CHINA ANIMAL HEALTHCARE LTD

Pursuing Growth Delivering Results

Annual Report 2010

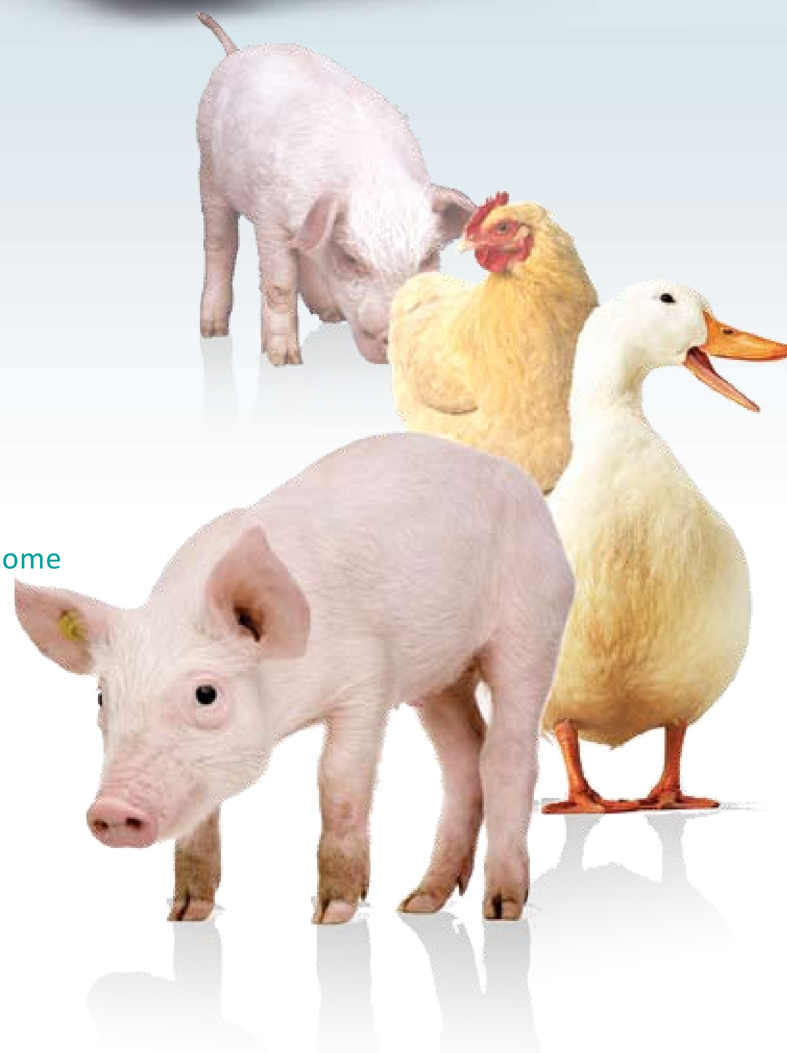
Corporate **Profile**

Based in the PRC, China Animal Healthcare Ltd. is principally engaged in the business of manufacturing, sale and distribution of animal drugs. The Group is one of the leading players in the PRC animal drugs industry with 14 proprietary product brand names for powdered form drugs, injection form drugs and biological drugs.

Our over 500 types of treatment and non-treatment animal drugs for poultry and livestock are distributed throughout the PRC directly to 32 large poultry corporations, veterinary stations in 13 provinces, autonomous regions and municipal cities and an extensive network of approximately 4,900 animal drug retailers who in turn sell to the farmers. Our range of biological drugs includes vaccines for swine fever, porcine reproductive and respiratory syndrome and animal foot-and-mouth disease which are mandatory for animals under the PRC Ministry of Agriculture's requirements. Our customer base spans across 28 provinces, municipalities and autonomous regions in China and is supported by our sales team comprising approximately 1,900 sales and technical personnel. As a value-added service, the Group also provides technical and support services to its customers, sharing our expertise in farming techniques and methodologies as well as imparting knowledge relating to animal health and treatment of animal diseases. We believe we are one of the first in the industry to provide such value-added services since 2001. The provision of these services has allowed the Group to keep in constant contact with its customers, thereby forging closer business relationships.

Our corporate headquarters is located in Beijing and we conduct our business and operations through four regional offices. We have obtained the relevant GMP certifications for all of our 17 production lines, six of which are located in Shijiazhuang, two in Shenzhou, seven in Shanxi, one in Inner Mongolia and one in Beijing.

Contents



Chairman's Statement

Dear Shareholders,

It is my pleasure to recap for you the year 2010 and to give an overview of the Group's strategy and business outlook going into 2011. Indeed, it has been another eventful year for the Group over the past 12 months, capped by the Company's successful dual listing on the Stock Exchange of Hong Kong in December. The months leading to the Hong Kong listing were challenging and intensive for the management, as they had to devote substantial time and resources to prepare the listing documents and at the same time discharge their day-to-day responsibilities as well as ensure the Company is in full compliance with its continuing obligations as a public company on the Singapore bourse. The biggest tribute goes to all the employees who have contributed unreservedly towards the Company's achievement of this major milestone. I am confident that the listing of the Company's shares on another buoyant exchange will enhance our stock liquidity and broaden our shareholder base in the long term.

I am pleased to report that the Group performed commendably well in 2010, although to some extent discredited by the lower year-on-year net profit of RMB119.7 million as a result of several non-routine expenses and higher corporate taxes. Our total revenue reached a record high of RMB590.5 million in FY2010, an increase of 34.7% against the previous year. Our powdered drugs business segment continued to excel with a year-on-year increase of 19.5% to RMB411.1 million, achieving successive record quarterly turnover in the most recent quarters. Revenue growth in our biological drugs business segment was even more impressive at 142.1% to RMB145.6 million, following the commencement of production and sale of the porcine reproductive and respiratory syndrome vaccines for swine in June 2010. Contribution from the injection drugs business segment remained strong in 2010, albeit a marginal decrease of 1.2% year-on-year due to volatile hog breeding activities and prices of pork. Nevertheless, the strong rebound in injection drug sales in the fourth quarter of 2010 seems to purport that our smallest business segment may be experiencing rejuvenation in the months ahead.

On the equity front, the Group has attracted the strategic investment of the Blackstone Group, comprising of USD5.0 million of new equity and USD40.0 million of convertible bonds in July 2010. We believe the investment by Blackstone will enhance our Company's shareholder profile and boost public confidence in our Group. We are heartened by the success from our continuing efforts to improve and enhance our shareholder base in the past year. Our Company now counts Fidelity and Blackstone, amongst other reputable investors, in its list of shareholders.

While I would conclude that FY2010 has been a successful year overall, there were events of setback and disappointment nonetheless, and most regrettably the unforeseen delay in the commencement of sale of our animal foot-and-mouth disease vaccine. After months of uncertainties and nervy anticipation, we have finally received all the relevant regulatory approvals and drug code from the PRC Ministry of Agriculture to commence commercial production and sale of our animal foot-and-mouth disease vaccines. The Group can now participate in the official compulsory vaccine sales bidding exercises for the animal foot-and-mouth disease vaccines, in addition to the swine fever vaccines and porcine reproductive and respiratory syndrome vaccines. Being a manufacturer for three out of the four compulsory vaccines under the requirements of the Ministry of Agriculture of China, the future of our vaccine business is undoubtedly going to get more exciting.

Over the past years, we have successfully executed a growth strategy which has put China Animal Healthcare in good stead to becoming a major player in the vaccine space as well as to achieve sustained growth. In 2011, the PRC government's policies and initiatives governing China's animal drugs industry will be pivotal to our operations as well as expansion plans. Whilst the successful integration and execution of our newly acquired entities and their businesses will be our primary focus in the near term, our management team will remain vigilant on acquisition opportunities within the biological drugs segment, in particular the relevant production licenses and permits relating to the production of the bird flu vaccine. In addition, we will also explore opportunities to export our animal foot-and-mouth disease vaccines overseas. China's National Bureau of Statistics reported that China's gross domestic product grew a brisk 10.3% in 2010. As policymakers phase out stimulus measures adopted in the wake of the global economic crisis, the pace of China's economic growth is widely expected to ease but nevertheless remain strong. For the longer term, the PRC government will favour measures to rebalance the economy and encourage sustained consumption. As such, per capita annual disposable income of households in the PRC is expected to continue to increase and such favourable operating landscape within the animal drug industry will serve as the driving catalyst to catapult the Group's growth going forward.

The Group remains committed to devote resources to enhance shareholders' return and to bring value to our stakeholders and investors. To reward our loyal shareholders, the Board has recommended a final dividend of RMB2.2 cents per share for approval at the Company's forthcoming Annual General Meeting. I believe China Animal Healthcare is in a unique position to further develop its status as one of China's leading animal drugs manufacturer. With your optimism in our industry and confidence in our Company, I am certain that our people at China Animal Healthcare will transform your investment in our Company from one of soundness to one of greatness! I look forward to your continued support in the years ahead.

Wang Yangang
Executive Chairman and CEO

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Pursuing
Growth

In China Animal Healthcare, we constantly look for opportunities to boost our growth. During the year, we acquired Inner Mongolia Biwei Antai and Beijing Jianxiang Hemu, delivering our first batch of porcine reproductive and respiratory syndrome ("PRRS") vaccines and revenue growth in our biological drugs segment.

We also received regulatory approvals from the PRC's Ministry of Agriculture ("MOA") to commence commercial production and sale of animal foot-and-mouth vaccines. The Group can now participate in the official compulsory vaccines sales bidding exercise for these vaccines.

Operations and Financial **Review**

Sales

Total revenue increased by RMB152.2 million or 34.7% from RMB438.2 million in FY2009 to RMB590.5 million in FY2010. The increase in revenue was mainly attributable to the surge in biological drug sales in FY2010, and bolstered by the continuing strong performance in the powdered drugs segment. Subsequent to the completion of the acquisition of Beijing Jianxiang Hemu in 2Q2010, the Group delivered its first batch of the porcine reproductive and respiratory syndrome ("PRRS") vaccines amounting to RMB5.9 million to the provincial veterinary stations in June 2010. Sales of the PRRS vaccines have gained momentum in second half of FY2010, with RMB35.4 million and RMB43.2 million of PRRS vaccine sales delivered in the third and fourth quarter respectively. Sales of swine fever vaccines contributed a further RMB32.0 million in revenue in FY2010 whilst sales of common vaccines through the Group's network of customers increased by 20.0% from RMB24.1 million in FY2009 to RMB29.0 million in FY2010. Consequently, total biological drug sales increased by RMB85.5 million or 142.1% to RMB145.6 million in FY2010.

The Group's powdered drugs segment also posted another strong performance in FY2010. Demand for the Group's powdered drug products remained strong during the year as the domestic poultry breeding activities continued to be buoyant on the back of the on-going anti-subsidy tariffs and anti-dumping duties imposed by the Chinese government on imported US chicken products. Such measures have undoubtedly affected China's direct imports of poultry from the United States and therefore raising sales of domestic poultry products, further fuelling an increase in domestic poultry breeding activities which led to an increase in demand and usage of powdered form drugs. Total powdered drug sales amounted to RMB411.1 million in FY2010, representing an increase of RMB67.2 million or 19.5% over FY2009.

Sales contribution from the injection form drugs segment decreased marginally by 1.2% from RMB34.2 million in FY2009 to RMB33.8 million in FY2010, due mainly to weaker injection drug sales in 2H2010 of RMB17.9 million, compared to RMB19.5 million in 2H2009. Nevertheless, injection drug sales in 4Q2010 of RMB10.7 million was encouraging, representing 48.7% surge in comparison with the preceding quarter of RMB7.2 million and an increase of 8.2% year-on-year. Following the rebound in pork prices in June and July 2010 caused by decreasing pork supply as a result of the China southern floods and outbreak of animal foot-and-mouth (FMD) disease in the southern China's Guangdong Province, prices of pork have remained fairly steady in the current quarter. Consequently, hog breeding activities have continued to increase in the current quarter as pig farmers sought to increase their output to meet the anticipated higher demand for pork during the Chinese New Year festivities.

Profitability

Cost of sales of the Group constituted approximately 23.8% and 24.1% of its revenue in FY2010 and FY2009, respectively. In line with the 34.7% increase in turnover, cost of sales increased by RMB36.6 million or 34.5% from RMB106.0 million in FY2009 to RMB142.5 million in FY2010. Overall gross profit margin in FY2010 has remained relatively unchanged at 75.9%, compared to 75.8% in FY2009. Similarly, fluctuations in gross margins for the respective business segments have not been significant. Gross profit margin for powdered form drugs in the current year of 77.3% remains comparable to the 77.8% achieved in FY2009. Average selling prices and prices of raw materials have continued to be relatively stable in 4Q2010. Gross profit margin for injection form drug sales improved to 61.3% (FY2009: 59.3%) as a result of a higher proportion of sales made on the higher end injection form drug products. Injection form drug sales derive a comparatively lower gross profit margin due to higher costs of raw materials and packaging materials, As for biological drugs sales, gross profit margin improved from 73.9% in FY2009 to 75.2% in FY2010 primarily due to economies of scale and the increase in sales volume of mandatory vaccines for PRRS sold to the provincial veterinary stations. The profit margins for these vaccines are comparatively higher than the non-mandatory common vaccines.

Other operating income in FY2010 relates mainly to net foreign exchange gain vis-à-vis net foreign exchange losses recorded in FY2009. Gain on change in fair value of the derivative financial instruments amounted to RMB12.0 million in FY2010.

Selling and distribution expenses increased by RMB19.2 million or 16.9% from RMB113.1 million in FY2009 to RMB132.3 million in FY2010 due mainly to increase in payroll expenses and travelling expenses of sales and technical personnel of approximately RMB11.6 million and RMB5.1 million respectively. Payroll expenses increased by 18.6% from RMB62.1 million in FY2009 to RMB73.7 million

Operations and Financial **Review**

in FY2009 to RMB73.7 million in FY2010 due mainly to higher sales commission paid out at the back of the 34.7% increase in sales. Similarly, travelling expenses increased from RMB43.1 million in FY2009 to RMB48.2 million in FY2010 with increased travelling made by the sales and marketing team. Transportation expenses on sales delivery and other miscellaneous expenses have also increased by RMB0.5 million and RMB1.4 million respectively over the same year.

Administrative expenses increased by RMB99.8 million from RMB29.1 million in FY2009 to RMB128.9 million in FY2010 due mainly to several non-routine expenses in FY2010 which were not incurred in the prior year. In particular, a non-cash charge of RMB19.2 million, being the fair value of the 13.0 million new shares issued to employees pursuant to the Performance Share Scheme was recorded in 3Q2010. In addition, pre-operating expenses of Bigvet Biotech amounted to RMB13.3 million in FY2010. These pre-operating expenses include depreciation of plant and equipment, production payroll and other operating overheads which will be included in cost of sales upon the commencement of operations by Bigvet Biotech. Professional fees and office expenses have also increased substantially in FY2010 by RMB46.9 million and RMB4.7 million respectively. The increase in professional fees is mainly attributable to the Company's dual listing in Hong Kong. Total professional fees relating to the dual listing in Hong Kong amounted to RMB42.6 million. In addition, professional fees and expenses relating to the Blackstone convertible bonds amounted to RMB4.8 million. Similarly, office expenses have also increased along with more frequent travelling by the administrative personnel involved in the due diligence and preparatory work in connection with the dual listing exercise. Other increases in administrative expenses include payroll expenses and depreciation and amortisation expenses of RMB2.4 million and RMB12.3 million, respectively. The increase in depreciation and amortisation expenses was attributed to the completion of the acquisition of Beijing Jianxiang Hemu and Bigvet Biotech in 2Q2010. Additional amortisation expenses pertaining to the production technology rights identified amounted to RMB12.3 million in FY2010. In addition, the Group expense of certain obsolete plant and equipment amounting to RMB0.9 million in FY2010.

Finance costs in FY2010 include interest on the convertible bonds at amortised costs of RMB8.5 million. There were no such interest costs in FY2009. Other interest expense relates mainly to the working capital loans from HSBC Bank (China) Company Limited. The increase in interest income of RMB1.7 million was due mainly to the interest income of RMB1.6 million recognised on the loan of RMB70.0 million made to Bigvet Biotech prior to the completion of the acquisition.

Pursuant to the Restructuring Exercise in FY2005, based on the Income Tax Law, the PRC subsidiaries, with the exception of Shanxi Longkeer are entitled to full exemption from income tax for the first two years and a 50% reduction in income tax for the next three years. Accordingly, these PRC subsidiaries have either elected FY2005 or FY2006 as the first profitable year for the purposes of determining the tax holiday period and they are subject to tax at 12.5% and 25% in 2010 (2009: 12.5%). In addition, the Group has provided for withholding tax of 10% on the portion of distributable profits derived by the PRC subsidiaries in FY2010 (FY2009: 5%) that is expected to be distributed out as dividend.

As a result of the foregoing, total comprehensive income for the year attributable to owners of the Company decreased by RMB34.1 million or 20.8% from RMB163.8 million in FY2009 to RMB129.7 million in FY2010. Total comprehensive income attributable to non-controlling interests amounted to RMB10.0 million in FY2010.

Financial Position

Non-current assets amounted to approximately RMB1.0 billion as at 31 December 2010 and comprised property, plant and equipment of RMB196.5 million, land use rights of RMB19.1 million, intangibles of RMB799.7 million, deferred tax assets of RMB4.7 million and other investment of RMB1.1 million.

Intangibles as at 31 December 2010 comprised production technology rights of RMB664.3 million, seed strain of RMB10.8 million and goodwill on acquisition of subsidiaries of RMB124.6 million. The acquisition of Bigvet Biotech and Beijing Jianxiang Hemu in the second quarter of FY2010 resulted in the identification of production technology rights attributable to the production of PRRS vaccines and animal FMD vaccines of RMB460 million and RMB210 million respectively. These production technology rights are amortised over their estimated useful life of 10 years and amortisation expenses relating to these newly acquired production rights amounted to RMB12.3 million in FY2010. In addition, production technology rights of Shanxi Longkeer amounted to RMB6.5 million as at 31 December 2010. These production technology rights have a remaining useful life of approximately 2 years as

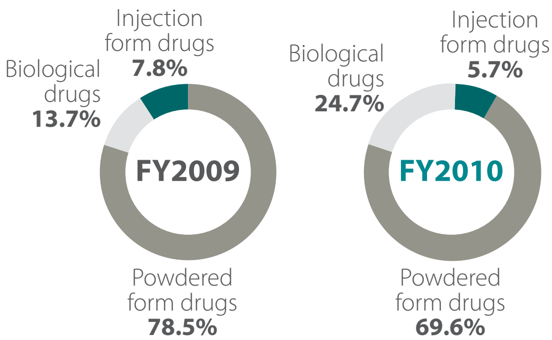
at end FY2010. The increase in goodwill on consolidation of RMB122.2 million is attributable to the acquisition of Bigvet Biotech and Jianxiang Hemu, and represents the excess of the aggregate purchase consideration of RMB498.0 million over the fair value of the net identifiable net assets acquired of RMB375.8 million. The seed strain was purchased by Bigvet Biotech from a governmental animal disease research and development institute for the production of the FMD vaccine.

During the year, the Group invested RMB1.1 million towards the paid-in capital of Jilin Kangda Rabbit Industry Co., Ltd. ("Jilin Kangda"), a start-up company in the business of rabbits breeding, for a 11.25% stake in the company. The key objective of this business collaboration is to secure an assured supply of rabbits for the Group at competitive prices going forward. Certain animal vaccines of the Group are produced through the lapinization of rabbits.

