rate for certain entities in different jurisdictions	16,496	27.5%	8,956	(1.3%)
Tax losses and deductible temporary differences not recognised	20,292	33.9%	5,867	(0.8%)
Expenses not deductible for tax	7,425	12.4%	124,348	(18.0%)
Income not subject to tax	(10)	(0.0%)	(374)	0.1%
Tax losses utilised from previous periods	(879)	(1.5%)	—	—
Adjustments to current tax of previous periods	(200)	(0.3%)	(6,571)	0.9%
Profit attributable to an associate	(1,998)	(3.3%)	(1,312)	0.2%
Tax incentives on eligible expenditures	(8,849)	(14.8%)	(5,062)	0.7%
Tax charge/(credit) at the effective rates	<u>47,263</u>	<u>78.8%</u>	<u>(47,297)</u>	<u>6.8%</u>

The share of tax attributable to an associate amounting to RMB7,994,000 (2020: RMB5,247,000) is included in “Share of profit and loss of an associate” in the consolidated statement of profit or loss.

8. DIVIDENDS

There was no proposed final dividend for the year ended 31 December 2021 (2020: Nil) which would be subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,346,582,000 in issue during the year ended 31 December 2021 (2020: 2,361,760,000).

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings/(Loss)		
Profit/(Loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation	3,327	(590,485)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation <i>(thousands)</i>	2,346,582	2,361,760
Basic earnings/(loss) per share <i>(RMB cents)</i>	<u>0.1</u>	<u>(25.0)</u>

The diluted earnings/(loss) per share amounts were equal to the basic earnings/(loss) per share amounts for the years ended 31 December 2021 and 2020, as there were no diluting events during the years ended 31 December 2021 and 2020.

10. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	1,611,004	1,507,831
Bills receivable	39,040	15,989
Impairment	<u>(59,183)</u>	<u>(51,948)</u>
	<u>1,590,861</u>	<u>1,471,872</u>

The Group grants different credit periods to customers. The Group generally requires its customers to make payments at various stages of a sale transaction. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Certain customers are required to make partial payments before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	878,880	843,616
91 to 180 days	376,618	373,835
181 to 365 days	216,803	125,140
1 to 2 years	68,469	97,945
2 to 3 years	11,051	15,347
	<u>1,551,821</u>	<u>1,455,883</u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	51,948	26,985
Impairment losses, net	7,321	25,279
Amount written off as uncollectable	(86)	(316)
At end of year	<u>59,183</u>	<u>51,948</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

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

As at 31 December 2020

	Not past due	Less than 6 months	Past due		Total
			7 to 12 months	Over 12 months	
Expected credit loss rate	0.32%	0.58%	13.58%	27.48%	3.45%
Gross carrying amount	872,693	427,560	74,571	133,007	1,507,831
Expected credit losses	2,785	2,486	10,127	36,550	51,948

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

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments	98,658	50,168
Value added tax input	13,996	8,458
Deposits and other receivables	114,965	61,931
Financial assets measured at amortised cost	<u>51,643</u>	<u>52,852</u>
	<u><u>279,262</u></u>	<u><u>173,409</u></u>

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

Financial assets measured at amortised cost were entrusted investments due within one year, and the contractual cash flows were solely collection of principal and interest with fixed annual interest rate of 6%.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

12. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	657,316	527,885
Bills payable	—	30,356
	<u>657,316</u>	<u>558,241</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	621,150	467,790
91 to 180 days	29,911	49,661
181 to 365 days	3,617	6,270
1 to 2 years	1,379	2,474
Over 2 years	1,259	1,690
	<u>657,316</u>	<u>527,885</u>

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

13. OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current portion:		
Other payables	339,602	127,332
Value added tax payable	52,563	61,479
Payroll and welfare payable	18,868	20,670
Interest payable	457	26,570
Payables to non-controlling interests (<i>note</i>)	345,556	599,935
	<u>757,046</u>	<u>835,986</u>
Non-current portion:		
Deferred government grant	7,322	7,511
Payables to non-controlling interests (<i>note a</i>)	83,132	120,249
	<u>90,454</u>	<u>127,760</u>

Notes:

Payables to non-controlling interests mainly represent the contractual obligations of the Group to acquire the remaining 5.83% interests in Anbaida Group Companies and the remaining 30% interests in each of Shengshiyuan and Kaihongda as at the end of the reporting period.