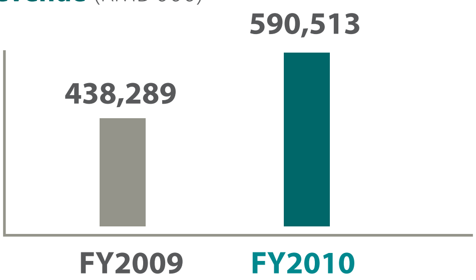
PPE and land use rights increased by approximately RMB143.9 million and RMB7.9 million respectively during FY2010 due mainly to the acquisition of Bigvet Biotech. Fair values of the PPE and land use rights acquired amounted to RMB148.7 million and RMB8.2 million respectively. Other additions to PPE comprising mainly improvements to buildings and plant and machinery amounted to RMB6.6 million during the year, partially offset by plant and machinery written off of RMB0.9 million. Aggregate depreciation charge for FY2010 amounted to RMB10.5 million.

Current assets of RMB565.9 million as at 31 December 2010 comprised inventories, trade receivables, prepayments and other receivables and cash and cash equivalents. Trade receivables amounted to RMB56.6 million as at 31 December 2010, representing an increase of RMB35.9 million over end of FY2009. This is mainly attributed to the RMB116.5 million of swine fever and PRRS vaccine sales made to the provincial veterinary stations during the year. Approximately RMB50.1 million of these outstanding trade receivables were collected subsequent to year end. Other current assets amounted to RMB5.1 million as at 31 December 2010, representing a decrease of RMB260.7 million compared to RMB265.8 million of other current assets as at 31 December 2009. prepayments and other receivables as at 31 December 2009 comprised mainly RMB193.0 million of acquisition deposits paid in respect of the proposed acquisition of Bigvet Biotech and a shareholder's loan of RMB70.0 million made to Bigvet Biotech. The acquisition has been completed in the second quarter of FY2010 and all purchase considerations held in escrow have been released to the vendors. Consequently, the assets and liabilities of Bigvet Biotech have been consolidated into the Group's financials as at 31 December 2010 and the purchase considerations and loan to Bigvet Biotech are no longer presented as other receivables. Inventories increased from RMB8.0 million as at 31 December 2009 to RMB15.1 million as at 31 December 2010 due mainly to the stocking up of raw materials during the year.

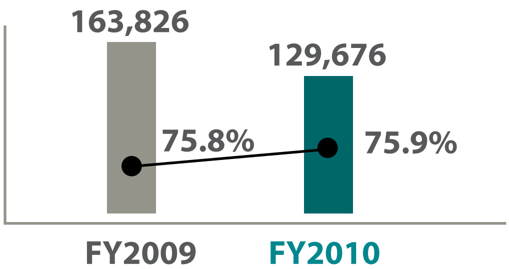
Revenue by products



Revenue (RMB'000)



Net Profit (RMB'000) **and Gross Profit Margin**



Operations and Financial **Review**

Cash and cash equivalents, excluding pledged deposit of RMB4.0 million amounted to approximately RMB485.1 million as at 31 December 2010, representing an increase of RMB31.9 million since 31 December 2009. Approximately RMB133.1 million and RMB213.3 million was generated from the Group's operating activities and financing activities respectively, partially offset by net cash outflow in investing activities of RMB312.5 million. Net cash used in investing activities is mainly attributed to net cash outflow on acquisition of subsidiaries of RMB304.8 million. In addition, total PPE purchases in FY2010 amounted to RMB6.6 million and the Group further invested RMB1.1 million in the paid-in capital of Jilin Kangda. In respect of financing activities, net proceeds from the issuance of convertible bonds and 20 million new shares to Blackstone amounted to RMB263.8 million and RMB34.3 million respectively, whilst the Group repaid its USD term loan of RMB23.2 million as well the RMB4.5 million loan from the Shenzhou Chengguan Rural Credit Cooperative in January 2010. However, for business relations purposes, the Group subsequently drew down a short-term working capital loan of RMB5.0 million from the Cooperative. This short-term working capital loan was repaid in full in the third quarter. In addition, the Group drew down a new working capital loan of RMB8.0 million from HSBC Bank (China) Company Limited in the first quarter whilst Bigvet Biotech repaid RMB30.0 million of the RMB42.0 million working capital loan from HSBC Bank (China) Company in the current quarter. The Company has provided a pledged deposit of RMB4.0 million on the remaining outstanding banking facilities. Dividend paid during the year amounted to RMB31.2 million.

Current liabilities comprised primarily trade and other payables, borrowings and income tax liabilities. Current liabilities as at 31 December 2010 amounted to RMB92.3 million.

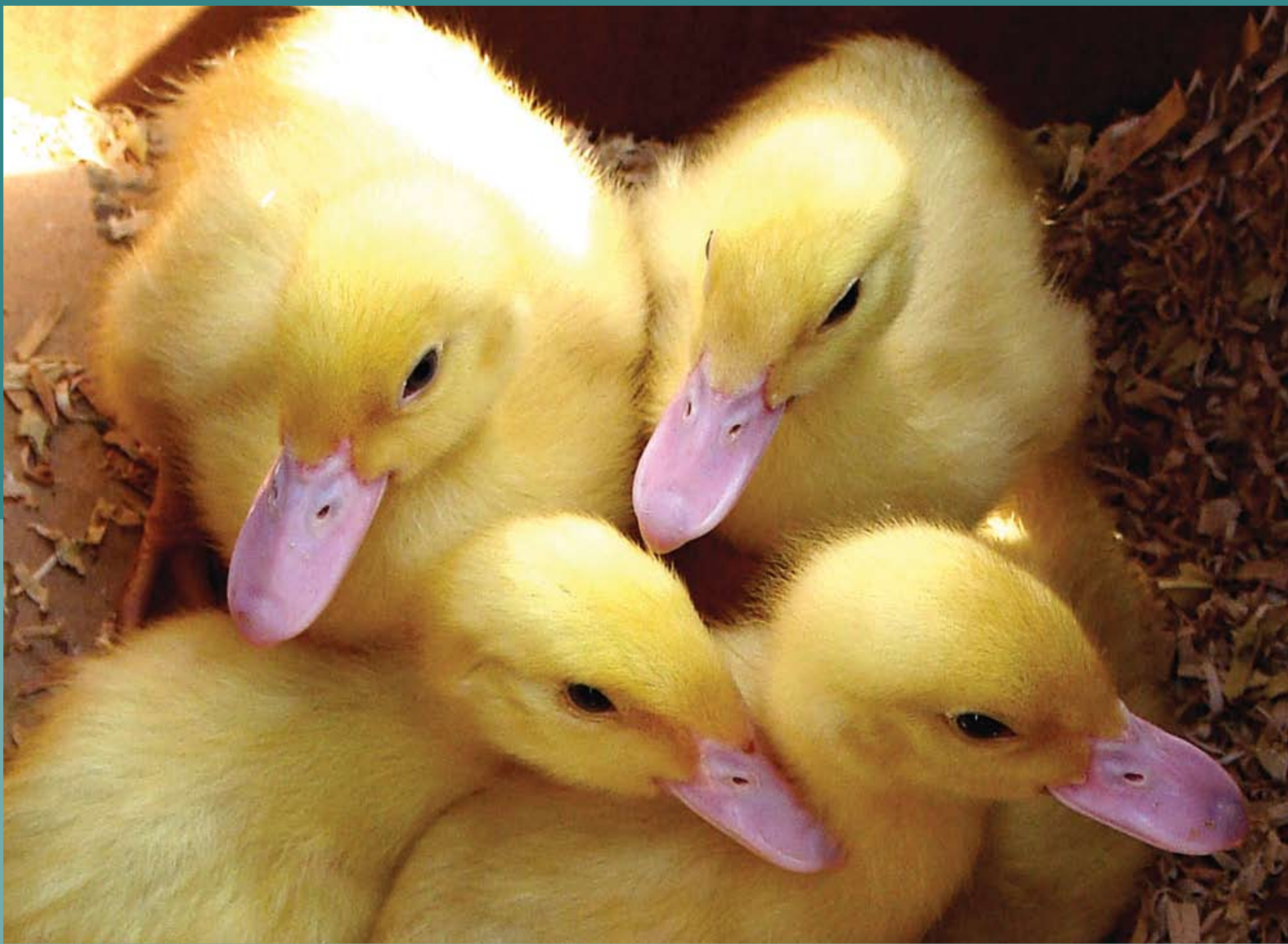
Total borrowings of RMB20.0 million as at 31 December 2010 relates to the working capital loans from HSBC Bank (China) Company Limited of RMB8.0 million and RMB12.0 million availed to Pagina-kang and Bigvet Biotech respectively.

Trade payables remained relatively constant RMB4.3 million as at 31 December 2010. Other payables of RMB48.5 million comprised mainly outstanding contract sums and retention monies owing to the contractors of the manufacturing plant in Inner Mongolia amounting to RMB12.6 million, amounts owing to the minority shareholders of Bigvet Biotech of RMB8.1 million, accrued salaries and commission of RMB2.3 million, and VAT payable of RMB7.7 million. Other constituents in other payables comprise accrued operating expenses and sundry creditor balances of RMB8.4 million and professional fees amounting to RMB9.4 million. Income tax liabilities amounted to approximately RMB19.4 million as at 31 December 2010 and relate mainly to the corporate tax payable by the PRC subsidiaries on the taxable profits for 4Q2010.

Derivative financial instruments under non-current liabilities of RMB153.2 million pertain to the fair value of the conversion option component of the convertible bonds issued to Blackstone at initial recognition. The conversion option derivative is measured at fair value with changes in fair values recognised in profit and loss. The liability component of the convertible bonds amounting to RMB104.7 million as at 31 December 2010 is also included under non-current liabilities and accounted for at amortised cost using effective interest method. Other non-current liabilities comprise deferred taxation of RMB171.6 million, which arose mainly from the accounting for deferred tax effects on the production technology rights identified on consolidation of Bigvet Biotech and Beijing Jianxiang Hemu. In addition, cumulative accruals for PRC withholding tax on expected dividends out of the profits derived by the PRC subsidiaries amounted to RMB5.7 million as at 31 December 2010.

The Group's total equity comprised share capital, share premium, retained earnings, other reserves and minority interests. Total equity as at 1 January 2010 amounted to approximately RMB771.7 million. In August 2010, the Company issued 20 million new shares to Blackstone at S$0.35 per share. In addition, 13 million new shares were issued to employees of the Group pursuant to the CAH Performance Share Scheme. Consequently, the Group's share capital and share premium increased by RMB2.9 million and RMB50.6 million, respectively. Minority interests arising from the completion of the acquisition of Inner Mongolia during the year amounted to RMB145.5 million whilst net profit attributable to owners of the Company and minority shareholders for the year amounted to RMB119.7 million and RMB10.0 million, respectively. Consequently, net of dividend paid in June 2010 of RMB31.2 million, total equity increased to RMB1.1 billion as at 31 December 2010, of which RMB892.6 million is attributable to owners of the Company.

Delivering **Results**



Against the backdrop of voracious domestic consumption and efficient economic reforms, the favourable operating landscape within the animal drug industry has continued to fuel our growth with record performance.

Board of **Directors**

WANG Yangang (王彥剛), aged 51, founder of our Group, is our Chairman, CEO and Executive Director. Mr. Wang established our Group in 1996 and was appointed as our Company's Director on 31 December 2007. Mr. Wang is also a director of our various subsidiaries, namely, Evanton, Bigvet Biotech and Shanxi Longkeer. He has 24 years of experience in the animal drug industry. Mr. Wang is responsible for the strategic planning and overall management and operations of our Group. He also oversees our R&D activities. Prior to establishing our Group, he was a researcher and head of marketing of the Beijing Science Committee Experimental Animal Research Centre (北京科學技術研究院實驗動物研究中心) from 1986 to 1996. He obtained a Bachelor's degree in veterinary medicine from Hebei Agriculture University (河北農業大學) in 1983 and a Master's degree in agriculture from Shenyang AgricultureUniversity (沈陽農業大學) in 1986.

SUN Jinguo (孫金國), aged 35, who joined the Group in 1999, is our Deputy CEO and Executive Director. Mr. Sun was appointed as our Director on 31 December 2007. He assists the CEO in the overall management and operations of our Group. He is also responsible for, inter alia, corporate development work focusing on new business ventures, mergers and acquisitions, feasibility studies and public relations of our Group. Mr. Sun is also a director of our various subsidiaries, namely, Beijing Healthcare, Shijiazhuang Maidisenda, Shijiazhuang Lixinkang, Shijiazhuang Greenxinkang, Hebei Qingshanhong, Shijiazhuang Keruida, Hebei Geruisi, Shijiazhuang Aoxin, Hebei Runshengzhongfu and Shijiazhuang Sikede. Mr. Sun has 12 years of experience in the animal drug industry. Prior to joining us, Mr. Sun was the regional sales manager of Hebei Kexing Animal Drugs Co. Ltd. (河北科星藥業有限公司), a company principally engaged in animal drugs and additives, from 1998 to 1999. He obtained a Bachelor's degree in agriculture from Hebei Agriculture University (河北農業大學) in 1998.

FU Shan (付山), aged 42, was appointed as our Non-executive Director on 20 August 2010. Mr. Fu is a Senior Managing Director in The Blackstone Group and is based in Beijing, and has also served as the Chief Representative of China. Prior to joining The Blackstone Group in 2008, Mr. Fu worked in the Department of Foreign Investment in China's National Development and Reform Commission（國家發展和改革委員會國外資金利用司）from 2003 to 2008, the State Economic and Trade Commission of China（國家經濟貿易委員會）from 1993 to 2003, the Office of Economic and Trade in the State Council of China（國務院經濟貿易辦公室）from 1992 to 1993, and the Office of Production in the State Council of China (國務院生產辦公室) from 1991 to 1992. He obtained a Bachelor's degree in 1988 and a Master's degree in history in 1991 both from Peking University (北京大學) in Beijing, China.

ONG Kian Guan (王建源), aged 43, was appointed as our Independent Non-executive Director on 31 December 2007. Mr Ong chairs our Audit Committee and is a member of our Remuneration Committee and Nomination Committee. He is a practising member and a fellow of the Institute of Certified Public Accountants of Singapore (the "ICPAS"), and also a partner with Baker Tilly TFW LLP. He has more than 17 years of professional experience in financial audits of multi-national corporations and public listed companies from diverse industries. His experience also includes consultancy, particularly floatation of companies, financial due diligence and outsourced internal audit assignments. He is currently an independent director and the audit committee chairman of various public companies listed on SGX-ST, namely:

. China Haida Ltd.,

. China XLX Fertiliser Ltd. (which is also listed on the Stock Exchange, Stock Code: 1866), and He is the chairman of the Remuneration Committee and Nomination Committee of JES International Holdings Limited. He is also a serving member of the auditing and assurance standards committee of the ICPAS. Mr. Ong obtained a Bachelor's degree in accountancy from Nanyang Technological University in 1992.

FENG Jinglan (馮靜蘭), aged 70, was appointed as our Independent Non-executive Director on 31 December 2007. Ms. Feng chairs our Nomination Committee and is a member of our Audit Committee and Remuneration Committee. She is the honorary chairperson of the CAHPA. Prior to her appointment in the CAHPA in 2000, she was the vice head and supervisor of the Farming Bureau of the MOA (農業部畜牧局獸醫處) from 1994 to 2000. From 1989 to 1994, she was the vice station head of the National Farming and Veterinary Medicine of the MOA (全國畜牧獸醫總站農業部畜牧獸醫局). From 1982 to 1989, she was the vice-division head and subsequently the division head of the Veterinary Medicine Division of the Farming Bureau of the MOA (農業部畜牧局獸醫處). From 1964 to 1982, she was employed at the veterinary division of MOA's Animal Husbandry Bureau and was responsible for technical administration. She obtained a Bachelor's degree in agriculture from Dongbei Agriculture College (東北農業學院) (now known as Northeast Agriculture University (東北農業大學)) in 1964.

WONG Gang (王剛), aged 40, was appointed as our Independent Non-executive Director on 31 December 2007. Mr. Wong chairs our Remuneration Committee and is a member of our Audit Committee and Nomination Committee. Mr. Wong is a partner in Shook Lin & Bok LLP, a law firm in Singapore and has worked there since 2000. He has more than 15 years of professional experience advising on a wide range of corporate finance and securities transactions, including stock market floatations, rights issues, securities regulation for public listed companies, mergers and acquisitions, joint ventures, as well as general corporate advisory work. He is also a member of Shook Lin & Bok LLP's China Practice Group and has advised multinational corporations and Singapore companies on cross-border transactions in the PRC and public offerings of securities in Singapore by companies from the PRC. Currently, he is the independent director of various companies listed on the SGX-ST, namely:

. Tianjin Zhongxin Pharmaceutical Group Corporation Limited;

. Fujian Zhenyun Plastics Industry Co., Ltd.; and

. JEP Holdings Ltd.

Mr. Wong is also an independent director of Renewable Energy Asia Group Limited, a company listed on Catalist of the SGX-ST. He has been cited by Chambers Asia as one of the leading corporate lawyers in Singapore in capital markets. From 2000 to 2002, he was employed by Shook Lin & Bok LLP as a senior associate. From 1998 to 2000, he was employed by Ang & Partners as an associate. From 1996 to 1998, he was employed by Shook Lin & Bok LLP as an associate. From 1995 to 1996, he was a pupil at Shook Lin & Bok LLP. Mr. Wong obtained a Bachelor's degree in law (Honours) from the National University of Singapore in 1995.

Key Executives

LI Jun (李隽), aged 36, joined our Group in April 2002 and is our Group's Deputy CEO. Mr. Li assists the CEO in the overall management and operations of our Group. His responsibilities include the internal management and external liaison of administrative affairs, as well as the organisation and management of our employees and contract personnel (including recruitment, training, remuneration and salary increment). His experience prior to joining the Group include being the head of human resources for Beijing Jinyikang Technology Co., Ltd. (北京金益康公司) from 2001 to 2002, the general manager of Beijing Farm Technology Co., Ltd. (北京農標科技有限公司) from 1999 to 2001 and the human resource manager for Beijing Da Bei Nong Group (北京大北農集團) from 1996 to 1999. From 1993 to 1996, he was employed at Anhui Wuhu Foreign TradeRefrigeration Factory (安徽蕪湖外貿冷凍廠) as a production and operation personnel. Mr. Li obtained a diploma in food hygiene from Anhui Agriculture Techniques Teaching Institute (安徽農業技術師範學院) in 1993.

GOH Kay Seng Edwin (吳啟升), aged 36, joined our Group in April 2007 as our CFO and one of our Joint Company Secretaries. Mr. Goh oversees our Group's financial, accounting and tax matters, with respect to compliance with Singapore laws and regulations, and has been assisting on our Company's secretarial matters in the past years. Mr. Goh is currently a certified public accountant in Singapore. Immediately prior to his appointment with our Group, Mr. Goh was employed by Ernst & Young as an audit manager in 2007. From 2002 to 2007, following the merger of Arthur Anderson with Ernst & Young, he was involved in the assurance & advisory business services unit and led audit engagements in various companies. He also assisted certain companies in their listings and with mergers and acquisitions. In 1999, he joined Arthur Anderson and was involved in assurance and business advisory and transaction advisory services. In 1998, he worked at KPMG as an audit assistant. Mr. Goh obtained a Bachelor's degree in accountancy from Nanyang Technological University in 1998.

SONG Yanmei (宋艷梅), aged 42, joined our Group in March 2000 and is currently the Assistant CEO of our Group. Ms. Song is responsible for all public relations matters relating to our Group (including dealing with enquiries from the public, news organisations and investors). Ms.Song was employed by the Dairy Farm of Beijing Beijiao Farm (北京市北郊農場奶牛分場) from 1991 to 2000. Ms. Song obtained a Bachelor's degree in agriculture from Shenyang Agriculture University (沈陽農業大學) in 1991.

LIN Guimin (林桂敏), aged 36, joined our Group in July 1999 and is currently the Assistant CEO of our Group. Ms. Lin is responsible for the production, procurement and quality control of our Group. Ms. Lin started her employment with our Group in 1999 after she graduated from Hebei Agriculture University (河北農業大學) with a Bachelor's degree in agriculture in 1999.

ZHU Chunbo (朱春波), aged 36, joined our Group in April 2003 and is currently the Head of Sales and Distribution of our Group. Mr. Zhu is responsible for our Group's sales and distribution matters, including logistics. Prior to joining our Group, Mr. Zhu was the head of sales in Puruina Animal Feed Co. Ltd. from 1998 to 2003. Between 1995 to 1998, he worked as a sales personnel in Asia Pacific Animal Feed Co. Ltd.. Mr. Zhu obtained a diploma in sport science from Langfang Teaching Institute (廊坊師範學院) in 1995.

MA Juhong (馬聚宏), aged 41, joined our Group in March 1997 and is one of our Sales and Distribution Managers. Mr. Ma's responsibilities include the sales and distribution activities relating to Shenzhou Pagina-kang, Beijing Healthcare and Hebei Runshengzhongfu. Mr. Ma works closely with other Sales and Distribution Managers of our Group. Prior to joining our Group, he was the deputy general manager of Hebei Province Xingtai Hongda Technology Co. Ltd. (河北省邢台市宏達科技有限公司) from 1995 to 1997 and the office manager of Hebei Province Xingtai Residential and Property Co-operative (河北省邢台市住宅合作社) from 1994 to 1995. He worked as a freelancer from 1987 to 1989. Mr. Ma obtained a diploma in communications from Hebei Electronics Technological Institute (河北機電職業技術學院) in 1987.

ZHANG Yuguang (張宇光), aged 34, joined our Group in 2001 and is one of our Sales and Distribution Managers. Mr. Zhang is responsible for, amongst others, the sales and distribution activities relating to Shijiazhuang Aoxin, Shijiazhuang Greenxinkang, Hebei Runshengzhongfu and Hebei Geruisi. Mr. Zhang works closely with other Sales and Distribution Managers of our Group. Prior to joining our Group, he was the sales manager of Shijiazhuang Zhengda Hongfu Farming Co., Ltd. (石家莊正大鴻福牧業有限公司) from 1999 to 2001 and the business representative for Hebei Kexing Pharmaceutical Co., Ltd. (河北科星藥業有限公司) from 1998 to 1999. Mr. Zhang obtained a diploma in management and farming economics from Zhangjiakou Agriculture College (張家口農業高等專科學校) in 1998.

WANG Yubin (王玉斌), aged 35, joined our Group in 2000 and is one of our Sales and Distribution Managers. Mr. Wang is responsible for, amongst others, the sales and distribution activities relating to Shenzhou Pagina-kang, Shijiazhuang Maidisenda, Shijiazhuang Lixinkang, and Beijing Healthcare. Mr. Wang works closely with other Sales and Distribution Managers of our Group. He started his employment with our Group in 2000 after he graduated from Hebei Agriculture University (河北農業大學) with a Bachelor's degree in agriculture in 2000.

Corporate **Information**

BOARD OF DIRECTORS

Wang Yan Gang
(Executive Chairman & CEO)
Sun Jin Guo
(Deputy CEO)
Fu Shan
(Non-executive Director)
Joshua Ong Kian Guan
(Independent Non-executive Director)
Feng Jing Lan
(Independent Non-executive Director)
Wong Gang
(Independent Non-executive Director)

AUDIT COMMITTEE

Joshua Ong Kian Guan (Chairman)
Feng Jing Lan
Wong Gang

REMUNERATION COMMITTEE

Wong Gang (Chairman)
Feng Jing Lan
Joshua Ong Kian Guan

NOMINATION COMMITTEE

Feng Jing Lan (Chairman)
Joshua Ong Kian Guan
Wong Gang

JOINT COMPANY SECRETARIES

Ngai Kit Fong
Goh Kay Seng Edwin
Yeoh Kar Choo Sharon

ASSISTANT COMPANY SECRETARY

Ira Stuart Outerbridge III (FCIS)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY REGISTRATION NUMBER

28986
(Incorporated in Bermuda
on 10 August 2000)

PRINCIPAL PLACE OF BUSINESS

No. 6, Kangding Street
Beijing Economic-Technological
Development Area
Beijing 100176
PRC
Tel: 86 10 5157 1919
Fax: 86 10 5157 1928
www.chinanimalhealthcare.com

AUDITORS

Moore Stephens LLP
10 Anson Road #29-15,
International Plaza,
Singapore 079903

Partner-in-charge: Ng Chiou Gee Willy
(since financial year
ended 31 December 2008)

PRINCIPAL SHARE REGISTRAR

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street Hamilton HM 11
Bermuda

SINGAPORE SHARE TRANSFER AGENT

M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 26, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

HSBC Bank (China) Company Limited
2/F, Block A, Beijing COFCO Plaza
No.8 Jianguomennei Avenue,
Dongcheng District, Beijing PRC

Agricultural Bank of China
Shenzhou Sub-Branch
No. 26 Taishan West Road
Shenzhou City
PRC

Agricultural Bank of China
Shijiazhuang Donggang Road Sub-Branch
No. 75 Donggang Road
Shijiazhuang City
PRC

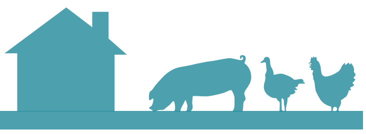
Agricultural Bank of China
Shijiazhuang Guang'an Sub-Branch
No. 52 West Avenue
Shijiazhuang City
PRC

China Everbright Bank
Economic and Technological Development
Zone Sub-Branch
No. 5-2-C2 Tianbao Yuan
Beijing Economic and Technological
Development Zone
PRC

China Minsheng Banking Corp., Ltd.
Shijiazhuang Branch
No. 10 West Avenue
Shijiazhuang City
PRC

Shijiazhuang Municipality Commercial Bank
Development Zone Sub-Branch
No. 173 Yuhua East Road
Shijiazhuang
PRC

Shijiazhuang Municipality Commercial Bank
Donggang Road Sub-Branch
No. 77 Donggang Road
Shijiazhuang City
PRC



Corporate **Governance Report**

The Board of Directors and Management of China Animal Healthcare Ltd. ("Company") are committed to high standards of corporate governance. The SGX-ST's Listing Manual requirement (the "listing requirement") and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") require an issuer to describe in its annual report its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2005 (the "Singapore CG Code") and the Code of Corporate Governance Practices (the "HK CG Code") contained in Appendix 14 of the Listing Rules.

This Report describes the Company's corporate governance processes and practices with specific reference to the principles of the Singapore CG Code and the HK CG Code. For the year/period ended 31 December 2010, the Company has generally adhered to the principles and guidelines of the Singapore CG Code and the HK CG Code except for Guideline 3.1 and code provision A.2.1 (Chairman and CEO should be separate persons), and the reason for the deviation is stated under Principle 3.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

In order to perform its functions effectively, the Board comprises Directors with a wide range of skills, experience and qualities in the fields of operations management, financial, legal and accounting. Such diversity of skills ensures that the Board is equipped to deal with a range of issues.

The Board has overall responsibility for the corporate governance of the Company so as to protect and enhance long-term shareholder value. It sets the overall strategy for the Company and supervises executive management and monitors their performance. Apart from its statutory responsibilities, the Board is responsible for:

(a) Reviewing the financial performance and condition of the Group;

(b) Approving the Group's strategic plans, key operational initiatives, major investment and funding decisions; and

(c) Identifying principal risks of the Group's business and ensuring the implementation of appropriate systems to manage the risks.

The Board holds at least four formal meetings yearly with active participation of a majority of the directors entitled to be present, with additional meetings for particular matters convened when necessary. For the financial year ended 31 December 2010, the Board held five meetings. The Board shall also periodically review, at least annually, the internal control and risk management systems of the Company to ensure that there are sufficient guidelines and procedures in place to monitor its operations.

In respect of regular board meetings, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting.

To assist in the execution of its responsibilities, the Board has established a number of committees, including an Audit Committee ("AC"), a Nomination Committee ("NC") and a Remuneration Committee ("RC"). These committees are chaired by Independent Non-executive Directors and function within clearly defined terms of reference and operating procedures.

The following table shows the number of meetings held and Directors' attendances during the financial year under review:

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	No. of Meeting held	No. of Meeting attended	No. of Meeting held	No. of Meeting attended	No. of Meeting held	No. of Meeting attended	No. of Meeting held	No. of Meeting attended
Wang Yan Gang	5	4	5	4*	1	1*	1	1*
Sun Jin Guo	5	5	5	5*	1	1*	1	1*
Fu Shan^	5	1*	5	1*	1	—	1	—
Joshua Ong Kian Guan	5	5	5	5	1	1	1	1
Feng Jing Lan	5	4	5	4	1	1	1	1
Wong Gang	5	5	5	5	1	1	1	1

* By invitation

^ Fu Shan was appointed to the Board of Directors on 20 August 2010

The Company recognizes the importance of appropriate training for its Directors. Briefing and orientation sessions on the Group's business activities and strategic directions have been organized for all the Independent Non-executive Directors and follow-up briefings will be organized whenever necessary. Sessions on duties and responsibilities of directors have been conducted for all the Directors.

The Directors will also be briefed from time to time on regulatory changes which have an important bearing on the Company and the Directors' obligations towards the Company.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Corporate
Governance Report

The Board has six members comprising the two Executive Directors, one Non-executive Director and three Independent Non-executive Directors and complied with the requirement that these include at least one such Director with appropriate professional qualifications or accounting or related financial management expertise. Each member of the Board will hold office pursuant to the provisions of the Bye-Laws and shall be eligible for re-election unless lawfully disqualified from holding office.

Name of director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Wang Yan Gang	✓ Executive Chairman & CEO & Executive Director	—	—	—
Sun Jin Guo	✓ Deputy CEO & Executive Director	—	—	—
Fu Shan	✓ Non-executive Director	—	—	—
Joshua Ong Kian Guan	✓ Lead Independent Non-executive Director	✓ Chairman	✓	✓
Feng Jing Lan	✓ Independent Non-executive Director	✓	✓ Chairman	✓
Wong Gang	✓ Independent Non-executive Director	✓	✓	✓ Chairman

There is no relationship among members of the Board. Key information regarding the Directors is given in the section entitled “Board of Directors” in this Annual Report.

The composition of the Board enables management to benefit from a broad and objective perspective as each director brings to the Board a diverse background, experience and knowledge in the fields of operations management, financial, legal and accounting. The Board adopts the Singapore CG Code’s definition of what constitutes an independent non-executive director in its review. The Board is of the view that the three Independent Non-executive Directors (who represent one-half of the Board) are independent. No individual or small group of individuals dominates the Board’s decision making process. Furthermore, the Company has received from each of its Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The Board is satisfied that the current composition of the Board is appropriate and that the present constitution of the Board allows it to exercise objective judgement on corporate matters.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr Wang Yan Gang, the Executive Chairman and CEO bear responsibilities for the workings of the Board and ensure the integrity and effectiveness of the governance process of the Board. He is responsible for representing the Board to Shareholders. As the CEO, his responsibilities include the charting and reviewing of corporate directions and strategies, which cover areas of marketing and strategic alliances and providing the Company with strong leadership and vision.

The Chairman, with the assistance of the company secretaries, schedules board meetings, determines meeting agendas in consultation with other Board members, co-ordinates the flow of information between management and the Board and ensures compliance with the Company's guidelines on corporate governance.

The Board has not adopted the recommendation of the Singapore CG Code or the HK CG Code to have separate directors appointed as the Chairman and CEO. This is because the Board is of the view that there is already a sufficiently strong independent element on the Board to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the number of the Independent Non-executive Directors on the Board as well as the contributions made by each member at board meetings which relate to the affairs and operations of the Group. The Board is satisfied that one person is able to effectively discharge the duties of both positions.

Further, the independence of the Board has been enhanced by the appointment of the Lead Independent Non-executive Director, Mr Joshua Ong Kian Guan, who is the AC Chairman. The role of the Lead Independent Non-executive Director includes meeting with shareholders where they have concerns which contact through the normal channels of the Chairman, CEO or Chief Financial Officer has failed to resolve or for which such contact is inappropriate. In addition, the Lead Independent Non-executive Director will co-ordinate and lead the Independent Non-executive Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the board. Where necessary, the Lead Independent Non-executive Director will chair meeting with Independent Non-executive Directors without executive directors being present so as to facilitate well-balanced viewpoints to the Board.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

Nomination Committee ("NC")

The NC comprises three members, all of whom are independent non-executive directors. The chairman is Madam Feng Jing Lan and the two members are Mr Joshua Ong Kian Guan and Mr Wong Gang.

The duties of the NC include, to:

- identify individuals suitably qualified to become Board members and select or make recommendations to the Board of Directors on new appointments to the Board;
- establish a selection process which should include search and nomination process;
- determine orientation programs for new directors and recommend opportunities for the continuing training of the directors;
- make recommendations to the Board of Directors on the re-appointment of retiring directors standing for re-election at the Company's annual general meeting, having regard to the directors' contribution and performance (e.g. attendance, preparedness, participation and candour);
- ensure that all directors submit themselves for re-appointment and re-election at regular intervals and at least once every three years;
- determine annually whether or not a director (including independent non-executive director) is independent;
- review the structure, size and composition of the board with the objective of achieving a balanced board in terms of the mix of experience and expertise;
- formulate and implement a succession plan;
- review the appointment of immediate family members (spouse, child, adopted child, step-child, sibling and parent) of any of the Company's directors or substantial shareholders to managerial positions in the Company or its subsidiaries;
- determine whether a director who has multiple board representations is able to and has been adequately carrying out his duties as director of the Company;
- ensure that internal guidelines are adopted to address the competing time commitments that are faced when directors serve on multiple boards;
- ensure complete disclosure of key information of directors in the Company's annual reports as required under the Singapore CG Code and the HK CG Code;
- decide on how the Board's performance may be evaluated and recommend objective performance criteria to the Board;
- recommend to the Board the implementation of a process for assessing the effectiveness of the Board as a whole and to carry out the assessment process;

- recommend to the Board the implementation of a process for assessing the contribution by each individual director to the effectiveness of the Board and the committee to carry out the assessment process;

- report to the Board on its activities and proposals; and

- carry out such other duties as may be agreed to by the NC and the Board.

The NC reviews and recommends to the Board the re-appointment of retiring directors standing for re-election and appointment of new directors. The review ensures that the director to be re-appointment or appointed is able to contribute to the ongoing effectiveness of the board, has the ability to exercise sound business judgement, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities. A retiring director shall be eligible for election. Clause 86(1) of the Company's Bye-Laws, provides that each director (including non-executive director and independent non-executive directors) shall retire at least once every three (3) years and shall be eligible for re-election. Pursuant to this, Mr Joshua Ong Kian Guan will retire at the Company's forthcoming AGM and will be eligible for re-election. Mr Fu Shan will also retire at the Company's forthcoming AGM pursuant to clause 85(2) of the Company's Bye-Laws and will be eligible for re-election.

The NC adopts the Singapore CG Code's definition of what constitutes an independent director in its review. The NC is of the view that the three Independent Non-executive Directors (who represent one-half of the Board) are independent. No individual or small groups of individuals dominate the Board's decision making process.

The NC also reviews whether a director who has multiple board representations is able to and has been adequately carrying out effectively the duties as a director and ensured that internal guidelines adopted to address the competing time commitments are relevant and being followed. All directors are required to declare their Board representations. As a result of the NC's review, the NC is of the view that Mr Joshua Ong Kian Guan and Mr Wong Gang who sit on multiple boards, have and are able to more than adequately carry out their duties as directors of the Board.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

A measure of the Board's performance is its ability to lend support to management especially in times of crisis and to steer the Company in the right direction.

The financial indicators set out in the Singapore CG Code serve as guides for the evaluation of directors are in our opinion more of a measure of management's performance and hence are less applicable to directors. In any case, such financial indicators provide a snapshot of a company's performance and do not fully measure the sustainable wealth creation and shareholder value of the Company in the long term.

The NC endeavours to use its best efforts to ensure directors appointed to the Board collectively possess the necessary background, experience and knowledge in our industry and relevant geographic areas and in business and finance and have the appropriate management skills critical to the company's business and that each director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC, where appropriate, will look into establishing suitable processes to enhance compliance with the recommendation of the Singapore CG Code and the HK CG Code including the assessment of the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the management. All Directors have unrestricted access to the Company's records and information. The agenda for Board meetings is prepared in consultation with the Chairman. Detailed Board papers are prepared for each meeting of the Board and are normally circulated three days in advance of each meeting. The Board papers include sufficient information from Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. Such information may also be communicated to the directors via briefings and presentation by senior management staff or by external consultants engaged by specific projects. All Independent Directors have access to all levels of senior executives in the Group, and are encouraged to speak to other employees to seek additional information if they so require.

The Board has separate and independent access to the joint company secretaries and to other key executives of the Company and of the Group at all times in carrying out their duties. The joint secretaries or any one of them attend all Board meetings and meetings of the Board committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of all Board committees' meetings are circulated to the Board. The Board takes independent professional advice as and when necessary to enable it or the Independent Non-executive Directors to discharge its or their responsibilities effectively. The Directors, either individually or as a group have the right to seek independent professional advice at the Company's expense, if necessary to assist them in their duties.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Remuneration Committee ("RC")

The RC comprises three members, all of whom are independent non-executive directors. The chairman is Mr Wong Gang, and the two members are Mr Joshua Ong Kian Guan and Madam Feng Jing Lan. While none of the members specialize in the area of executive compensation, the RC, where necessary, may have access to independent professional expert advice.

The duties of the RC include, to:

- make recommendations to the Board on the Company's policy, structure and framework of remuneration for the directors and senior management of the Company and its subsidiaries;
- to determine and make recommendations to the Board on specific remuneration packages for each executive director, senior management and CEO (or executive of equivalent rank) of the Company and its subsidiaries;
- review all benefits and long-term incentive schemes (including share schemes) and compensation packages for the directors and senior management of the Company and its subsidiaries;
- review service contracts for the directors and senior management of the Company and its subsidiaries;
- administer the employees' share option scheme adopted by the Company;
- review the group's policy in allowing executive directors and senior management to accept appointments and retain payments from sources outside the group;
- review remuneration packages of group employees who are immediate family members (spouse, child, adopted child, step-child, sibling and parent) of any of the directors or substantial shareholders of the Company;
- review the annual remuneration report to be attached to the Company's annual report;
- report to the board on its activities and proposals;
- carry out such other duties as may be agreed to by the RC and the board;
- review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
- to review and approve compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct that such compensation is determined in accordance with relevant contractual terms and is fair and not excessive; and
- to ensure that no director or any of its associates is involved in deciding his own remuneration.

The RC ensures the appropriateness, transparency and accountability to shareholders on issues of remuneration of the directors and key executives. The CEO is not present during discussions relating to his own compensation, terms and conditions of service and review of his performance. Similarly, each director or member of the RC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested, except for providing information and documents specifically requested by the RC to assist it in its deliberations. Whenever necessary, the RC has access to expert advice from internal as well as external sources.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate the directors. The Independent Non-executive Directors receive directors' fees, in accordance with their contribution, taking into factors such as effort and time spent and responsibilities of the directors. The directors' fees are recommended by the entire Board for shareholders' approval at each annual general meeting. No director is involved in deciding his own remuneration. The Company currently does not have a formal service contract with the executive and independent non-executive directors except for Mr Wang Yan Gang, Executive Chairman and CEO. The Company does not have any long-term incentive scheme and employee share option scheme.

The RC has reviewed the Service Agreement entered into with the Executive Chairman and CEO, Mr Wang Yan Gang for an initial period of three years from 31 December 2007 and expired on 31 December 2010. Upon the RC's review and the Board's endorsement, the Service Agreement has been renewed for another term of 3 years from 31 December 2010 to 31 December 2013 with a revision on Mr Wang Yan Gang's salary while other terms and conditions remain substantially the same. The remuneration package in the Service Agreement is subject to annual review by the RC and the Board. The Service Agreement shall be automatically renewed on the same terms unless either party notifies the other party of its intention of non-renewal by giving three months written notice prior to the expiry thereof. The Company may also terminate Mr Wang Yan Gang's employment by summary notice upon the occurrence of certain events, such as criminal conviction, bankruptcy or if he becomes of unsound mind. He will not be entitled to any compensation upon termination of his employment. The Service Agreement covers the term of employment, specifically salaries and bonuses.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The compensation paid or payable to the Board (including directors' fees) and senior management in remuneration bands of S$250,000 per annum, namely for remuneration bands of up to S$250,000 per annum ("Band I"), above S$250,000 and up to S$500,000 per annum ("Band II"), and above S$500,000 and up to S$750,000 per annum ("Band III"), for services rendered to the Group in FY2010 are as follows.