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

- (a) Pursuant to the share purchase agreement entered into between Yestar (Guangxi) Medical System Co., Ltd. (“Yestar Medical”), a subsidiary of the Company, Mr. Li Bin, Mr. Li Changgui, Mr. Li Changkuan, Ms. Yu Liping and Ms. Liu Hong on 9 April 2015, Yestar Medical acquired the 70% equity interests in Anbaida Group Companies and Mr. Li Bin and Mr. Li Changgui (“Mr. Li”) held the remaining 30% equity interest. The non-controlling equity interest holders shall have the right to require Yestar Medical to acquire the remaining 30% equity interest in Anbaida Group Companies if the respective net profits of Anbaida Group Companies in 2015, 2016 and 2017 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB675 million. Since Anbaida Group Companies have met the annual guarantee profit targets for the years from 2015 to 2017, the Group is obligated to acquire the remaining 30% equity interest in Anbaida Group Companies. Yestar Medical reached a new separate share transfer agreement on 7 August 2020 with Mr. Li to acquire the remaining 30% equity interest in Anbaida Group Companies. Yestar Medical shall purchase the remaining 30% equity interest in each of Anbaida Group Companies at a consideration of RMB675 million. As at 31 December 2021, the Company completed the acquisition of a 24.17% equity interest and paid RMB543,750,000 to Mr. Li.

As at 31 December 2021, the carrying amount of RMB83,132,000 related to dividend payable to Mr. Li Bin and Mr. Li Changgui from 2023 to 2025.

- (b) Pursuant to the share purchase agreement entered into between Yestar Medical, Ms. Liu Yanling, Ms. Li Xu, Mr. Ai Jiaying, Mr. Zhang Lixiong and Mr. Li Shenlian on 11 November 2016, Yestar Medical acquired the 70% equity interest in Shengshiyuan. Yestar Medical is obligated to acquire the remaining 30% equity interest in Shengshiyuan if the respective net profits of Shengshiyuan in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB120 million. Since Shengshiyuan has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical is negotiating with Mr. Li to purchase the remaining 30% equity interest. No agreement was reached as at the date of this announcement.
- (c) Pursuant to the share purchase agreement entered into between Yestar Medical, Mr. Pang Haibin, Mr. Xie Dingjie, Ms. An Hong, Mr. Yu Huimin and Mr. Zhu Yongping on 20 September 2017, Yestar Medical acquired the 70% equity interest in Kaihongda. Yestar Medical is obligated to acquire the remaining 30% equity interest in Kaihongda if the respective net profits of Kaihongda in 2017, 2018 and 2019 have reached the annual guarantee profits. The maximum consideration shall not exceed RMB71.28 million. Since Kaihongda has met the annual guarantee profit targets for the years from 2017 to 2019, Yestar Medical was negotiating with Mr. Pang to purchase the remaining 30% equity interest. No agreement was reached as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

About Yestar

Yestar is one of the largest distributors and service providers of In Vitro Diagnostic (“IVD”) products in the Peoples Republic of China (the “PRC”). The Group principally engages in the distribution of IVD products in cities of Beijing, Shanghai, Guangzhou and Shenzhen and in provinces of Anhui, Fujian, Guangdong, Guangxi, Hainan, Hunan, Jiangsu, Hebei and the autonomous region Inner Mongolia. The Group also manufactures medical films (used in X-Ray, Magnetic Resonance Imaging (MRI) and Computer Tomography (CT-scan) etc.) for Fujifilm in the PRC and manufactures, markets and sells dental film and medical dry film products under the house brand “Yes!Star”.

MARKET OVERVIEW

2021 represents a year of both halves as we enjoyed the positivity from market recovery, as well as the uncertainties from the Delta and Omicron variants. In the case of the PRC, it continued to battle COVID-19 through mass vaccination programs and pandemic control measures. Economic activities were able to gradually resume, and most hospitals and clinics were able to return to normal operation. As a result, the demand of IVD testing and other medical check-ups services was on the rise, benefiting key distributors and service providers of IVD products, such as Yestar.

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

Meanwhile, under the hierarchical medical treatment system, more resources were also allocated to lower-tier medical institutions in order to expand patient and treatment coverage. This has led to a growing adoption of digital technologies in an attempt to drive resources 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. The changing policies and needs present new opportunities in the IVD market, and as a leading IVD distributors in the PRC, Yestar strives to provide the best solutions and products to facilitate its customers.