Directors

	FY2010	Salary	Fees	Bonus	Other benefits**	Total
		%	%	%	%	%
Wang Yan Gang	Band III	33.5	7.4	58.7	0.4	100.0
Sun Jin Guo	Band I	15.8	23.9	6.0	54.3	100.0
Joshua Ong Kian Guan	Band I	—	100.0	—	—	100.0
Feng Jing Lan	Band I	—	100.0	—	—	100.0
Wong Gang	Band I	—	100.0	—	—	100.0

Senior Management

	FY2010	Salary	Fees	Bonus	Other benefits**	Total
		%	%	%	%	%
Edwin Goh Kay Seng	Band II	60.5	—	5.2	34.3	100.0
Li Jun	Band I	27.1	—	10.2	62.7	100.0
Song Yan Mei	Band I	27.1	—	10.2	62.7	100.0
Zhu Chun Bo	Band I	26.2	—	33.3	40.5	100.0
Lin Gui Min	Band I	27.1	—	10.2	62.7	100.0
Ma Ju Hong*	Band I	31.0	—	21.3	47.7	100.0
Zhang Yu Guang	Band I	31.0	—	21.3	47.7	100.0
Wang Yu Bin	Band I	31.3	—	21.5	47.2	100.0

* Mr Ma Ju Hong is the husband of Mr Wang Yan Gang's niece.
** Includes share-based payments under the Performance Share Scheme.

Save as disclosed above, the Company does not have any employees who are immediate family members of a director or the Chief Executive Officer whose remuneration exceeds S$150,000 in the financial year ended 31 December 2010.

Profiles of key executives are found on page 12 of this Annual Report.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and interim and annual announcements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a periodic basis.

The Board also acknowledges its responsibility for preparing the financial statement of the Group. The Board ensures that the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on page 38 of this annual report.

Audit Committee ("AC")

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC is chaired by Mr Joshua Ong Kian Guan, Lead Independent Non-Executive Director. The other members of the AC are Mr Wong Gang and Madam Feng Jing Lan. All three directors are independent non-executive directors.

The Board recognizes the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company.

The AC holds four meetings yearly to, inter alia, review and recommend to the Board the release of the year-end and quarterly financial statements. For the financial year ended 31 December 2010, the AC held five meetings. The AC meets from time to time with the Group's external and internal auditors and its management to review accounting, auditing and financial reporting matters so as to provide the necessary checks and balances to ensure that an effective control environment is maintained by the Group. Where necessary, the AC will also meet among themselves in the absence of management. The duties of the Audit Committee include, to:

- review the audit plans of the external auditors;
- review the external auditors' evaluation of the system of internal accounting controls, policies and practices;
- review and monitor integrity of the external auditors' reports;
- review the co-operation and/or assistance given by the Group's officers to the external and internal auditors;

- review the internal audit programme including the scope and results of the internal audit procedures;
- review the financial statements of the Company and the Group before submission to the Board;
- review the external auditors' management letter and the response from management and to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
- review the scope and results of the audits and their cost effectiveness with applicable standard and the independence and objectivity of the external auditors and should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- review significant financial reporting issues and judgments to ensure integrity of the financial statements and any formal announcements relating to the financial statements;
- review the independence of the external auditors annually;
- make recommendations to the Board, for the appointment, re-appointment and removal of the external auditors and consider and approve the external auditors' remuneration and terms of their engagement and any questions of resignation or dismissal of that auditor;
- ensure that arrangement is made for the review of the effectiveness of the Group's internal financial controls, operational and compliance controls and risk management policies and systems, at least annually and to consider any findings of major investigations of internal control matters;
- ensure that the internal auditors' primary line of reporting is to the AC, in particular the chairman of the AC;
- ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- ensure the adequacy of the internal audit function, at least annually;
- review transactions falling within the scope of the listing manual, in particular matters pertaining to interested person transactions and acquisitions and realizations as laid down in the listing manual;
- commission and review the findings of internal investigations conducted where fraud or impropriety is suspected, or where there is a failure of internal controls or infringement of any Singapore law, rule or regulation which is likely to have a material impact on the Group;
- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- review arrangements for employees to raise concern, in confidence, about possible wrongdoing in financial reporting or other matters and to ensure these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- review any hedging policy which may be put in place by the Board in the future;

- generally undertake such other functions and duties as may be required by statute, the listing manual or the Code of Corporate Governance, and by such amendments made thereto from time to time; and

- develop and implement policy on the engagement of an external auditor to supply non-audit services.

The AC has explicit authority to investigate any matter within its terms of reference, and has full access to, and the co-operation of, the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Executive Director or executive officer to attend its meetings. The AC meets with the internal auditors and the external auditors separately, at least once a year, without the presence of the Management, to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

The AC has put in place a whistle blowing policy where employees can, in confidence, raise concerns about possible improprieties in financial reporting matters or other matters.

The AC has recommended to the Board the re-appointment of Moore Stephens LLP, Singapore as the Company's auditors at the forthcoming AGM. There is no disagreement between the Board and AC regarding the selection, appointment, resignation or dismissal of external auditors.

In respect of the audit for 31 December 2010, the Company paid S$180,000 to the external auditors for its statutory audit services. The Company also paid a total of S$730,000 to its external auditors and their overseas office for other audit services in respect of the Company's dual listing in Hong Kong. There were no other non-audit services provided by the external auditors.

The Company's annual results for the year ended 31 December 2010 has been reviewed by the AC.

INTERNAL CONTROLS

Internal Audit

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The external and internal auditors conduct annual review of the effectiveness of the Company's internal financial controls, operational and compliance controls. Any material noncompliance and recommendation for improvement are reported to the AC. The AC has reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations; further based on the reports submitted by the external and internal auditors and the various controls put in place by the Management, the AC is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment.

The Board recognizes its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board also notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. In view of the above, the Board believes that, in the absence of any evidence to the contrary, the system of internal controls including financial, operational and compliance controls and risk management systems, maintained by the Management and that was in place during the financial year provides a reasonable but not absolute assurance against the occurrence of errors, losses, fraud or other irregularities and the identification and containment of business risk.

The Company has outsourced its internal audit function to Ernst & Young Risk Advisory Services Pte. Ltd., Singapore. The internal auditors report primarily to the Chairman of the AC. The internal auditors meet the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional of Internal Auditing set by the Institute of Internal Auditors. The AC meets with the internal auditors to discuss the results of their examination of the Group's system of internal controls.

COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders & Greater Shareholder Participation

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the Listing Manual and Listing Rules, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group. Information will be disseminated through SGXNET and SEHK announcements and news release. The Company will also make announcements from time to time to update investors and shareholders on developments that are of interest to them.

The Company will maintain open communications with investors and shareholders and will strive to attend to their queries directly, whether verbal or written. The Company welcomes active participation from shareholders at its AGMs. To facilitate voting by shareholders, the Company's bye-laws allow any member to appoint not more than two proxies to attend and vote at the AGMs.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The Chairman of the AGM will therefore demand a poll for every resolution put to the vote of the AGM pursuant to Bye-law 65 of the Bye-laws of the Company.

Subject to compliances to any relevant laws or regulations and the demand for voting in absentia such as by mail, e-mail or fax etc. the Company may evaluate the possibility of such voting method and put in place the necessary security measures to ensure integrity of the information and authentication of the identity of shareholders will not be compromised. The Board may at its sole discretion, approve and implement such voting method.

At AGMs, the Chairpersons of the AC, NC, RC as well as the external auditors are requested to be present and available to address any queries by shareholders.

The Board takes note that there should be separate resolutions at general meetings on each substantially separate issue and will provide reasons and material implications where resolutions are interlinked.

DEALINGS IN SECURITIES

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") which prohibits the directors and relevant employees of the Group from dealing in the Company's shares during the period of 30 and 60 days immediately preceding the announcement of the Company's quarterly and full year results respectively, or if shorter, the period from the end of the relevant quarterly period/financial year up to the publication date of the results. In addition, directors and relevant employees are expected to observe insider trading laws/rules at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations. In addition, specific enquiry has been made to all Directors in relation to whether the Directors have complied with the required standard set out in the Model Code and all Directors have confirmed compliance with the required standard regarding directors' securities transactions.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

INTERESTED PERSON TRANSACTIONS

Disclosure of interested person transactions is set out on page 90 and page 91 of this Annual Report. The Company ensures that all interested person transactions comply with its internal control procedures and Chapter 9 of the Singapore Exchange Listing Manual, and are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders and will be properly documented.

The AC reviews all interested person transactions, if any, at least quarterly to ensure that they are carried out at arm's length and in accordance with the internal control procedures. It will take into account all relevant non-quantitative factors. In the event that a member of the AC is interested in any interested person transaction, he will abstain from reviewing that particular transaction. If the Company, in consultation with the AC, believes that the internal control procedures are not sufficient to ensure that interests of minority Shareholders are not prejudiced, the Company will adopt new guidelines and procedures.

In addition, the AC includes the review of interested person transactions as part of its standard procedures while examining the adequacy of its internal controls. The Board also ensures that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the Listing Manual.

USE OF PROCEEDS

The remaining balance of RMB184.4 million from the net proceeds raised in 2008 and 2009 has been utilised in entirety for the acquisition of Beijing Jianxiang Hemu Biological Technology Limited during the financial year ended 31 December 2010.

During the financial year ended 31 December 2010, the Company issued US$40.0 million in principal amount of convertible bonds due 2015 and 20 million new shares at the issue price of S$0.35 per share for the aggregate placement consideration of S$7.0 million, raising total net proceeds of approximately RMB263.8 million. The net proceeds are intended for use as working capital, acquisitions (if suitable opportunities arise) and share repurchases. Except for approximately RMB34.4 million which has been utilised to partially fund the Company's dual listing expenses on the Stock Exchange of Hong Kong, the remaining net proceeds have been placed with banks and financial institutions pending deployment.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Managing Director, each Director or Controlling Shareholder, which were either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Report
of the Directors

The directors are pleased to present their report to the members with the audited consolidated financial statements of China Animal Healthcare Ltd. (the "Company") and its subsidiary companies (collectively the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2010.

1 LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "SEHK")

The Company's ordinary shares (the "Shares") were successfully listed on the Mainboard of the SEHK on 21 December 2010 by way of introduction. As a result, the Company now has a dual primary listing of its Shares on both the Singapore Exchange Securities Trading Limited (the "SGX-ST") and SEHK.

2 PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiary companies are set out in Note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

3 RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 39 to 102.

An interim dividend of RMB2.0 cents per share was paid on 30 June 2010. The directors recommend the payment of a final dividend of RMB2.2 cents per share in respect of the year ended 31 December 2010.

4 SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out on page 106 of the annual report. This summary does not form part of the audited financial statements.

5 PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 12 to the financial statements.

6 SHARE CAPITAL, PERFORMANCE SHARE SCHEME AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, performance share scheme and convertible bonds during the year are set out in Notes 26, 27 and 25 to the financial statements, respectively.

7 PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

8 PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year.

9 RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

10 MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 9% of the total sales for the year and sales to the largest customer included therein amounted to 3%. Purchases from the Group's five largest suppliers accounted for 41% of the total purchases for the year and purchases from the largest suppliers included therein amounted to 17%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

11 DIRECTORS

The directors of the Company during the year were:

Executive directors
Mr. Wang Yangang *(Executive chairman and chief executive officer)*
Mr. Sun Jinguo

Non-executive director
Mr. Fu Shan (appointed on 20 August 2010)

Independent non-executive directors
Mr. Joshua Ong Kian Guan
Mr. Wong Gang
Mdm. Feng Jing Lan

Mr. Joshua Ong Kian Guan will retire in accordance with Bye-law 86(1) and Mr. Fu Shan will retire in accordance with Bye-law 85(2) of the Company's Bye-laws at the Company's forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received annual confirmations of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") and still considers them to be independent.

12 DIRECTORS' AND KEY MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the key management of the Group are set out on page 10 to 12 of the annual report.

13 CHANGE IN DIRECTORS' INFORMATION

Mr. Wang Yangang ("Mr. Wang") had entered into a service agreement with the Company as our Executive Chairman and Chief Executive Officer for an initial term of three years from 31 December 2007 to 31 December 2010. The Company has renewed the Service Agreement with Mr. Wang for another term of 3 years from 31 December 2010 to 31 December 2013 with a revision on Mr. Wang's salary, increasing from SGD180,000 to SGD240,000 per annum while other terms and conditions remain substantially the same.

Mr. Joshua Ong Kian Guan ("Mr. Ong") was appointed as an independent director of JES International Holdings Limited, a public company listed on SGX-ST, on 19 December 2007.

Mr. Fu Shan ("Mr. Fu") was promoted as Senior Managing Director in The Blackstone Group on 1 January 2011.

Mr. Wong Gang ("Mr. Wong") resigned as an independent director of China Auto Electronics Group Limited, a public company listed on SGX-ST, on 30 April 2010.

The updated information regarding Mr. Wang, Mr. Ong, Mr. Fu and Mr. Wong are set out on pages 10 to 11.

Apart from the foregoing, the Company has not been advised by the directors of any changes in the information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as published by the SEHK since implementation of the said rule.

14 DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

15 DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 30(b) the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

16 MANAGEMENT CONTRACTS

No contracts concerning management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

17 DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2010, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Directly beneficially owned	Through spouse or minor children	Percentage of the Company's issued share capital
Mr. Wang Yangang*	—	844,774,583	53.08
Mr. Sun Jinguo	300,000	—	0.02

* Held in the name of his spouse, Mdm Li Chunhua

There was no change in the above-mentioned interest between the end of the financial year and 21 January 2011.

Save as disclosed above, as at 31 December 2010, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

18 CAH PERFORMANCE SHARE SCHEME

On 23 August 2010, the shareholders of the Company approved the CAH Performance Share Scheme (the "Scheme") at an Extraordinary General Meeting. The Scheme is administered by the Remuneration Committee ("Committee") whose members are:

Mr. Wong Gang *(Chairman)*
Mr. Joshua Ong Kian Guan
Mdm. Feng Jin Lan

The Company operates a Performance Share Scheme (the "Scheme") for the purpose of providing an opportunity for group employees (including Group Executive Directors) who have met the performance targets to be remunerated through an equity stake in the Company and/or when due recognition should be given to any good work performance and/or significant contribution to the Group. The Scheme aims to motivate and incentivise participants to greater dedication, loyalty and higher standards of performance.

Date of grant	Balance at 1.1.2010	Granted during the year	Awarded during the year	Lapsed during the year	Balance at 31.12.2010
23.8.2010	—	13,000,000	13,000,000	—	—

During the year, 13,000,000 share awards were granted to 223 employees (including directors and other key management personnel) under the Scheme.

No employee received 5% or more of the total number of share awards available under the Scheme.

As at 31 December 2010, there were no outstanding awards of shares granted by the Company under the Scheme.

The following are details of share awards granted to the Directors of the Company:

Name of director	Awards granted during the year	Aggregate awards granted since commencement of the Scheme to end of the year	Aggregate awards released during the year	Aggregate awards lapsed during the year	Aggregate awards outstanding at the end of the year
Mr Sun Jinguo	—	300,000	300,000	—	—

19 CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

20 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Please refer to Shareholdings Statistics set out on pages 103 to 105 of the annual report for details on interests and short positions of 5% or more of the issued share capital of the Company that were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed in the Shareholdings Statistics, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and Chief Executive's interests and short positions in shares and underlying shares and debentures" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

21 INTERESTED PERSON TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in Note 30(b) to the financial statements, there were no material interested person transactions (as defined under the Listing Manual of the SGX-ST), connected transactions and continuing connected transactions (as defined under the Listing Rules).

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out in note 30 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors have received an unqualified letter from the Company's auditors containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

22 SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

23 DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

24 EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

25 AUDITORS

Moore Stephens LLP, Certified Public Accountants, have expressed their willingness to accept re-appointment as independent auditors.

On behalf of the Board of Directors,

WANG YANGANG
Director

SUN JINGUO
Director

14 March 2011

Statement by Directors

In the opinion of the directors:

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereto, as set out on pages 39 to 102, are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

WANG YANGANG
Director

SUN JINGUO
Director

14 March 2011

Independent **Auditors' Report**

To the members of China Animal Healthcare Ltd.

We have audited the accompanying consolidated financial statements of China Animal Healthcare Ltd. (the "Company") and its subsidiary companies (collectively referred to as the "Group"), as set out on pages 39 to 102, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Moore Stephens LLP
Public Accountants and
Certified Public Accountants

Singapore
14 March 2011

Consolidated Statement of **Comprehensive Income**

	Note	Group 2010 RMB'000	2009 RMB'000
Revenue	5	**590,513**	438,289
Cost of sales		**(142,514)**	(105,952)
Gross profit		**447,999**	332,337
Other income		**3,676**	39
Change in fair value of derivative financial instruments	25	**12,003**	—
Selling and distribution expenses		**(132,269)**	(113,125)
Administrative expenses		**(128,874)**	(29,050)
Other operating expenses		**(89)**	(1,298)
Finance income		**2,792**	1,070
Finance costs	6	**(11,433)**	(1,410)
Profit before taxation	7	**193,805**	188,563
Taxation	9	**(64,129)**	(24,737)
Profit for the year and total comprehensive income for the year		**129,676**	163,826
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**119,668**	157,895
Non-controlling interests		**10,008**	5,931
		129,676	163,826
Earnings per share			
— basic and diluted (RMB cents)	11	**7.62**	11.14

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position

	Note	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**200,362**	56,451	**—**	—
Land use rights	13	**19,141**	11,285	**—**	—
Available-for-sale investments	14	**1,125**	—	**—**	—
Intangible assets	15	**675,050**	9,500	**—**	—
Goodwill	16	**124,617**	2,441	**—**	—
Deferred tax assets	9	**4,700**	—	—	—
Investment in subsidiaries	17	**—**	—	**1,298,424**	1,110,763
		1,024,995	79,677	**1,298,424**	1,110,763
Current assets					
Inventories	18	**15,082**	8,042	**—**	—
Trade receivables	19	**56,613**	20,695	**—**	—
Prepayments and other receivables	20	**5,132**	265,758	**—**	—
Pledged deposits	21	**4,000**	—	**—**	—
Cash and cash equivalents	21	**485,095**	451,245	**108,875**	57,590
		565,922	745,740	**108,875**	57,590
Total assets		**1,590,917**	825,417	**1,407,299**	1,168,353
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	22	**4,339**	4,249	**—**	—
Other payables and accrued charges	23	**48,525**	11,374	**15,687**	3,597
Borrowings	24	**20,000**	27,712	**—**	23,212
Provision for income tax		**19,439**	7,091	**—**	—
		92,303	50,426	**15,687**	26,809
Net current assets		**473,619**	695,314	**93,188**	30,784
Total assets less current liabilities		**1,498,614**	774,991	**1,391,612**	1,141,544

Statements of **Financial Position**

	Note	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Non-current liabilities					
Derivative financial instruments	25	**153,174**	—	**153,174**	—
Convertible bonds	25	**104,661**	—	**104,661**	—
Deferred taxation liabilities	9	**171,560**	3,305	**—**	—
		429,395	3,305	**257,835**	—
Total liabilities		**521,698**	53,731	**273,522**	26,809
Net assets		**1,069,219**	771,686	**1,133,777**	1,141,544
Equity attributable to owners of the Company					
Share capital	26	**79,075**	76,192	**147,127**	144,244
Reserves	28	**813,509**	674,372	**986,650**	997,300
		892,584	750,564	**1,133,777**	1,141,544
Non-controlling interests		**176,635**	21,122	**—**	—
Total equity		**1,069,219**	771,686	**1,133,777**	1,141,544
Total equity and liabilities		**1,590,917**	825,417	**1,407,299**	1,168,353

WANG YANGANG
Director

SUN JINGUO
Director

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of **Changes in Equity**

	Note	Share capital RMB'000	Share premium RMB'000	Non-distributable reserve RMB'000	Reserve fund RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to owners of the Company							
Group									
At 1 January 2010		**76,192**	**259,065**	**(26,358)**	**42,511**	**399,154**	**750,564**	**21,122**	**771,686**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**119,668**	**119,668**	**10,008**	**129,676**
Dividends	10	**–**	**–**	**–**	**–**	**(31,168)**	**(31,168)**	**–**	**(31,168)**
Issuance of shares pursuant to placement	26	**1,747**	**33,302**	**–**	**–**	**–**	**35,049**	**–**	**35,049**
Share issue expense		**–**	**(730)**	**–**	**–**	**–**	**(730)**	**–**	**(730)**
Shares awarded pursuant to Performance Share Scheme	26	**1,136**	**18,065**	**–**	**–**	**–**	**19,201**	**–**	**19,201**
Appropriation to reserve fund		**–**	**–**	**–**	**22,422**	**(22,422)**	**–**	**–**	**–**
Acquisition of subsidiary	29	**–**	**–**	**–**	**–**	**–**	**–**	**145,505**	**145,505**
At 31 December 2010		**79,075**	**309,702**	**(26,358)**	**64,933**	**465,232**	**892,584**	**176,635**	**1,069,219**
At 1 January 2009		54,175	96,646	(26,358)	30,453	282,102	437,018	15,191	452,209
Total comprehensive income for the year		–	–	–	–	157,895	157,895	5,931	163,826
Dividends	10	–	–	–	–	(28,785)	(28,785)	–	(28,785)
Issuance of shares pursuant to placements	26	22,017	170,731	–	–	–	192,748	–	192,748
Share issue expense		–	(8,312)	–	–	–	(8,312)	–	(8,312)
Appropriation to reserve fund		–	–	–	12,058	(12,058)	–	–	–
At 31 December 2009		76,192	259,065	(26,358)	42,511	399,154	750,564	21,122	771,686

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of **Cash Flows**

	Note	Group **2010** **RMB'000**	 2009 RMB'000
Cash Flows from Operating Activities			
Profit before taxation		**193,805**	188,563
Adjustments for:			
Share-based payments expense (Performance Share Scheme)		**19,201**	—
Change in fair value of derivative financial instruments		**(12,003)**	—
Depreciation of property, plant and equipment		**10,508**	4,129
Property, plant and equipment written-off		**903**	—
Amortisation of land use rights		**344**	246
Amortisation of production technology rights		**15,250**	3,000
Amortisation of seed strains		**700**	—
Gain on disposal of property, plant and equipment		**—**	(5)
Bad debt written-off		**—**	2,825
Exchange (gain)/loss		**(2,508)**	31
Interest on convertible bonds at amortised cost		**8,510**	—
Interest income		**(2,792)**	(1,070)
Interest expense		**2,653**	1,410
Operating cash flows before changes in working capital		**234,571**	199,129
Inventories		**(6,099)**	5,458
Trade receivables		**(35,918)**	(10,348)
Prepayments and other receivables		**1,183**	7,250
Trade payables		**90**	(1,325)
Other payables and accrued charges		**(3,682)**	(8,200)
Cash generated from operating activities		**190,145**	191,964
Interest received		**2,792**	1,070
Interest paid		**(2,653)**	(1,843)
Income tax paid		**(57,179)**	(25,796)
Net cash from operating activities		**133,105**	165,395

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of
Cash Flows

	Note	Group 2010 RMB'000	2009 RMB'000
Cash Flows from Investing Activities			
Investment in available-for-sale investments		**(1,125)**	—
Purchase of property, plant and equipment		**(6,639)**	(7,823)
Proceeds from disposal of property, plant and equipment		**—**	16
Deposits paid for acquisition of an investee company		**—**	(61,400)
Net cash outflow on acquisition of Bigvet Biotech	29(i)	**(94,831)**	—
Net cash outflow on acquisition of Beijing Jianxiang Hemu	29(ii)	**(209,935)**	—
Net cash used in investing activities		**(312,530)**	(69,207)
Cash Flows from Financing Activities			
Proceeds from issuance of convertible bonds		**263,836**	—
Loan to an investee company	20(b)	**—**	(70,000)
Proceeds from share issue pursuant to placements		**35,049**	192,748
Share issue expense		**(730)**	(8,312)
Bank deposit pledged		**(4,000)**	—
Proceeds from borrowings		**13,000**	4,500
Repayment of borrowings		**(62,712)**	(10,931)
Dividends paid		**(31,168)**	(28,785)
Net cash generated from financing activities		**213,275**	79,220
Net increase in cash and cash equivalents		**33,850**	175,408
Cash and cash equivalents at the beginning of year		**451,245**	275,837
Cash and cash equivalents at the end of year	21	**485,095**	451,245

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are dual primary listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") and The Stock Exchange of Hong Kong Limited (the "SEHK"). The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at No. 6, Kangding Street, Beijing Economic — Technological Development Area, Beijing, PRC.

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 17.

The ultimate controlling party of the Group is Mdm Li Chunhua.

The Board of Directors has authorised the issue of the financial statements in accordance with a resolution of the directors on 14 March 2011.

2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Pursuant to the Company's dual-listing in the SEHK during the current financial year, the Group's financial statements for the financial year ended 31 December 2010 and its comparatives have been prepared in accordance with International Financial Reporting Standards ("IFRS") as compared to Singapore Financial Reporting Standards ("SFRS") in the previous financial year. IFRS comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations ("IFRIC") issued by the International Accounting Standards Board ("ISAB"). The change in the basis of preparation of the Group's financial statements did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years, as essentially there are no significant differences between IFRS and SFRS.

Adoption of New/Revised IFRS Which Are Effective

The Group has adopted the following new or amended standards which are effective and relevant to the Group as of 1 January 2010:

- IFRS 3 (Revised) "Business Combinations" — The revised standard has been adopted in the current year's business combinations for which the acquisition date is on or after the adoption of the revised standard. Its adoption has affected the accounting for business combinations in the current financial year.

  The impact of the application of the revised standard is:

  — to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire;

2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Adoption of New/Revised IFRS Which Are Effective *(continued)*

- — to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of twelve months from the acquisition date). All other subsequent adjustments are recognised in profit or loss; and

- — to require that acquisition-related costs be accounted for separately from the business combinations, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

- IAS 27 (Revised) "Consolidated and Separate Financial Statements" effective from 1 July 2009. The revised standard is a result of consequential amendments to changes to IFRS 3 (Revised). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The adoption of these amended standards did not have a material impact on the consolidated financial statements at the Group.

2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Adoption of New/Revised IFRS Which Are Not Yet Effective

At the date of these financial statements, the following new and revised standards, which have been issued and relevant to the Group are not yet effective:

		Effective for accounting periods beginning on or after
IFRS 3 (Amendment)	Business Combinations*	1 July 2010
IFRS 7 (Amendment)	Financial Instruments: Disclosures*	1 January 2011
IFRS 7 (Amendment)	Financial Instruments: Disclosures	1 July 2011
IFRS 9 (Amendment)	Financial Instruments — Classification and Measurement	1 January 2013
IAS 1 (Amendment)	Presentation of Financial Statements*	1 January 2011
IAS 24 (Revised)	Related Party Transactions	1 January 2011
IAS 27 (Amendment)	Consolidated and Separate Financial Statements*	1 July 2010
IAS 34 (Amendment)	Interim Financial Reporting*	1 January 2011

* As part of the 2010 Annual Improvements to IFRSs. The amendments are unlikely to have a material impact on the Group's financial statements on adoption.

IFRS 7 (Amendment) "Financial Instruments: Disclosures — Amendments enhancing disclosures about transfers of financial assets" — The amendments increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

2 APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Adoption of New/Revised IFRS Which Are Not Yet Effective *(continued)*

IFRS 9 "Financial Instruments — Classification and Measurements" — The new standard introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition and will be effective from the Group's annual reporting period beginning 1 January 2013, with earlier application permitted. IFRS 9 requires all recognised financial assets that are within the scope of IFRS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair value at the end of subsequent accounting periods. The application of IFRS 9 may have an effect on amounts reported in respect of the Group's financial assets and financial liabilities on adoption. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IAS 24 (Revised) "Related Party Disclosures" — The revised standard provides a partial exemption for government-related entities. If a government controlled or significantly influenced an entity, the entity requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. This balance is achieved by requiring disclosure about these transactions only if they are individually or collectively significant. The amendment also provides a revised definition of a related party that is simplified and removes inconsistencies. The amendment is unlikely to have material impact on the related party transaction disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with IFRS.

The financial statements have been prepared on an historical cost basis except as disclosed in the accounting policies below.

(b) Basis of Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of Consolidation *(continued)*

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combinations, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 3(f). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss in the consolidated statement of comprehensive income on the acquisition date.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Functional and Foreign Currencies

The currency of the primary economic environment in which the Company and its subsidiaries operates is Renminbi ("RMB"), as their principal operations are conducted in the People's Republic of China ("PRC"). Accordingly, the financial statements are presented in RMB, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Transactions in foreign currencies are measured in the respective functional currencies of the Group's entities and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting year are recognised in profit or loss in the consolidated statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated in currency translation reserve within the equity in the consolidated statement of financial position and recognised in profit or loss in the consolidated statement of comprehensive income on disposal of the foreign operations.

For inclusion in the consolidated financial statements, the assets and liabilities of foreign operations are translated into RMB at the rate of exchange ruling at the end of the reporting year and their consolidated statement of comprehensive income are translated into RMB at the average exchange rates which approximate the rates at transaction dates. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in a separate component of equity as currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in currency translation reserve relating to that particular foreign operation is recognised in profit or loss in the consolidated statement of comprehensive income.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the property, plant and equipment to the location and condition necessary for it to be capable of operating intended by management. Subsequent expenditure for additions, improvements and renewals is capitalised only when it is probable that future economic benefits associated with the property, plant and equipment will flow to the Group and the cost of the property, plant and equipment can be measured reliably. All other repair and maintenance expenses are charged to profit or loss in the consolidated statement of comprehensive income when incurred.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, Plant and Equipment *(continued)*

Depreciation is calculated on the straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings	30 years, or over the lease term of the relevant land use right, whichever is shorter
Plant and machinery	5 to 15 years
Office equipment	5 years
Motor vehicles	5 to 10 years

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at least annually to ensure that the amount, method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the property, plant and equipment is included in profit or loss in the consolidated statement of comprehensive income in the year the property, plant and equipment is derecognised.

(e) Land Use Rights

Land use rights are initially recognised at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term.

(f) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. The cash generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss in the consolidated statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent years.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill *(continued)*

When goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(g) Intangible Assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination and recognised separately from goodwill is their fair value as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives of 5 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and amortisation method are reviewed at least annually.

(h) Investment in Subsidiaries

Investment in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses.

(i) Impairment of Non-financial Assets other than Goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses are recognised in profit or loss in the consolidated statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss (other than goodwill) is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in profit or loss in the consolidated statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials calculated on a weighted average basis and in the case of finished goods, includes direct labour and attributable production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and costs necessary to make the sale.

(k) Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss in the consolidated statement of comprehensive income.

Financial assets

The Group's financial assets include loans and receivables and available-for-sale investments. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in profit or loss in the consolidated statement of comprehensive income.

Available-for-sale financial assets are measured at fair value at the end of the reporting year. Changes in fair value are recognised in other comprehensive income and accumulated in reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured they are measured at cost less any identified impairment losses at the end of the reporting year.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial Instruments *(continued)*

Financial assets *(continued)*

As assessment for impairment is undertaken at least each accounting year-end date whether or not there is objective evidence that a financial assets or group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent years. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in reserve.

Financial liabilities

The Group's financial liabilities are trade and other payables, borrowings and liability component of convertible bonds. Financial liabilities are recognised when the Group becomes a party of the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss in the consolidated statement of comprehensive income, when the changes arise.

(l) Convertible Bonds

For convertible bonds without equity component, the derivative component of the convertible bonds is measured at fair value at initial recognition and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of comprehensive income.

The derivative component is subsequently remeasured in accordance with the Group's accounting policy on derivative financial instruments. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss in the consolidated statement of comprehensive income on the liability component is calculated using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Convertible Bonds *(continued)*

If the bond is converted, the carrying amount of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amount of both components is recognised in profit or loss in the consolidated statement of comprehensive income.

(m) Borrowings Costs

Borrowing costs are recognised in profit or loss in the consolidated statement of comprehensive income as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

(n) Financial Guarantees

Financial guarantees are contracts that require the issue to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss in the consolidated statement of comprehensive income over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amounts with the difference charged to profit or loss in the consolidated statement of comprehensive income.

(o) Share Capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share premium account.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownerships of the goods to the customers, which is net of discounts and sales related taxes.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(q) Employee Benefits

Defined contribution plans

Defined contribution plans (including state-managed retirement benefit schemes) are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. Contributions to defined contributions plans are recognised as an expense in profit or loss in the consolidated statement of comprehensive income as they fall due.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting year.

Performance shares scheme

The Group operates an equity-settled, share-based Performance Share Scheme. The fair value of the employee services received in exchange for the grant of share awards is recognised as an expense with a corresponding increase in the share award reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the share awards granted on the date of the grant. At each balance sheet date, the Group granted the number of shares under awards that are expected to become issuable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share award reserve over the remaining vesting period.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee Benefits *(continued)*

Performance shares scheme *(continued)*

The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share award reserve is transferred to retained earnings upon expiry of the share awards. When the shares under the awards are issued, the employee share award reserve is transferred to share capital if new shares are issued, or to treasury shares if the awards are satisfied by the reissuance of treasury shares.

(r) Operating Lease

Operating lease payments are recognised as an expense in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

(s) Taxation

Current income tax for current and prior year is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the end of the year.

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

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

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

— In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

— In respect of deductible temporary differences and carry-forward of unutilised tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax losses can be utilised.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Taxation *(continued)*

Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management who are responsible for allocating resources and assessing performance of the operating segments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the accounting policies. In the process of applying the Group's accounting policies which are detailed below, the management makes judgments based on the historical experience and other factors considered to be relevant.

The preparation of financial statements also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements are summarised below:

Critical accounting estimates and assumptions

- ***Depreciation of property, plant and equipment***

  Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 5 to 30 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2010 was RMB200,362,000 (2009: RMB56,451,000). The Group assesses at least annually the residual value and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate due to changes in the expected level of usage and/or technological developments, such difference will impact the depreciation charge in the year in which such estimate is changed. A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.8% (2009: 0.4%) variance in the Group's profit after tax for the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

Critical accounting estimates and assumptions *(continued)*

- ***Amortisation of seed strains and production technology rights***

  Seed strains and production technology rights are amortised on a straight-line basis over their estimated useful life. Management estimates the useful life of seed strains and these rights to be 5 to 10 years. The carrying amount of intangible assets as at 31 December 2010 was RMB675,050,000 (2009: RMB9,500,000). The Group assesses annually the useful life of the seed strains and production technology rights and if the expectation differs from the original estimate due to changes in the expected level of usage and/or technological developments, such difference will impact the amortisation charge in the year in which such estimate is changed. A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 1.2% (2009: 0.2%) variance in the Group's profit after tax for the year.

- ***Impairment of intangible assets***

  Intangible assets are tested for impairment whenever there is indication that the intangible assets may be impaired. The recoverable amount of the allocated cash-generating unit has been determined based on value in use calculation. The calculation requires the use of estimates and assumptions (Note 15). Changes to these estimates and assumptions could result in a change in the carrying amount of the intangible assets. During the financial year, no allowance for impairment of intangible assets was made (2009: Nil). The carrying amount of the intangible assets as at 31 December 2010 was RMB675,050,000 (2009: RMB9,500,000).

- ***Impairment of goodwill arising from acquisition of subsidiaries***

  Goodwill arising from acquisition of subsidiaries is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the allocated cash-generating unit has been determined based on value in use calculation. The calculation requires the use of estimates and assumptions (Note 16). Changes to these estimates and assumptions could result in a change in the carrying amount of the goodwill. During the year, no allowance for impairment for goodwill arising from acquisition of subsidiaries was made (2009: Nil). The carrying amount of the goodwill arising from acquisition of subsidiaries as at 31 December 2010 was RMB124,617,000 (2009: RMB2,441,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

Critical accounting estimates and assumptions *(continued)*

- ***Fair value of derivative financial instruments***

  During the current financial year, the Company issued a zero-coupon convertible bonds due 2015 with an aggregate principal amount of US$40.0 million. The embedded derivatives consisting of the conversion option and redemption option have been separated from the host debt contract and accounted for as derivative financial instruments (Note 25). The fair value of these derivative financial instruments is determined by using an appropriate valuation model and makes assumptions that are mainly based on market conditions existing at each balance sheet date. Changes to these assumptions could result in a change in the fair value estimate. For the financial year ended 31 December 2010, the fair value gain resulting from change in fair value of the derivative component of the convertible bonds was approximately RMB12,003,000. The carrying amount of the derivative financial instruments as at 31 December 2010 was RMB153,174 (2009: Nil).

  If the share price and volatility of share price inputed to the valuation model had been 10% higher or lower while all other variables were held constant, the Group's profit after tax for the year would decrease by approximately 9% or increase by 6% for the Group, principally as a result of the changes in fair value of the conversion option and redemption option of the convertible bonds.

Critical judgements in applying accounting policies

- ***Allowances for impairment of receivables***

  The Group makes allowances for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment for receivables. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

  No allowance for impairment on trade and other receivables was charged to profit or loss in the consolidated statement of comprehensive income during the current financial year ended 31 December 2010. Trade and other receivables amounting to RMB2,825,000 were assessed to be non-recoverable and written off to profit or loss in the consolidated statement of comprehensive income during the previous financial year ended 31 December 2009.

5 REVENUE

Revenue of the Group represents the invoiced value of goods sold to customers excluding value-added tax.

	Group 2010 RMB'000	2009 RMB'000
Powdered form drugs	**411,091**	343,917
Injection form drugs	**33,848**	34,249
Biological drugs	**145,574**	60,123
	590,513	438,289

6 FINANCE COSTS

	Group 2010 RMB'000	2009 RMB'000
Interests on bank borrowings	**2,653**	1,216
Interests on convertible bonds at amortised cost	**8,510**	—
Bank charges	**270**	194
	11,433	1,410

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Group 2010 RMB'000	2009 RMB'000
Depreciation of property, plant and equipment	**10,508**	4,129
Gain on disposal of property, plant and equipment	**—**	(5)
Interest income from bank balances	**(2,792)**	(1,070)
Bad debts written-off		
— Trade	**—**	1,569
— Non-trade	**—**	1,256
Amortisation of land use rights	**344**	246
Amortisation of production technology rights	**15,250**	3,000
Amortisation of seed strains	**700**	—
Exchange (gain)/loss	**(2,508)**	31
Property, plant and equipment written-off	**903**	—
Operating leases expenses	**7,953**	6,967
Staff costs (Note 8(a))	**106,223**	76,137

There were no non-audit fees paid to the Company's auditors during the financial year (2009: Nil).

8 EMPLOYEE BENEFITS

(a) Staff costs

	Group 2010 RMB'000	2009 RMB'000
Salaries, bonuses and other short-term benefits	**85,472**	75,127
Contributions to defined contributions plans	**1,550**	1,010
Share-based payments expense (Performance Share Scheme) (Note 27)	**19,201**	—
	106,223	76,137

Staff costs amounting to RMB73.7 million (2009: RMB62.1 million) and RMB32.5 million (2009: RMB14.0 million) is included in selling and distribution expenses and administrative expenses respectively.