BUSINESS OVERVIEW

Further Expansion of Product Portfolio to Satisfy Customers' Need

Due to the aforesaid policies, the Group has taken a two-folded approach to satisfy the growing yet different needs among different tiers of medical institutions. For top-tier institutions which are performance driven and less price sensitive, the Group has been actively promoting various imported products to ease their operational bottleneck, including Roche's cobas e801 analytical unit, which is a high throughput immunochemistry module that performs a broad range of heterogeneous immunoassay tests using the highly innovative and patented ElectroChemiLuminescence (ECL) technology. To further improve the efficiency, the Group also introduced Roche'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 Yestar 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 Group has introduced a number of domestic IVD brands (complementary to Roche's existing product offering), catering the needs of lower-tier hospitals and medical institutions. So far, market feedback for the products were positive, with the domestic brands also contributing decent profit margin. This provides great encouragement for Yestar to actively expand its domestic brands' product portfolio in the future. In short, riding on its extensive market knowledge and industry experience, the Group will continue to identify promising IVD products, and create value by distributing them through its well-established network across all tiers of medical institutions.

Extending its Value Chain Coverage to Manufacturing of IVD Products

Over the past decade, China has been improving its capability in the biopharmaceutical sector. According to the '2021-2022 China Healthcare sector investment report' published by ITJUZI.COM, the investment amount in the industry has been increasing, reaching RMB157.7 billion in 2021. With the Central Government actively promoting domestic brand development, Yestar has also 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 Group is in the final stage of the application process, and the approval will grant the Group the rights to manufacture IVD reagents under its house brand, essentially transforming it from a distribution and servicing company, to one that encompasses R&D, production, distribution, and after-sales services. To prepare for the eventual approval, the Group has also further upgraded its plant facilities in Guangxi province, and recruited qualified and experienced IVD R&D talents to support its future development. Riding on the growing demand of IVD consumables from lower-tier hospitals under the hierarchical policy, the Group will adopt a cost-driven strategy to provide quality and affordable house brand IVD products to cater their needs, capturing more market shares.

Successful Offshore Debt Restructuring to Pave the Way for Sustainable Development

Reference is made to “Management Discussion and Analysis — Action Plan to Address the Going Concern” of the annual report 2020 of the Company, announcement and supplemental announcement of the Company dated 20 July 2021 and 23 July 2021, respectively, in relation to the Company’s proposed offshore debt restructuring (“Debt Restructuring”) of the USD200,000,000 6.9% senior notes due 2021 (the “Senior Notes”). The Company had entered into with holders of the Senior Notes the Restructuring Support Agreement (“RSA”) to support the Debt Restructuring, which was expected to be implemented through a scheme of arrangement in the Cayman Islands (the “Cayman Scheme”). Details of the terms of the Debt Restructuring and the RSA are set forth in the Company’s announcements dated 20 July 2021 and 23 July 2021, respectively.

On 3 December 2021, the Grand Court of the Cayman Islands (the “Court”) directed that a meeting of Cayman Scheme creditors (“Cayman Scheme Meeting”) be convened for the purposes of considering and, if thought fit, approving the Cayman Scheme (with or without modification, addition or condition approved or imposed by the Court). The Cayman Scheme was approved by the Cayman Scheme creditors and the Court made an order to sanction the Scheme (“Scheme Sanction Order”) both on 10 December 2021. For further details, please refer to the Company’s announcements dated 8 November 2021, 3 December 2021, 12 December 2021, 14 December 2021, 29 December 2021, respectively.

Pursuant to the RSA, the new senior notes have been issued by the Company and listed on the Singapore Exchange Securities Trading Limited on 31 December 2021. The Senior Note had been delisted from the Stock Exchange with effect from 15 September 2021. As at 31 December 2021, there were USD197,864,523 new senior notes due 2026 in issue.