(b) Directors' emoluments

Details of the directors' remuneration for the year are as follows:

2010	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Group Discretionary bonuses/ shares awarded RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
Executive Directors					
Wang Yangang	199	900	1,576	10	2,685
Sun Jinguo	199	132	493	10	834
Non-executive Director					
Fu Shan	–	–	–	–	–
Independent Directors					
Joshua Ong Kian Guan	248	–	–	–	248
Wong Gang	239	–	–	–	239
Feng Jinglan	80	–	–	–	80
	965	1,032	2,069	20	4,086

8 EMPLOYEE BENEFITS *(continued)*

(b) Directors' emoluments *(continued)*

2009	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Group Discretionary bonuses/ shares awarded RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
Executive Directors					
Wang Yangang	189	900	1,581	8	2,678
Sun Jinguo	189	132	30	8	359
Independent Non-executive Directors					
Joshua Ong Kian Guan	237	—	—	—	237
Wong Gang	227	—	—	—	227
Feng Jinglan	76	—	—	—	76
	918	1,032	1,611	16	3,577

(c) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, two are directors during the year whose emoluments are disclosed in Note 8(b). The aggregate of the emoluments in respect of the other individuals are as follows:

	Group **2010** **RMB'000**	2009 RMB'000
Salaries, bonuses and other short-term benefits	**2,340**	736
Contributions to defined contribution plans	**72**	45
	2,412	781

	2010 **RMB'000**	2009 RMB'000
Less than RMB500,000	**—**	—
RMB500,001 — RMB1,000,000	**1**	1
	1	1

During the financial years ended 31 December 2010 and 2009, no emoluments has been paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the financial years ended 31 December 2010 and 2009.

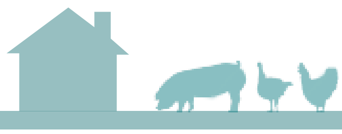
9 TAXATION

	Group 2010 RMB'000	2009 RMB'000
The charge comprised:		
Current income tax		
— Current tax	**70,845**	27,378
— Over provision in respect of previous year	**(1,316)**	(4,221)
	69,529	23,157
Deferred tax		
— Origination and reversal of temporary differences	**(7,800)**	—
— Withholding tax	**2,400**	1,580
	(5,400)	1,580
	64,129	24,737

Income tax on assessable profits during the financial years ended 31 December 2010 and 2009 have been calculated at the income tax rates prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

The reconciliation between taxation and the accounting profit multiplied by the applicable income tax rate for the financial years ended 31 December 2010 and 2009 are as follows:

	Group 2010 RMB'000	2009 RMB'000
Profit before taxation	**193,805**	188,563
Tax at the applicable income tax rates	**62,692**	53,602
Tax effect of expenses not deductible for tax purposes	**1,244**	478
Deferred tax benefits not recognised	**440**	—
Effect on tax exemptions granted to subsidiaries in the PRC	**(1,331)**	(26,702)
Withholding tax on distributable profits of PRC subsidiaries	**2,400**	1,580
Over provision in respect of previous year current tax	**(1,316)**	(4,221)
	64,129	24,737



9 TAXATION *(continued)*

PRC income tax is calculated at the applicable rates in accordance with relevant laws and regulations in the PRC. On 16 March 2007, the Enterprise Income Tax Law (the "new EIT Law") was passed at the Fifth session of the Tenth National People's Congress of the PRC, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008 (Order of the President [2007] No. 63).

No provision for income tax of Singapore has been made as the Group has no assessable profits derived from Singapore during the financial years ended 31 December 2010 and 2009.

Unrecognised tax losses

As at 31 December 2010, unutilised tax losses of the Group that are available for offset against future taxable profits of the Group companies in which the losses arose amounted to approximately RMB1,760,000 (2009: Nil), for which no deferred tax asset is recognised due to uncertainty of its recoverability. The deferred tax asset not recognised is estimated to be RMB440,000. The availability of these unutilised tax losses is subject to compliance with the tax regulations and agreement by the tax authorities of the respective countries in which the Group companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui [2008] No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be exempted from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules. Deferred tax liability on the distributable profits earned during the financial years ended 31 December 2010 and 2009 have been accrued at the concessionary tax rate of 5% based on the expected dividend stream which is determined by the directors of the Company.

As at 31 December 2010, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries of the Group for which no deferred tax liability has been recognised amounted to RMB501,125,000 (2009: RMB289,279,000) based on the Group's accounting policy as stated in Note 3(s). The deferred tax liability not recognised is estimated to be RMB25,056,000 (2009: RMB14,464,000).

Tax consequences of proposed dividends

There are no income tax consequences (2009: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 10).

9 TAXATION *(continued)*

Deferred tax assets/liabilities

The major deferred tax assets/liabilities recognised and movement thereon during the financial year are as follows:

	Group			
2010	**Opening balance RMB'000**	**Acquisition/ (Disposal) RMB'000**	**Recognised in profit or loss RMB'000**	**Closing balance RMB'000**
Deferred tax assets:				
Unutilised tax losses*	—	—	4,700	4,700
Deferred tax (liabilities):				
Distributable profits of subsidiaries	(3,305)	—	(2,400)	(5,705)
Revaluation of properties				
— Acquisition of Bigvet Biotech (Note 29(i))	—	(1,455)	37	(1,418)
Seed strains/Production technology rights				
— Acquisition of Bigvet Biotech (Note 29(i))	—	(115,000)	—	(115,000)
— Acquisition of Beijing Jianxiang Hemu (Note 29(ii))	—	(52,500)	3,063	(49,437)
	(3,305)	(168,955)	700	(171,560)
Deferred tax expense			5,400	
2009				
Deferred tax (liabilities):				
Distributable profits of subsidiaries	(1,725)	—	(1,580)	(3,305)

* This represents the tax effect of unutilised tax losses recognised to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.

10 DIVIDENDS

	Group 2010 RMB'000	2009 RMB'000
Declared and paid during the financial year:		
2008 final tax exempt dividend of RMB2.2 cents per share	**—**	28,785
2010 interim tax exempt dividend of RMB2.0 cents per share	**31,168**	—
	31,168	28,785
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subjected to shareholders' approval at the Annual General Meeting: — Final tax exempt dividend for 2010: RMB2.2 cents per share (2009: Nil)	**35,011**	—

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share amount is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial years ended 31 December 2010 and 2009.

The following table reflects the profit and share data used in the computation of basic earnings per share for the financial years ended 31 December 2010 and 2009.

	Group 2010	2009
Profit for the year attributable to owners of the Company (RMB'000)	**119,668**	157,895
Weighted average number of ordinary shares for basic earnings per share computation	**1,570,891,995**	1,417,102,954
Basic earnings per share (RMB cents)	**7.62**	11.14

(b) Diluted earnings per share

Diluted earnings per share amount is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares from the convertible bonds issued.

Diluted earnings per share is the same as basic earnings per share as the impact from the conversion of the convertible bonds was anti-dilutive.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Group					
Cost					
At 1 January 2010	**17,738**	**44,491**	**1,399**	**5,287**	**68,915**
Acquisition of Bigvet Biotech (Note 29(i))	**84,601**	**63,207**	**535**	**340**	**148,683**
Additions	**1,786**	**2,918**	**189**	**1,746**	**6,639**
Written-off	**(853)**	**—**	**—**	**(50)**	**(903)**
At 31 December 2010	**103,272**	**110,616**	**2,123**	**7,323**	**223,334**
Accumulated depreciation					
At 1 January 2010	**1,600**	**8,855**	**813**	**1,196**	**12,464**
Charge for the year	**3,170**	**6,579**	**180**	**579**	**10,508**
At 31 December 2010	**4,770**	**15,434**	**993**	**1,775**	**22,972**
Carrying amount					
At 31 December 2010	**98,502**	**95,182**	**1,130**	**5,548**	**200,362**

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Group					
Cost					
At 1 January 2009	16,198	40,321	1,262	3,534	61,315
Additions	1,540	4,170	137	1,976	7,823
Written-off	—	—	—	(223)	(223)
At 31 December 2009	17,738	44,491	1,399	5,287	68,915
Accumulated depreciation					
At 1 January 2009	582	6,251	648	1,066	8,547
Charge for the year	1,018	2,604	165	342	4,129
Written off	—	—	—	(212)	(212)
At 31 December 2009	1,600	8,855	813	1,196	12,464
Carrying amount					
At 31 December 2009	16,138	35,636	586	4,091	56,451

13 LAND USE RIGHTS

	Group 2010 RMB'000	2009 RMB'000
Cost		
At 1 January	**11,741**	11,741
Acquisition of Bigvet Biotech (Note 29(i))	**8,200**	—
At 31 December	**19,941**	11,741
Accumulated amortisation		
At 1 January	**456**	210
Amortisation for the year	**344**	246
At 31 December	**800**	456
Carrying amount		
At 31 December	**19,141**	11,285

The land use rights are situated in Shanxi and Inner Mongolia, PRC, with lease terms of 50 years.

14 AVAILABLE-FOR-SALE INVESTMENTS

The amount represented the Group's 11.25% equity interest in Jilin Kangda Rabbit Industry Co., Ltd. ("Jilin Kangda"). Jilin Kangda was established in the PRC in the form of domestic-invested company, and is a start-up company engaged in the business of rabbits breeding.

The amount is measured at cost less impairment at the end of the financial year as management is of the opinion that its fair value cannot be measured reliably.

15 INTANGIBLE ASSETS

	Seed strains RMB'000	Production technology rights RMB'000	Total RMB'000
Group			
Cost			
At 1 January 2010	—	15,000	15,000
Acquisition of Bigvet Biotech (Note 29(i))	11,500	460,000	471,500
Acquisition of Beijing Jianxiang Hemu (Note 29(ii))	—	210,000	210,000
At 31 December 2010	11,500	685,000	696,500
Accumulated amortisation			
At 1 January 2010	—	5,500	5,500
Amortisation for the year	700	15,250	15,950
At 31 December 2010	700	20,750	21,450
Carrying amount			
At 31 December 2010	10,800	664,250	675,050
Cost			
At 1 January 2009 and 31 December 2009	—	15,000	15,000
Accumulated amortisation			
At 1 January 2009	—	2,500	2,500
Amortisation for the year	—	3,000	3,000
At 31 December 2009	—	5,500	5,500
Carrying amount			
At 31 December 2009	—	9,500	9,500

15 INTANGIBLE ASSETS *(continued)*

The acquisitions of Bigvet Biotech and Beijing Jianxiang Hemu during the financial year ended 31 December 2010 resulted in the identification of production technology rights and seed strains used in the production of certain animal biological drugs. The estimated useful life of such right is estimated to be 10 years, with reference to the anticipated production capacity and existing technologies. The estimated useful life of seed strains is 10 years.

The production technology rights as at 31 December 2009 relates to technologies rights acquired in 2006 in relation to various animal biological drugs the Group produces.

For the purposes of impairment testing, intangible assets has been allocated to each individual cash generating units ("CGUs"), being Shanxi Longkeer (for the production technology rights acquired in 2006), Bigvet Biotech and Beijing Jianxiang Hemu as disclosed above, under the reportable segment of animal biological drugs.

As at 31 December 2010, management carried out an impairment test of those production technology rights and seed strains acquired as part of the Bigvet Biotech and Beijing Jianxiang Hemu as said above. Accordingly, the recoverable amounts of the identified CGUs have been determined based on value in use calculations using cash flow projections from financial budgets and forecasts approved by management covering a five-year period (31 December 2009: five-year period) according to their approval year of the Production Licenses. The pre-tax discount rate of 10% applied to the cash flow projections reflects management's estimate of the risks specific to the CGUs. It is derived from the cost of capital plus a reasonable risk premium at the date of assessment of the CGUs. The growth rate used during the projection year is 0% to 10% of the production capacity and the bidding price. The key factors for the value in use calculation are discount rates, growth rates, expected changes to revenue and direct costs, and the life of the production licences. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rate is based on industry growth forecasts. Changes in revenue and direct cost are based on past practices and expectations of future changes in the market. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflow and outflow patterns, estimated based on the CGUs' performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amounts of CGUs to fall below their respective carrying amounts.

Based on the management's review of the recoverable amount of the identified CGUs, no impairment on the aforesaid intangible assets was required during the financial year ended 31 December 2010.

16 GOODWILL

	Group 2010 RMB'000	2009 RMB'000
At 1 January	**2,441**	2,441
Acquisition of Bigvet Biotech (Note 29(i))	**69,741**	—
Acquisition of Beijing Jianxiang Hemu (Note 29(ii))	**52,435**	—
At 31 December	**124,617**	2,441

(a) Goodwill arising on acquisition of subsidiaries

Included in the amount is RMB2,441,000 which represent the goodwill arising from acquisition of Shanxi Longkeer during the financial year ended 31 December 2008. The remaining balances of RMB69,741,000 and RMB52,435,000 represent the goodwill arising from acquisitions of Bigvet Biotech and Beijing Jianxiang Hemu during the financial year ended 31 December 2010, respectively.

(b) Impairment testing of goodwill

For the purposes of impairment testing, goodwill has been allocated to each individual cash generating units ("CGUs"), being Shanxi Longkeer of RMB2,441,000, Bigvet Biotech of RMB69,741,000 and Beijing Jianxiang Hemu of RMB52,435,000, under the reportable segment of animal biological drugs, respectively.

The recoverable amounts of the identified CGUs have been determined based on value in use calculations using cash flow projections from financial budgets and forecasts approved by management covering a five-year period (2009: five-year period) according to their approval year of the Production Licenses. The pre-tax discount rate of 10% (2009: 10%) applied to the cash flow projections reflects management's estimate of the risks specific to the CGUs. It is derived from the cost of capital plus a reasonable risk premium at the date of assessment of the CGUs. The growth rates used during the projection years are 0% to 10% (2009: 0%) of the production capacity and the bidding price. The key factors for the value in use calculation are discount rates, growth rates, expected changes to revenue and direct costs, and the life of the Production Licences. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rate is based on industry growth forecasts. Changes in revenue and direct cost are based on past practices and expectations of future changes in the market. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflow and outflow patterns, estimated based on the CGUs' performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amounts of CGUs to fall below their respective carrying amounts.

Based on management's review of the recoverable amount of the identified CGU, no impairment on goodwill was required during the financial year ended 31 December 2010 (2009: Nil).

17 INVESTMENT IN SUBSIDIARIES

	Company 2010 RMB'000	2009 RMB'000
Unquoted shares, at cost	**869,696**	869,696
Due from a subsidiary (Note a)	**296,256**	108,595
Loan to a subsidiary (Note b)	**132,472**	132,472
	1,298,424	1,110,763

Notes:

(a) The amount due from and loan to a subsidiary is unsecured and interest-free with repayment neither planned nor likely to occur in the foreseeable future. As it is impractical to determine the term of repayment, the amount due from a subsidiary has been stated at cost.

(b) The loan to a subsidiary bear interest at rates ranging from 4% to 5% per annum and are to be repaid in full by 2012. The fair value of the loan is not significantly different from its carrying amount based on discounting expected future cash flows at market lending rates of an equivalent instrument as at the date of the statement of financial position.

As at the date of the statement of financial position, the Company has direct and indirect interests in the following subsidiaries:

Name of company	Place of incorporation/ establishment/ registration and operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2010 %	2009 %	Principal activities
Beijing Healthcare Technology Co., Ltd ("Beijing Healthcare")[1]	PRC	US$10,000,000	**100**	100	Research, development and manufacture of animal drugs (powder and pre-mix), sale of self-made products, provision of technical services and consultation relating to animal drugs, and transfer of self-developed technique
Beijing Jianxiang Hemu Biological Technology Limited[2] ("Beijing Jianxiang Hemu")	PRC	RMB3,000,000	**100**	—	Research and development
Evanton Pte. Ltd. ("Evanton")	Singapore	S$800,001	**100**	100	Investment holding
Hebei Biwei Science Technology Co., Ltd[1] ("Hebei Biwei")	PRC	US$3,060,000	**100**	100	Research, development and manufacture of animal drugs (powder and pre- mixed), and sale of self-made products
Hebei Qingshanhong Animal Medicine Company Limited [3,7] ("Hebei Qingshanhong")	PRC	RMB34,400,000	**100**	100	Research, development and manufacture of animal drugs (powder and pre- mixed), and sale of self-made products

17 INVESTMENT IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment/ registration and operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2010 %	2009 %	Principal activities
Hebei Geruisi Animal Medicine Company Limited[3] ("Hebei Geruisi")	PRC	RMB500,000	**100**	100	Research, development and manufacture of feed, sale of self-made products, and wholesale and commission agency (excluding auction) of proprietary Chinese traditional medicine, compound chemical drugs, antibiotics, external used insecticide, disinfector and micro-ecological preparation for animals
Hebei Runshengzhongfu Animal Medicine[3, 6] ("Hebei Runshengzhongfu")	PRC	RMB36,000,000	**100**	100	Research, development and manufacture of animals drugs powder, pre-mixed and injection, and sale of self-made products
Inner Mongolia Bigvet Biotech Co., Ltd.[2] ("Bigvet Biotech")	PRC	RMB30,000,000	**60**	—	Research, development and manufacture of animal drugs
Shanxi Longkeer Biological Pharmaceutical Co., Ltd[2] ("Shanxi Longkeer")	PRC	RMB42,600,000	**72.16**	72.16	Research, development and manufacture of animal biological drugs and vaccines
Shenzhou Pagina-kang Technology Co., Ltd[1, 4] ("Shenzhou Pagina-kang")	PRC	US$8,000,000	**100**	100	Research, development and manufacture and sale of animal drugs (oral solution and powder), and provision of technical services and consultation relating to animal drugs
Shijiazhuang Aoxin Animal Medicine Company Limited[3] ("Shijiazhuang Aoxin")	PRC	RMB500,000	**100**	100	Research, development and manufacture of feed, sale of animal drugs (oral solution of self-made products, and wholesale and commission agency of proprietary Chinese traditional medicine, compound chemical drugs, antibiotics, external used insecticide, disinfector and micro-ecological preparation for animals
Shijiazhuang Keruida Animal Medicine Company Limited[3] ("Shijiazhuang Keruida")	PRC	RMB500,000	**100**	100	Research, development and manufacture of feed, sale of self-made products, and wholesale and commission agency (excluding auction) of proprietary Chinese traditional medicine, compound chemical drugs, antibiotics, external used insecticide, disinfector and micro-ecological preparation for animals

17 INVESTMENT IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment/ registration and operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2010 %	2009 %	Principal activities
Shijiazhuang Lixinkang Animal Medicine Company Limited[3] ("Shijiazhuang Lixinkang")	PRC	RMB500,000	**100**	100	Research, development and manufacture of feed, sale of self-made products, and wholesale and commission agency (excluding auction) of proprietary Chinese traditional medicine, compound chemical drugs, antibiotics, external used insecticide, disinfector and micro-ecological preparation for animals
Shijiazhuang Greenxinkang Animal Medicine Company Limited[3] ("Shijiazhuang Greenxinkang")	PRC	RMB500,000	**100**	100	Research, development and manufacture of animal feed, sales of self-made products, and wholesale and commission agency (excluding auction) of proprietary Chinese traditional medicine, compound chemical drugs, antibiotics, external used insecticide, disinfector and micro-ecological preparation for animals
Shijiazhuang Maidisenda Animal Medicine Company Limited[3, 5] ("Shijiazhuang Maidisenda")	PRC	RMB34,400,000	**100**	100	Research, development and manufacture of animal drugs (powder and granules), and sale of self-made products
Shijiazhuang Sikede Animal Medicine Company Limited[2] ("Shijiazhuang Sikede")	PRC	RMB34,400,000	**100**	100	Research, development and manufacture of animal drugs (powder for injection), and sale of self-made products

All the subsidiaries are audited by Moore Stephens LLP, Singapore.

1 These companies were established in the PRC in the form of wholly foreign-owned enterprise.
2 These companies were established in the PRC in the form of domestic-invested company.
3 These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.
4 In August 2010, the Group injected a capital contribution of US$2,000,000 into Shenzhou Pagina-kang. Up to the date of these financial statement, the Group had made contributions of US$8,000,000 to the total registered capital of Shenzhou Pagina-Kang.
5 In September 2010, the Group injected a capital contribution of RMB33,900,000 into Shijiazhuang Maidisenda. Up to the date of these financial statements, the Group had made contributions of RMB34,400,000 to the total registered capital of Shijiazhuang Maidisenda.
6 In September 2010, the Group injected a capital contribution of RMB13,600,000 into Hebei Runshengzhongfu. Up to the date of these financial statements, the Group had made contributions of RMB36,000,000 to the total registered capital of Hebei Runshengzhongfu.
7 In September 2010, the Group injected a capital contribution of RMB33,900,000 into Hebei Qingshanhong. Up to the date of these financial statements, the Group had made contributions of RMB34,400,000 to the total registered capital of Hebei Qingshanhong.

18 INVENTORIES

	Group 2010 RMB'000	2009 RMB'000
Raw materials	**4,517**	5,820
Finished goods	**9,886**	1,732
Packing materials	**679**	490
	15,082	8,042

The cost of inventories sold recognised as "cost of sales" amounted to RMB142,514,000 during the financial year ended 31 December 2010 (2009: RMB105,952,000).

19 TRADE RECEIVABLES

	Group 2010 RMB'000	2009 RMB'000
Trade receivables from third-parties	**56,733**	20,815
Less: Allowance for impairment losses	**(120)**	(120)
	56,613	20,695

The Group only grants the credit terms from 30 to 180 days to large-scale poultry enterprises and varies on a case to case basis based on the creditworthiness and the Group's existing relationships with its customers. The Group's sales to animal drug retail customers are mainly on cash-on-delivery basis. The Group trades only with recognised and creditworthy third-parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is minimised.

(a) Ageing analysis

The aged analysis of trade receivables, which is based on invoices dates, (net of allowance for impairment), is as follows:

	Group 2010 RMB'000	2009 RMB'000
0–30 days	**8,382**	2,446
31–90 days	**13,056**	4,642
91–180 days	**21,067**	5,354
181–365 days	**14,087**	7,865
Over 365 days	**21**	388
	56,613	20,695

19 TRADE RECEIVABLES *(continued)*

(b) Trade receivables that are past due but not impaired

The Group had trade receivables amounting to RMB14,108,000 (2009: RMB8,253,000) that are past due as at 31 December 2010, but not impaired. These receivables are unsecured and the analysis of their aging at the end of the financial year is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within 181 to 365 days	**14,087**	7,865
More than 365 days	**21**	388
	14,108	8,253

(c) Movements on the Group's allowance for trade receivables are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
At beginning and end of the year	**120**	120

The trade receivables at the end of the financial year were denominated in Renminbi.

20 PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2010	2009
	RMB'000	RMB'000
Advances to suppliers	**3,887**	477
Deposit for purchases of plant and equipment	**—**	318
Consideration for Proposed Acquisition (a)	**—**	193,000
Loan to an investee company (b)	**—**	70,000
Sundry debtors	**1,210**	1,658
Prepaid expenses	**35**	305
	5,132	265,758

20 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(a) On 19 December 2008, Shenzhou Pagina-kang entered into a conditional sale and purchase agreement to acquire an aggregate 40% equity interest in Bigvet Biotech (the "Bigvet Biotech Acquisition") for a total cash consideration of RMB188 million. Shenzhou Pagina-kang also entered into a conditional agreement with one of the shareholders of Bigvet Biotech whereby the shareholder would, subject to the payment of a deposit of RMB5 million being paid upon the shareholders' approval being obtained for the Bigvet Biotech Acquisition, grant Shenzhou Pagina-kang the right to purchase an additional 20% equity interest in Bigvet Biotech for a total cash consideration of RMB100 million (the "20% Acquisition Right"). The 20% Acquisition Right was exercisable by the Shenzhou Pagina-kang within a period of 6 months subsequent to Shenzhou Pagina-kang being satisfied that Bigvet Biotech has received the necessary PRC licences and approvals to commence manufacturing and sale of animal biological drugs.

Pursuant to the conditional sale and purchase agreement, an amount of RMB131.6 million, representing 70% of the total purchase consideration was placed in an escrow account as at 31 December 2008. Consequent to obtaining the Company's shareholders' approval on the Bigvet Biotech Acquisition and the completion of the legal transfer of the initial 40% interest to Shenzhou Pagina-kang during the financial year ended 31 December 2009, the Group made additional payments of RMB18.8 million into the escrow account and RMB42.6 million to the vendors, including the option deposit of RMB5.0 million.

Subsequently on 29 December 2009, Shenzhou Pagina-kang entered into supplemental letters with the vendors to extend the last-stop date in the conditional sale and purchase agreements and 20% Acquisition Right agreement from 31 December 2009 to 31 March 2010.

On 31 March 2010, Shenzhou Pagina-kang, Beijing Healthcare and the vendor under the 20% Acquisition Right entered into supplemental letters where the 20% Acquisition Right was assigned from Shenzhou Pagina-kang to Beijing Healthcare, and the last-stop date of 20% Acquisition Right agreement was further extended to 31 December 2010.

In May 2010, Beijing Healthcare exercised the 20% Acquisition Right. Bigvet Biotech became a 60% owned subsidiary of the Group, completing the acquisition of Bigvet Biotech during the financial year ended 31 December 2010. Please refer to Note 29(i).

(b) During the financial year ended 31 December 2009, the Group advanced a loan of RMB70.0 million to Bigvet Biotech to fund the construction of its production facilities. The loan is secured by the assets of Bigvet Biotech, bears interest at a rate of 3% per annum and is to be repaid in full by May 2011.

The loan has been disclosed in Note 29(i) which is included in the fair values of identifiable assets and liabilities of Bigvet Biotech as at the date of acquisition.

21 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**489,095**	451,245	**108,875**	57,590
Pledged deposit (Note 24(b))	**(4,000)**	—	**—**	—
Cash and cash equivalents as per consolidated statement of cash flows	**485,095**	451,245	**108,875**	57,590

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposit was made for varying periods of between one month and three months depending on the immediate cash requirements of the Group, and earned interest at the relevant short-term deposit rate.

22 TRADE PAYABLES

	Group	
	2010	2009
	RMB'000	RMB'000
Trade payables to third-parties	**4,339**	4,249

The ageing analysis of the trade payables, which is based on the invoice dates, were as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
0–30 days	**3,696**	2,932
31–90 days	**228**	436
91–180 days	**40**	236
181–365 days	**8**	177
Over 365 days	**367**	468
	4,339	4,249

The trade payables at the end of the financial year were denominated in Renminbi.

23 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued expenses	**14,918**	3,123	**14,182**	2,915
VAT and other taxes	**8,367**	6,596	**—**	—
Due to a subsidiary[1]	**—**	—	**1,505**	547
Due to a former related company[2]	**8,110**	—	**—**	—
Due to a former shareholder[2]	**2,627**	—	**—**	—
Payables for construction of production facilities	**12,598**	—	**—**	—
Accrued interest	**653**	135	**—**	135
Sundry creditors	**1,252**	1,520	**—**	—
	48,525	11,374	**15,687**	3,597

1 The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

2 The amounts due to a former related company and a former shareholder of Bigvet Biotech are non-trade in nature, unsecured, interest-free and repayable on demand. The former shareholder of Bigvet Biotech has a beneficial interest in the former related company.

24 BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current:				
Secured				
RMB term loans	**20,000**	4,500	**—**	—
Unsecured				
US$ term loan	**—**	23,212	**—**	23,212
	20,000	27,712	**—**	23,212

The RMB term loans are repayable in full within the next twelve months from the end of the financial year.

The US$ term loan represented a principal of US$5 million loan from a financial institution which was unsecured and bore interest at 1.9% over US$ SIBOR per annum. The loan was repayable half-yearly in 3 installments of US$1.6 million (RMB10.916 million), US$1.7 million (RMB11.598 million) and US$1.7 million (RMB11.598 million) commencing from July 2009. The Group subsequently made an early repayment in full of the US$ term loan in January 2010.

24 BORROWINGS *(continued)*

(a) The interest rates at the end of the financial year were as follows:

	2010		2009	
	RMB'000	**Interest**	RMB'000	Interest
Fixed rate borrowings	**–**	**–**	4,500	9.025%
Variable rate borrowings	**20,000**	**0.45% over the Benchmark Borrowing Rate of the People's Bank of China**	23,212	1.9% over US$ SIBOR

(b) The borrowings are secured by the pledge of securities as follows:

As at 31 December 2010, the RMB term loans of RMB20.0 million were secured on a) a corporate guarantee of US$8 million for the Company, b) a corporate guarantee of RMB50.0 million from Shenzhou Pagina-kang, c) a corporate guarantee of RMB20.0 million from Bigvet Biotech; and d) a pledge of RMB4.0 million of bank deposits (Note 21).

The Group's borrowings as at 31 December 2009 of RMB4.5 million were secured by a property owned by a related party. As at 31 December 2009, the RMB term loans of RMB4.5 million were secured by a property owned by a related party. The US$ term loan was unsecured.

25 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS

On 2 July 2010, the Company entered into a subscription agreement (the "Subscription Agreement") with BCP/CAH Holdings (Cayman) L.P. (the "Investor"), an exempted limited partnership incorporated under the laws of the Cayman Islands and advised by a subsidiary of The Blackstone Group. Pursuant to the Subscription Agreement, the Company agreed to issue convertible bonds (the "Convertible Bonds") and allot and issue of shares (the "Placement Shares"). Both issuance of the Convertible Bonds and the Placement Shares were completed on 11 August 2010.

The Convertible Bonds are zero-coupon with principal amounts of US$40.0 million and mature on 10 August 2015 (the "Maturity Date"). The Convertible Bonds have a conversion period at any time commencing from 1 January 2012 up to five business days before the Maturity Date, and will be converted into shares at a price S$0.40.

The holders of the Convertible Bonds shall be entitled, within the period of 4 weeks commencing on 31 December 2012, to require the Company to redeem the Convertible Bonds at a redemption price equal to the principal amount plus a redemption premium of 15% per annum (on a simple, non-compounding basis, based on a 365-day year and actual days elapsed) on such principal amount.

In case of event of defaults as specified in the terms and conditions of the Convertible Bonds, the holders of the Convertible Bonds may require the Company to redeem the Convertible Bonds at a redemption price equal to the principal amount plus a redemption premium of 20% per annum (compounded monthly and based on a 365-day year and actual days elapsed) on such principal amount.

The carrying amounts of the liability component and derivative component of the Convertible Bonds as at year end and the movement thereon during the year are set out as follows:

	Group and Company	
	Liability component RMB'000	Derivative component RMB'000
At initial recognition upon issue	98,928	169,703
Interest at amortised cost	8,510	—
Change in fair value	—	(12,003)
Exchange realignment	(2,777)	(4,526)
At 31 December 2010	104,661	153,174

The Convertible Bonds contain two components, liability component and derivative component (comprising the conversion option and the redemption option). The derivative is carried at fair value with changes in fair value recognised in profit or loss in the consolidated statement of comprehensive income.

25 CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The fair value of the derivative component of the Convertible Bonds was determined based on the valuation carried out by an independent firm of valuers using the Binomial Option Pricing Model. The key inputs used in the model are as follows:

	2010
Singapore share price (S$)	**0.360**
Hong Kong share price (S$)	**0.367**
Expected volatility (%)	**43.6**
Risk free interest rate (%)	**1.29**
Expected dividend yield (%)	**1.18**

Any changes in the key inputs into the model will result in changes in the fair value of the derivative component. The change in the fair value of the derivative component during the year ended 31 December 2010 resulted in a fair value gain of RMB12,003,000, which was recorded as "Change in fair value of derivative financial instruments" in the consolidated statement of comprehensive income.

The initial carrying amount of the liability component is the residual amount after deducting the issuance costs of the Convertible Bonds and the fair value of the derivative component as at 11 August 2010, and is subsequently carried at amortised cost. Interest expense is calculated using the effective interest method by applying the effective interest rate of 22.4.%.

26 SHARE CAPITAL

(a) Authorised Ordinary Share Capital of the Company

	Company Number of ordinary shares of HK$0.10 each	**RMB'000**
At beginning and end of the year	2,500,000,000	233,849

(b) Issued Ordinary Share Capital

	Group Number of ordinary shares of HK$0.10 each	**Group** RMB'000	**Company** Number of ordinary shares of HK$0.10 each	**Company** RMB'000
At 1 January 2009	1,308,390,625	54,175	1,308,390,625	122,227
Issuance of shares pursuant to the private placements (i)	250,000,000	22,017	250,000,000	22,017
At 31 December 2009 and 1 January 2010	**1,558,390,625**	**76,192**	**1,558,390,625**	**144,244**
Share placement to the Investor (ii)	**20,000,000**	**1,747**	**20,000,000**	**1,747**
Shares awarded under the Performance Share Scheme (iii)	**13,000,000**	**1,136**	**13,000,000**	**1,136**
At 31 December 2010	**1,591,390,625**	**79,075**	**1,591,390,625**	**147,127**

26 SHARE CAPITAL *(continued)*

(b) Issued Ordinary Share Capital *(continued)*

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

(i) On 13 May 2009, the Company undertook a private placement which comprised the placement of 130 million new ordinary shares of HK$0.10 each in the capital of the Company at S$0.11 (equivalent to RMB0.516) for each new share. To facilitate the delivery of the new shares to the placees, the Company entered into a share lending agreement with Mdm Li Chunhua (being the sole controlling shareholder of the Company) whereby Mdm Li Chunhua will lend to the Company and/or the placement agent such number of existing issued shares which she holds in the Company equivalent in number to the new shares to be placed out. The Company shall thereafter, if and upon obtaining the in-principle approval of the Singapore Exchange Securities Trading Limited ("SGX-ST") to the listing of and quotation for the new shares, allot and issue the new shares to Mdm Li Chunhua, which number shall be equal to the loan shares, so that Mdm Li Chunhua maintains her original number of shares in the Company prior to the placement.

The Company obtained the approval in-principle from the SGX-ST for the listing of and quotation for 130 million new shares on 21 May 2009 and subsequently allotted the new shares to Mdm Li Chunhua on 22 May 2009. These new shares were listed and quoted on the Main Board of the SGX-ST on 25 May 2009. Consequent to the private placement, the issued share capital of the Company increased from 1,308,390,625 shares to 1,438,390,625 shares, raising net proceeds of S$13,457,000 (equivalent to RMB64,762,000).

Subsequently on 24 September 2009, the Company undertook another private placement which comprised the placement of 120 million new ordinary shares of HK$0.10 each in the capital of the Company at S$0.215 (equivalent to RMB1.038) for each new share. Similarly, to facilitate the delivery of the new shares to the placees, the Company entered into a share lending agreement with Mdm Li Chunhua whereby Mdm Li Chunhua will lend to the Company and/or the placement agent such number of existing issued shares which she holds in the Company equivalent in number to the new shares to be placed out. The Company shall thereafter, if and upon obtaining the in-principle approval of the SGX-ST to the listing of and quotation for the new shares, allot and issue the new shares to Mdm Li Chunhua. The approval in-principle for the listing of and quotation for 120 million new shares was obtained from the SGX-ST on 2 October 2009 and the new shares were allotted to Mdm Li Chunhua on 5 October 2009. These new shares were listed and quoted on the Main Board of the SGX-ST on 6 October 2009. Consequently, the total issued share capital of the Company increased from 1,438,390,625 to 1,558,390,625 shares, raising net proceeds of S$24,867,000 (equivalent to RMB119,674,000).

26 SHARE CAPITAL *(continued)*

(b) Issued Ordinary Share Capital *(continued)*

(ii) As set out in Note 25, the Company agreed to issue Convertible Bonds and allot and issue of Placement Shares pursuant to the Subscription Agreement entered into between the Company and the Investor.

The Placement Shares were issued for an aggregate consideration of S$7.0 million at the issue price of S$0.35 per Placement Shares. On completion of the subscription on 11 August 2010, 20,000,000 ordinary new shares of HK$0.10 each were issued and allotted to the investors. Consequently, the total issued share capital of the Company increased from 1,558,390,625 to 1,578,390,625 shares, raising net proceeds of RMB34,319,000). The shares issued rank pari passu in all respects with the then existing shares of the Company.

(iii) On 23 August 2010, the Company awarded 13,000,000 new ordinary shares of HK$0.10 each to 223 employees (including directors and other key management personnel) under the Performance Share Scheme, details of which are set out in Note 27. Consequently, the total issued share capital of the Company increased from 1,578,390,625 to 1,591,390,625 shares, and the share-based payments expense of these shares awarded amounted to RMB19,201,000. The shares issued rank pari passu in all respects with the then existing shares of the Company.

27 PERFORMANCE SHARE SCHEME

The Company adopted a Performance Share Scheme (the “Performance Share Scheme”) which became effective on 15 April 2010 (the “Adoption Date”). The purpose of the Performance Share Scheme is to provide an opportunity for group employees (including Group Executive Directors) who have met the performance targets to be remunerated through an equity stake in the Company and/or when due recognition should be given to any good work performance and/or significant contribution to the Group. The Performance Share Scheme aims to motivate and incentivise participants to greater dedication, loyalty and higher standards of performance.

The Performance Share Scheme is administered by the Remuneration Committee of the Company. Under the Performance Share Scheme, the Remuneration Committee of the Company are authorised, at any time within ten years after the Adoption Date, to grant share in any one financial year which shall not exceed 1% of the total number of issued shares of the Company (excluding treasury shares) on the day preceding the relevant date of the granted shares. Furthermore, the aggregate number of shares over which the Remuneration Committee may grant shares on any date, when added to the number of shares issued and issuable in respect of all shares granted under the Performance Share Scheme and all other shares issued and issuable under any other share-based incentive schemes of the Company for the time being in force, shall not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) on the day preceding that date.

On 23 August 2010, the Company granted and awarded 13,000,000 shares to 223 employees (including directors and other key management personnel) under to the Performance Share Scheme, and the share-based payments expense of these shares awarded amounted to RMB19,201,000.

28 RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

Share premium

The share premium account may be applied only for the purposes specified in the Companies Act 1981 of Bermuda (as amended). The balance is not available for distribution of dividends except in the form of shares.

Merger reserve

Merger reserve represents the premiums paid for the considerations pursuant to the Group restructuring in 2007.

Reserve fund

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Group in the PRC are required to set aside a statutory reserve fund by way of appropriation 10% of their profit after tax as reported in the PRC statutory financial statements each year.

The statutory reserve fund may be used to offset any accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the relevant PRC authorities. The appropriation is required until the cumulative total of the statutory reserve fund reaches 50% of the subsidiary's registered capital. This reserve is not available for dividend distributable to shareholders.

(b) Company

	Share premium RMB'000	(Accumulated losses) RMB'000	Total RMB'000
At 1 January 2010	**1,011,006**	**(13,706)**	**997,300**
Total comprehensive income for the year	**—**	**(30,119)**	**(30,119)**
Dividends	**—**	**(31,168)**	**(31,168)**
Issuance of shares pursuant to placement	**33,302**	**—**	**33,302**
Shares issue expense	**(730)**	**—**	**(730)**
Shares awarded under the Performance Share Scheme	**18,065**	**—**	**18,065**
At 31 December 2010	**1,061,643**	**(74,993)**	**986,650**
At 1 January 2009	848,587	(8,463)	840,124
Total comprehensive income for the year	—	23,542	23,542
Dividends	—	(28,785)	(28,785)
Issuance of shares pursuant to placement	170,731	—	170,731
Shares issue expense	(8,312)	—	(8,312)
At 31 December 2009	1,011,006	(13,706)	997,300

29 ACQUISITIONS

(i) Acquisition of Bigvet Biotech

In May 2010, the Group completed the acquisition of 60% equity interest in Bigvet Biotech for a consideration of RMB288,000,000. The acquisition of Bigvet Biotech was to expand the Group's biological animal drugs product range to include vaccines for animal foot-and-mouth disease.