As mentioned above, with the USD\$200 million 6.9% senior notes issued in 2016 approaching its maturity, the Group has been actively exploring various proposals for its extension or restructuring. After rounds of discussion, the majority of notes holders agreed to support the Group’s restructuring, as a result of its solid business model, the prosperity of the China IVD market and its five years strategic development plan to drive future growth. The senior notes on 31 December 2021 is restructured for a 5-year term, at a coupon rate of 9.5%. From the Group’s perspective, not only the 5-year extension provides it with a good window and buffer to continue its transition, the improving liquidity that comes with it also allows the Group to further explore the market and execute its business plans. After the restructuring, the Group’s financial position is significantly enhanced, with current ratio improved from 0.86 to 1.31 year over year (“yoy”), and current liabilities decreased from RMB3,288.4 million to RMB2,161.0 million. The boost in financial market should also provide sufficient flexibility for the Group to navigate the unpredictable market.

Profit Guarantee in relation to Derunlijia

Reference is made to (i) the announcement of Yestar Healthcare Holdings Company Limited (the “Company”) dated 27 October 2016 in relation to, among others, the acquisition of 70% equity interest in Shenzhen De Run Li Jia Company Ltd (“Derunlijia”); (ii) the annual report of the Company for the years ended 31 December 2019 and 2020; and (iii) the announcements of the Company (collectively, the “Announcements”) dated 27 March 2020, 24 April 2020, 26 August 2020, 7 April 2021 and 30 August 2021, respectively in relation to, among others, the non-fulfilment of the annual guarantee profit of Derunlijia for the year ended 31 December 2019 and the related Compensation Amount. Unless otherwise stated herein, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

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

Despite the previous mutual agreement among parties to settle the Compensation Amount by deduction of accumulated dividend payable or to be paid by Vendors, the Vendors did not honor their commitment. The Group has already commenced an arbitration procedure in the Court of International Arbitration in September 2021.

Since September 2021, there were 2 arbitration hearings among parties held and further statements of fact as well as supporting documents for reasoning have been submitted to Court of International Arbitration for consideration. Up to the date of this announcement, there was no conclusion made by the Court of International Arbitration. The arbitration award is estimated to be entered in April 2022.

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

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

Impairment of Goodwill and Other Intangible Assets

As at 31 December 2021, the Group performed a year end annual impairment test on goodwill and other intangible assets (which included distribution rights and customer relationship) by performing discounted free cash flow forecasts for each of the following acquired subsidiaries in previous years:

- Yestar Biotech (Jiangsu) Co., Ltd.
- Shanghai Anbaida Group Companies
- Guangzhou Hongen Medical Diagnostic Technologies Co., Ltd.
- Guangzhou Shengshiyuan Trading Co., Ltd.
- Beijing Kaihongda Technologies Co., Ltd.
- Shenzhen Derunlijia Co., Ltd.

The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated and each intangible asset. The recoverable amount of each cash-generating unit and individual asset is the higher of its fair value less costs of disposal and its value in use using a cash flow projection based on a financial budget covering a five-year period.

Taking into consideration their respective projection on future results of cash-generating performance and financial results, no impairment loss (2020: RMB447,450,000) was recognised for the year ended 31 December 2021 in respect of the goodwill resulted from the acquisition of above subsidiaries of the Group with reference to the budgeted gross margin and estimated growth rate of different product mixture.

In addition, an impairment loss of other intangible assets (which included distribution rights and customer relationship) of RMB41.6 million (2020: 342.9 million) was recognised in the consolidated statement of profit or loss as other expense in 2021.

FINANCIAL REVIEW

The unrelenting government efforts in combating COVID-19 has allowed hospitals and medical clinics in the PRC to resume their non-emergency services in 2021. This led to a bottom-out in demand for IVD and other testing kit products. And despite the lingering threat from COVID-19, the public has shown an increasing level of health awareness, which was translated to a growing demand for IVD reagents and consumables. As a result, the Group's overall revenue for the Year increased by 20.1% yoy to RMB4,930.7 million (2020: RMB4,106.9 million). Gross profit rose by 5.2% yoy to RMB848.7 million (2020: RMB806.9 million) while gross profit margin slightly decreased from 19.6% to 17.2%, mainly attributable to the decrease in gross profit margin from the Group's non-medical business. In line with the increase in revenue, selling and distribution expenses increased by 17.3% yoy to RMB336.3 million (2020: RMB286.7 million). Administrative expenses recorded a decrease of 4.8% yoy to RMB320.7 million (2020: RMB336.8 million) due to the less amortisation of the other intangible assets during the Year. Non operating expenses comprise impairment of assets, amortisation of intangible assets and costs in relation to restructuring of senior notes recorded during the year amounted to RMB178.2 million, out of which RMB136.8 million is non cash item. Riding on the market recovery, profit attributable to the owners of the Company rebounded to approximately RMB3.3 million in 2021 (2020: a loss of RMB590.5 million). Basic earnings per share was amounted to RMB0.1 cent (2020: loss per share of RMB25.0 cents). The board of directors (the "Board") has resolved not to declare any dividend for the year ended 31 December 2021 (2020: Nil).

Medical Business — 92.0% of Overall Revenue

In 2021, the Group experienced an increase in demand in IVD consumables, primarily due to the resumption of hospital services. Segment revenue reached RMB4,535.1 million (2020: RMB3,758.0 million), representing a yoy increase of 20.7%. Segment gross profit was RMB851.6 million (2020: RMB758.5 million), with gross profit margin decreased by 1.4 p.p. to approximately 18.8% (2020: 20.2%), mainly due to the change of product mix among lower-tier hospitals. Although facing such policy headwinds, Yestar continued to expand its product portfolio and distribution network to turn the risks into opportunities.

Numbers of Hospitals and Clinics Covered

For the year ended 31 December	2020	2021	YOY change
Provinces			
Anhui	70	61	-12.9%
Fujian	72	81	+12.5%
Guangdong	355	417	+17.5%
Guangxi	29	60	+106.9%
Hainan	59	61	+3.4%
Hebei	39	45	+15.4%
Hunan	20	22	+10.0%
Jiangsu	260	260	—
Autonomous region			
Inner Mongolia	10	10	—
Tier-1 cities			
Beijing	201	209	+4.0%
Guangzhou	110	116	+5.5%
Shanghai	315	315	—
Shenzhen	69	69	—
Overall	1,609	1,726	+7.3%

Non-medical Business — 8% of Overall Revenue

Apart from the medical business segment, non-medical business of the Group mainly consists of the manufacturing, marketing, distribution and sale of Fujifilm color photographic paper (professional and minilab), as well as industrial imaging products (NDT x-ray films and PWB films) in the PRC. The Group also manufactures, markets and sells NDT x-ray film under the house brand “Yes!Star”. This segment faces relatively stable demand, and has generated stable cash flow for the Group in the previous years. As economic activities resumed in 2021, there was also a recovery in demand for industrial imaging products. This drove revenue of non-medical business to RMB395.6 million, representing a 13.4% yoy increase (2020: RMB348.9 million). However, segment gross profit margin decreased by 14.6 p.p to -0.7% (2020: 13.9%) mainly due to the impairment loss of inventory recognised and reduction of price of products during the Year. Given the growth in revenue, the Group remains confident to further grow its market and streamline its cost structure, paving the way for more sustainable financial performance in the future.

Liquidity and Financial Resources

The Group has cash and cash equivalents of approximately RMB585.2 million as at 31 December 2021 (2020: approximately RMB572.3 million). The slight increase in cash was due to the growth in revenue with prudent credit and receivable policy in force effectively. During the Year, the expected credit loss for bills receivable of the Group, which are all bank acceptance notes, is approximate to zero. Those banks who issue bank acceptance notes are creditworthy banks with no recent history of default.

As at 31 December 2021, the Group's gearing ratio was approximately 57% (2020: approximately 59%), calculated as the net debt which includes the interest-bearing bank loans and other borrowings less cash and cash equivalents dividend by equity attributable to owners of the parent plus net debt at the end of 31 December 2021.

The total interest-bearing loans and other borrowings of the Group as at 31 December 2021 was approximately RMB1,576.8 million (2020: approximately RMB1,646.4 million). Except for the senior notes issued during the Year and secured bank loans of RMB19.1 million which are denominated in USD, all borrowings of the Group are principally denominated in Chinese Yuan (RMB), which is also the presentation currency of the Group.

The current ratio as at the end of December 2021 was approximately 1.31 (2020: approximately 0.86), based on current assets of approximately RMB2,823.8 million and current liabilities of approximately RMB2,161.0 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 17.3% from approximately RMB286.7 million in 2020 to approximately RMB336.3 million in 2021, and accounted for about 7.0% and about 6.8%, respectively, of the Group's revenue for the respective reporting years. Such increase was in line with the increase in revenue for the Year.

Administrative Expenses

The Group's administrative expenses recorded a decrease of about 4.8% from approximately RMB336.8 million in 2020 to approximately RMB320.7 million in 2021, and accounted for about 8.2% and about 6.5%, respectively, of the Group's revenue for the respective reporting years. Such decrease was attribute to the decrease in amortisation of intangible assets.

Finance Costs

The Group's finance costs consisted mainly of interest expenses on Senior Notes, bank loan and other borrowings and the related expenses on Senior Notes. The aggregate amount of interest incurred was approximately RMB127.8 million (2020: approximately RMB124.1 million) as well as the related expenses on Senior Notes was approximately RMB41.4 million (2020: Nil) for the Year.

For the Year, interest rates of the interest-bearing loans ranged from 2.3% to 12.13%, while those for the year ended 31 December 2020 ranged from 3.6% to 7.43%.

Foreign Exchange Exposure

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

Share Capital and Capital structure

Except for the cancellation of shares following the repurchase of shares of the Company during the Year, there has been no change to the shares in issue and capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserve. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

Human Resources and Remuneration Policies

As at 31 December 2021, the Group had 1,019 (2020: 1,060) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately RMB248.1 million for the Year as compared to approximately RMB198.1 million for the year ended 31 December 2020. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

Since the contribution to the pension schemes and for the Year, there was no contributions forfeited by the Group (31 December 2020: Nil) on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions.

As at 31 December 2021, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

Significant investments held

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

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 December 2021, which is required to be disclosed under the Listing Rules.

Future plans for material investments and capital assets

The Group did not have any other plans for material investments and capital assets as at the date of this announcement.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Guarantee Performance in relation to the Acquisitions

Save as disclosed above, the Group did not enter into any acquisition, which is required to be disclosed under the Listing Rules, that the party in contract required to commit or guarantee on the financial performance in any kinds for the year ended 31 December 2021.

Charges of assets

As at 31 December 2021, certain of the Group's buildings with a net carrying amount of approximately RMB85,506,000 (2020: Nil) were pledged to secure banking loans granted to the Group. The shares of Yestar Asia Company Limited and Yestar International (HK) Company Limited, two wholly-owned subsidiaries of the Company, were pledged to the holders of all senior notes issued by the Company.

In addition, the following was the pledge of assets as at 31 December 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.
- (iii) the Group's bank loans of RMB104,128,000 were guaranteed by a non-controlling shareholder and the Company's subsidiaries.
- (iv) As at 31 December 2021, the Group's bank loans of RMB10,000,000 were guaranteed by local government.

Contingent liabilities

During the Year, the Group had no material contingent liabilities as at 31 December 2021.

PROSPECT

According to a report titled 'China in Vitro Diagnostics Market, Size, Forecast 2022–2027, Industry Trends, Growth, Share, Impact of COVID-19, Company Analysis' by Renub Research, it is estimated that China's IVD Industry will grow from USD7.4 billion in 2021, to USD18.9 billion in 2027, at a CAGR of 16.9% during the period. Supported by an expanding aging population as well as the rising living standard, the demand for early prevention and family health management is also expected to increase. The rise in volume, along with the new and changing diagnostic requirements, would also drive the demand of a greater variety of IVD products. The Group will capture these market opportunities by adopting the following strategies.

Continuous Product Expansion and Upstream Extension in the PRC

Equipped with an extensive hospital network, Yestar will continue diversifying its product portfolio and introduce the most suitable solutions and products to its customers. The Group will continue its strategic long-term partnership with Roche, and introduce innovative and advanced products to its customers, satisfying their needs in efficiency and latest testing technologies. In addition, the Group will also actively look for collaborations with other domestic brands, catering the expanding needs of lower-tier medical institutions under the hierarchical policy.

To capture the opportunities brought by the support on domestic brands, Yestar put a strong emphasis on its house brand development, which offers higher flexibility in operations and margins in financials. The Group expects to obtain the IVD manufacturing license in the first half of 2022. Leveraging its extensive network and product know-how, the Group is confident to expand its house brand contribution in the near future.

Explore Overseas Opportunities in the Mid-to-long-run

Given the impending launch of house brand IVD products, the Group will gradually transform from a distribution and servicing company to a company that has an extensive in-house product portfolio supported by in-house R&D and manufacturing capability. With China being one of the leading countries in the IVD industry, and has demonstrated its capabilities in IVD production during the pandemic, the Group is confident to leverage its foothold in China, and expand its house brand business to overseas markets in the coming 5 years.

To begin with, the Group plans to tap into the Southeast Asian market given its increasing demand in medical healthcare. For example, Vietnam's healthcare expenditure was approximately US\$17 billion in 2019, and is expected to reach US\$23 billion in 2022 at a CAGR of 10.7%, according to Fitch Solution. In Indonesia, the government's healthcare budget has been growing at a CAGR of 8.6% from 2017 to 2022. Specifically, Rp255.3 trillion has been allocated to healthcare in 2022, of which Rp139.4 trillion is on regular healthcare services, an increase of 22.9% as compared to the pre-COVID level in 2019. These indicators show that the Southeast Asia region would represent a good starting point.

Yestar healthcare will actively seek for partnership with enterprises that equipped with extensive channel resources in the Southeast Asian market, and to promote its house brand products in the region. The move is expected to further diversify its revenue streams, reduce its country concentration risks, and boost its margins in the long-run.

The coming year will be full of challenges and opportunities. With our improved financial position and new business initiatives, the Group is confident that it will continue to be competitive in the PRC. To support its mid-to-long term strategies, Yestar is also open up to any collaboration opportunities to penetrate new regional markets, delivering greater value to its stakeholders.

OTHER INFORMATION

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

The Company was authorized by its shareholders at the annual general meeting held on 22 May 2020 (the "2020 AGM") and 28 May 2021 (the "2021 AGM"), respectively, to repurchase its shares not exceeding 10% of the issued shares of the Company at the date of the 2020 AGM and the 2021 AGM until the conclusion of next annual general meeting or the revocation of the resolution for repurchase of shares, whichever is earlier. During the Year, the Company repurchased its shares on the Stock Exchange in order to reflect the confidence of the Board and the management team in the long-term strategy and growth of the Company as well as to enhance value of the shareholders.

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

Month/Year of repurchase	No. of repurchased shares	Consideration per share		Aggregate consideration paid <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
April 2021	3,720,000	1.21	1.13	4,312,500
May 2021	3,727,500	1.18	1.12	4,324,000
June 2021	3,187,500	1.15	1.11	3,631,700
July 2021	760,000	1.16	1.12	861,500
September 2021	3,137,500	1.10	1.04	3,334,000
October 2021	5,565,000	1.06	0.98	5,788,000
November 2021	4,635,000	1.09	1.03	4,811,500
	<u>24,732,500</u>			<u>27,063,200</u>

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

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

Non-Competition Undertaking from Controlling Shareholders

Each of Ms. Hartono Jeane, Mr. Hartono James, Mr. Hartono Rico and Ms. Hartono Chen Chen Irene (the “Controlling Shareholders”) gave a non-competition undertaking in favour of the Company, pursuant to which each of the Controlling Shareholders undertakes and covenants with the Company that he/she will not, and will procure that none of his/her associates shall directly or indirectly, either on his/her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any right or interest in or render any services to or otherwise be involved in any business directly or indirectly in competition with, or likely to be in competition with, the image-printing business and the medical imaging business carried out by the Group in the PRC.

The Company has received the confirmation from each of the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking for the Year.

The Board comprising all independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms during the Year.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

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

Corporate Governance Practices

Throughout the Year, the Directors considered that the Company has complied with all corporate governance codes (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), save for the following:

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

Review of Annual Results

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

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

Annual General Meeting

The annual general meeting of the Company (the “AGM”) will be held on 31 May 2022 (Tuesday). The notice of the AGM will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company’s website at <http://www.yestarcorp.com>. and sent to the shareholders of the Company, together with the Company’s annual report, in due course.

Closure of Register of Members

The register of members of the Company will be closed from 26 May 2022 (Thursday) to 31 May 2022 (Tuesday) (both days inclusive), during which period no transfers of shares will be registered, for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong for registration not later than 4:30 p.m. on 25 May 2022 (Wednesday).

Publication of Annual Results Announcement and Annual Report

The Company's annual results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://www.yestarcorp.com>.

The annual report of the Company for year ended 31 December 2021 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

APPRECIATION

I would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

By Order of the Board
Yestar Healthcare Holdings Company Limited
巨星醫療控股有限公司
Hartono James
Chairman, CEO and Executive Director

30 March 2022

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