The business combination was accounted for using the acquisition method. The fair values of the identifiable assets and liabilities of Bigvet Biotech as at the date of acquisition were:

	Carrying amount before combination RMB'000	Fair value RMB'000
Property, plant and equipment [1]	144,941	148,683
Land use right [1]	6,125	8,200
Intangible assets [2]	11,500	471,500
Inventories	942	942
Prepayments and other receivables	3,558	3,558
Cash and cash equivalents	169	169
Other payables and accrued charges	(40,833)	(40,833)
Borrowings	(42,000)	(42,000)
Loan payable to Shenzhou Pagina-kang (Note (20(b))	(70,000)	(70,000)
Deferred taxation	—	(116,455)
	14,402	363,764
Less: Non-controlling interests (40%) [3]		(145,505)
		218,259
Goodwill on consolidation (Note 16)		69,741
Cash consideration paid		288,000
Less: Deposit paid (Note 20)		(193,000)
Cash and cash equivalents of the subsidiary acquired		(169)
Net cash outflow on acquisition		94,831

[1] The fair value of property, plant and equipment and land use rights was based on the valuation by an independent firm of valuers based on the open market value.

[2] The fair value of the intangible assets acquired was determined based on the valuation carried out by an independent firm of valuers using the income approach. This valuation model employs a discounted cash flow analysis using the presented value of the estimated after-tax cash flows expected to be generated from the intangible assets. The key inputs to the valuation model includes: a) 10 years cash flow forecast projection, b) average growth rate in revenue ranging from 10% to 40%, c) average gross margin of 60%, and d) discount rate of 16%.

[3] The Group has elected to measure the non-controlling interests at the non-controlling interests' proportion share of Bigvet Biotech's identifiable net assets.

29 ACQUISITIONS *(continued)*

(ii) Acquisition of Beijing Jianxiang Hemu

In June 2010, the Group completed the acquisition of 100% equity interest in Beijing Jianxiang Hemu for a consideration of RMB210,000,000. The acquisition of Beijing Jianxiang Hemu was to expand the Group's biological animal drugs products range to include vaccines for porcine reproductive and respiratory syndrome.

The business combination was accounted for using the acquisition method. The fair values of the identifiable assets and liabilities of Beijing Jianxiang Hemu as at the date of acquisition were:

	Carrying amount before combination RMB'000	Fair value RMB'000
Intangible assets [1]	—	210,000
Cash and cash equivalents	65	65
Deferred taxation	—	(52,500)
	65	157,565
Goodwill on consolidation (Note 16)		52,435
Cash consideration paid		210,000
Cash and cash equivalents of the subsidiary acquired		(65)
Net cash outflow on acquisition		209,935

[1] The fair value of the intangible assets acquired was determined based on the valuation carried out by an independent firm of valuers using the income approach. This valuation model employs a discounted cash flow analysis using the presented value of the estimated after-tax cash flows expected to be generated from the intangible assets. The key inputs to the valuation model includes: a) 10 years cash flow forecast projection, b) average growth rate in revenue ranging from 10% to 40%, c) average gross margin of 60%, and d) discount rate of 16%.

Goodwill arising from acquisitions

The goodwill arising from the acquisitions comprise the value of expected future revenue growth, market development and strengthening the Group's market position through the expansion of the Group's biological animal drugs product range. None of the goodwill arising from the acquisitions is expected to be deductible for tax purposes.

Acquisition-related costs

Acquisition-related costs were insignificant and have been recognised as an expense in the current financial year, within the "Administrative expenses" line item in the consolidated statement of comprehensive income.

29 ACQUISITIONS *(continued)*

(ii) Acquisition of Beijing Jianxiang Hemu *(continued)*

Impact of acquisitions on the results of the Group

Included in the profit for the financial year ended 31 December 2010 are losses of RMB7.0 million and profit of RMB5.2 million attributable to Bigvet Biotech and Beijing Jianxiang Hemu, respectively since the acquisition date.

Had these business combinations been effected at 1 January 2010, the revenue of the Group from continuing operations would have remained unchanged, and the profit of the Group attributable to Owners of the Company for the financial year ended 31 December 2010 would have been RMB110.8 million.

30 RELATED PARTY TRANSACTIONS

Other than disclosed in Note 23, the Group also had the following related party transactions during the financial years ended 31 December 2010 and 2009:

(a) Compensation of key management personnel

The remuneration of the directors and senior personnel, who are the key management personnel of the Group, are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Directors' fees	**965**	918
Salaries, bonuses and other short-term benefits	**5,065**	4,431
Contributions to defined contributions plans	**144**	117
Share-based payments expense (Performance Share Scheme) (Note 27)	**2,363**	—
	8,537	5,466
Comprise amounts paid to:		
Directors of the Company	**4,086**	3,577
Key management personnel	**4,451**	1,889
	8,537	5,466

During the financial year, 300,000 shares were granted and awarded to one of the Company's Executive Directors pursuant to the Performance Share Scheme. As at year end, there were no outstanding awards of shares granted to the Executive Directors under the Scheme.

30 RELATED PARTY TRANSACTIONS *(continued)*

(b) Related party transactions

	Group 2010 RMB'000	2009 RMB'000
Rental expense paid to		
— Shijiazhuang Maidisen Animal Healthcare	**3,990**	3,770
— Beijing Haichenruian	**3,266**	2,039
— Shenzhou Pagina Animal Drug	**697**	691

The directors represented that the above transactions were conducted in the ordinary and usual course of the Group's business and in accordance with the terms of the agreements governing these transactions. The above entities are companies with common shareholders/directors of the Group.

31 COMMITMENTS

(a) Operating lease commitments

The Group has entered into several operating lease commitments for its production and office premises, and staff hostels with related parties for years between 1.5 years and 3 years with renewable options and no restrictions were placed upon the Group by entering into these leases.

At the end of the financial year, the future minimum rental payable under these non-cancellable operating leases are as follows:

	Group 2010 RMB'000	2009 RMB'000
Within one year	**8,800**	2,308
Between two to five years, inclusive	**8,800**	—
	17,600	2,308

31 COMMITMENTS *(continued)*

(ii) Capital commitments

	Group	
	2010	2009
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
— contracted for but not provided in the financial statements	**2,900**	54

In addition, the Group had the following commitments in relation to acquisition of subsidiaries and capital contribution to a subsidiary:

	Group	
	2010	2009
	RMB'000	RMB'000
Acquisition of subsidiary	**—**	95,000

32 SEGMENT REPORTING

For management purposes, the Group is organised into four reportable segments based on their products as the Group's risks and rates of return are affected predominantly by differences in the products produced. Each reportable segment represents a strategic business unit that offers different forms of animal drug products. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The accounting policies of the reportable segments are the same as the Group's accounting policies discussed in Note 3. Segment results represent the profit earned by each segment without allocation of corporate expenses, finance income/costs and taxation. Segment assets and liabilities include items directly attributable to a segment. Unallocated assets and liabilities mainly comprised corporate assets and liabilities that cannot be directly attributable to a particular operating segment. In addition, group financing and income taxes are managed on a group basis and are not allocated to operating segments. No operating segments have been aggregated to form the following reportable operating segments.

32 SEGMENT REPORTING *(continued)*

(a) Reportable Segments

FY2010	Powdered form drugs RMB'000	Injection form drugs RMB'000	Biological drugs RMB'000	Total RMB'000
Revenue	411,091	33,848	145,574	590,513
Segment results	186,177	14,686	59,907	260,770
Unallocated expenses, net				(58,324)
Financial expenses, net				(8,641)
Profit before taxation				193,805
Taxation				(64,129)
Profit for the year				129,676
Segment assets	362,087	5,190	1,109,669	1,476,946
Unallocated assets:				
— deferred tax assets				4,700
— cash and cash equivalents				109,271
Total assets				1,590,917
Segment liabilities	9,803	740	28,139	38,682
Unallocated liabilities				
— other payables				14,182
— derivative financial instruments				153,174
— convertible bonds				104,661
— borrowings				20,000
— income tax liabilities				19,439
— deferred tax liabilities				171,560
Total liabilities				521,698
Capital expenditure				
— property, plant and equipment	1,833	—	4,806	6,639
— land use rights	—	—	8,200	8,200
Depreciation of property, plant and equipment	1,624	151	8,733	10,508
Amortisation of production technology rights	3,000	—	12,250	15,250
Amortisation of seed strains	—	—	700	700
Amortisation of land use rights	—	—	344	344

32 SEGMENT REPORTING *(continued)*

(a) Reportable segments

FY2009	Powdered form drugs RMB'000	Injection form drugs RMB'000	Biological drugs RMB'000	Total RMB'000
Revenue	343,917	34,249	60,123	438,289
Segment results	155,190	14,552	27,616	197,358
Unallocated expenses, net				(8,455)
Financial expenses, net				(340)
Profit before taxation				188,563
Taxation				(24,737)
Profit for the year				163,826
Segment assets	619,531	55,056	92,182	766,769
Unallocated assets:				
— property, plant and equipment				7
— cash and cash equivalents				58,641
Total assets				825,417
Segment liabilities	15,047	549	1,477	17,073
Unallocated liabilities				
— other payables				3,050
— borrowings				23,212
— income tax liabilities				7,091
— deferred tax liabilities				3,305
Total liabilities				53,731
Capital expenditure	3,072	148	4,603	7,823
Depreciation of property, plant and equipment	1,387	153	2,589	4,129
Amortisation of production technology rights	—	—	3,000	3,000
Amortisation of land use rights	—	—	246	246

(b) Geographical segments

There is no geographical segment information provided as the Group operates predominantly in the PRC only.

32 SEGMENT REPORTING *(continued)*

(c) Information about major customers

There is no customer who represents more than 10% of the total sales of the Group.

33 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments	**1,125**	—	**—**	—
Loans and receivables				
— Due from a subsidiary	**—**	—	**—**	108,595
— Loan to a subsidiary	**—**	—	**—**	132,472
— Loan to an investee company	**—**	70,000	**—**	—
— Trade receivables	**56,613**	20,695	**—**	—
— Advances to suppliers	**3,887**	477	**—**	—
— Deposits for purchase of plant and equipment	**—**	318	**—**	—
— Sundry debtors	**1,210**	1,658	**—**	—
	62,835	93,148	**—**	241,067
Cash and bank balances	**489,095**	451,245	**108,875**	57,590
Total loans and receivables	**551,930**	544,393	**108,875**	298,657
Financial liabilities				
At amortised cost				
— Trade payables	**4,339**	4,249	**—**	—
— Due to a subsidiary	**—**	—	**1,505**	547
— Due to a former related company	**8,110**	—	**—**	—
— Accrued expenses	**17,545**	3,123	**14,182**	2,915
— Payables for construction of production facilities	**12,598**	—	**—**	—
— Accrued interest	**653**	135	**—**	135
— Sundry creditors	**1,252**	1,520	**—**	—
— Borrowings	**20,000**	27,712	**—**	23,212
— Convertible bonds	**104,661**	—	**104,661**	—
	169,158	36,739	**120,348**	26,809
At fair value through profit and loss				
— Derivative financial instruments	**153,174**	—	**153,174**	—
	322,332	36,739	**273,522**	26,809

33 FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables, other receivables and cash and cash equivalents.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group's sales to animal drug retail customers are mainly on a cash-on- delivery basis. Credit terms are only granted to large-scale poultry enterprises and vary on a case to case basis based on the creditworthiness and the Group's existing relationships with its customers. The Group trades only with recognised and creditworthy third-parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is minimised.

The Group periodically reviews the credit terms and its customers' payment track record and if necessary, the Group will amend the credit terms it grants to its customers. The Group also closely monitors any outstanding overdue debts and takes measures to collect any outstanding debts due to it.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk in relation to each class of recognised financial assets is represented by the carrying amount of each financial asset as indicated in the statement of financial position.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding trade receivables that are either past due or impaired is disclosed in Note 19.

33 FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Details on the repayment terms of the Group's borrowing are set out in Note 24.

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining year at the end of the financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual undiscounted cash outflow					
Group	**Less than 1 month or repayable on demand RMB'000**	**1–3 months RMB'000**	**3 months to 1 year RMB'000**	**1 to 5 year RMB'000**	**Total undiscounted cash flows RMB'000**	**Total carrying amounts RMB'000**
2010						
Trade payables	**3,762**	**180**	**227**	**170**	**4,339**	**4,339**
Other payables	**40,158**	**–**	**–**	**–**	**40,158**	**40,158**
Borrowings	**–**	**–**	**21,152**	**–**	**21,152**	**20,000**
Convertible loans	**–**	**–**	**–**	**144,104**	**144,104**	**104,661**
Derivative financial instruments	**–**	**–**	**–**	**153,174**	**153,174**	**153,174**
	43,920	**180**	**21,379**	**297,448**	**362,927**	**322,332**
2009						
Trade payables	2,742	1,359	148	–	4,249	4,249
Other payables	4,778	–	–	–	4,778	4,778
Borrowings	16,106	–	11,741	–	27,847	27,712
	23,626	1,359	11,889	–	36,874	36,739

33 FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Contractual undiscounted cash outflows					
Company	**Less than 1 month or repayable on demand RMB'000**	**1–3 months RMB'000**	**3 months to 1 year RMB'000**	**1 to 5 years RMB'000**	**Total undiscounted cash flows RMB'000**	**Total carrying amounts RMB'000**
2010						
Other payables	**14,182**	**—**	**—**	**—**	**14,182**	**14,182**
Due to subsidiaries	**1,505**	**—**	**—**	**—**	**1,505**	**1,505**
Borrowings	**—**	**—**	**—**	**—**	**—**	**—**
Convertible bonds	**—**	**—**	**—**	**144,104**	**144,104**	**104,661**
Derivative financial instruments	**—**	**—**	**—**	**153,179**	**153,174**	**153,174**
	15,687	**—**	**—**	**297,278**	**312,965**	**273,522**
2009						
Other payables	3,050	—	—		3,050	3,050
Due to subsidiaries	547	—	—		547	547
Borrowings	11,606	—	11,741		23,347	23,212
	15,203	—	11,741		26,944	26,809

The contractual expiry by maturity of the Group's financial guarantees (see Note 24(b)) amounting to US$8 million and RMB50 million is less than a year based on the allocation of the maximum amount of the financial guarantee contract to the earliest period in which the guarantee could be called on.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its interest-bearing borrowings. Information relating to the Group's interest rate exposure is disclosed in Note 24 on the Group's borrowings.

The Group usually obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks.

The sensitivity analysis to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit after taxation has not been disclosed as the Group's exposure to changes in market interest rates is not significant.

33 FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Foreign currency risk

The Group's sales and purchases are mainly denominated in RMB, which is the functional currency of the Group. Accordingly, the Group's trade receivable and trade payable balances at the end of each reporting year are also denominated in RMB. Transactional currency exposures arising from sales or purchases that are denominated in other currencies are not significant.

As at year end, other than the convertible bonds which are denominated in United State Dollars, the Group and the Company hold cash and short term deposits denominated in foreign currencies for working capital purpose. At the end of the financial year, such foreign currency balances are mainly in Singapore Dollar ("SGD") and United State Dollar ("USD").

Convertible bonds are denominated in USD are as follow:

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Liability component	**104,661**	—	**104,661**	—
Derivative component	**153,174**	—	**153,174**	—
	257,835	—	**257,835**	—

Cash and bank balances are denominated in the following currencies:

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**406,238**	392,604	**26,414**	—
SGD	**34,372**	34,867	**33,983**	33,821
USD	**48,485**	23,774	**48,478**	23,769
	489,095	451,245	**108,875**	57,590

Management monitor the fluctuation in exchange rates closely to ensure that the Group's exposure to the risk is minimised. Swap transactions may be entered into to hedge cash flow risks arising from exposure to foreign exchange fluctuations from its foreign currency denominated term loans.

33 FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Foreign currency risk *(continued)*

A 5% (2009: 5%) strengthening of SGD and USD against the RMB as at the balance sheet date would increase/(decrease) the Group's profit after tax by the amounts shown as below. This analysis assumes that all other variables remain constant.

Group	**2010** **RMB'000**	2009 RMB'000
RMB vs SGD	**1,719**	1,743
RMB vs USD	**10,468**	1,189

A 5% (2009: 5%) strengthening of SGD and USD against the RMB as at the balance sheet date would (increase)/decrease the Company's loss after tax by the amounts shown as below. This analysis assumes that all other variables remain constant.

Company	**2010** **RMB'000**	2009 RMB'000
RMB vs SGD	**1,691**	(1,691)
RMB vs USD	**10,468**	(1,188)

(c) Fair value

Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

		Group		
2010	**Quoted prices in actives markets for identical instruments (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial liabilities				
Derivative financial instrument (Note 25)	—	153,174	—	153,174

The fair value of the derivative financial instruments was determined based on a valuation carried out by an independent firm of valuers using the Binomial Option Pricing Model which uses various inputs that are mainly based on market conditions.

33 FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 during the financial years ended 2010 and 2009.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the Group's current financial assets and current financial liabilities, namely trade receivables and payables, other receivables and payables and accrued charges and short-term borrowings are reasonable approximation of fair values due to their short-term nature.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Fair value information has not been disclosed for the Group's available-for-sale investments that are carried at cost because fair value cannot be measured reliably as disclosed in Note 14. This investment represents equity interest in a PRC company that is not quoted on any market and does not have comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future.

34 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year.

The Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve funds whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the relevant subsidiaries during the financial year.

The Group monitors capital using a gearing ratio, which is total borrowings (including convertible bonds and derivative financial instruments) divided by total equity. The gearing ratio at the end of the financial year is as follow:

	2010	2009
Gearing ratio	**0.26**	0.03

Statistics of **Shareholdings**

SHAREHOLDINGS STATISTICS AS AT 28 FEBRUARY 2011

Authorised Share capital	:	HK$250,000,000
Issued and fully paid capital	:	HK$159,139,062.50
Number of shares	:	1,591,390,625
Class of shares	:	Ordinary share of HK$0.10 each

VOTING RIGHTS

The Bye-Laws provide for:

(a) on a show of hands: 1 vote

(b) on a poll: 1 vote for each Ordinary Share held

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 28 February 2011, approximately 37.64% of the total number of issued shares (excluding treasury shares) in the capital of the Company is held in the hands of the public. Rule 723 of the Listing Manual issued by SGX-ST and Rule 8.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited have therefore been complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1–999	194	7.50	96,760	0.01
1,000–10,000	728	28.14	5,478,051	0.34
10,001–1,000,000	1,618	62.54	123,912,812	7.79
1,000,001 and above	47	1.82	1,461,903,002	91.86
	2,587	100.00	1,591,390,625	100.00

Statistics of **Shareholdings**

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	HKSCC Nominees Limited	965,770,677	60.69
2	Raffles Nominees Pte Ltd	121,460,000	7.63
3	DBS Nominees Pte Ltd	47,881,938	3.01
4	Citibank Nominees Singapore Pte Ltd	44,847,748	2.82
5	HSBC (Singapore) Nominees Pte Ltd	44,205,662	2.78
6	DBSN Services Pte Ltd	41,838,000	2.63
7	DBS Vickers Securities (S) Pte Ltd	16,808,500	1.06
8	Li Chunhua	15,913,906	1.00
9	Song Yanmei	12,350,000	0.78
10	Wang Yongwei	10,990,000	0.69
11	OCBC Securities Private Ltd	10,460,500	0.66
12	Goh Bee Lan	10,357,000	0.65
13	UOB Kay Hian Pte Ltd	9,989,000	0.63
14	Aventures 1 Pte Ltd	8,859,375	0.56
15	Phillip Securities Pte Ltd	8,601,500	0.54
16	Jeremy Lee Sheng Poh	7,300,000	0.46
17	CIMB Securities (S) Pte Ltd	6,667,000	0.42
18	Kim Eng Securities Pte Ltd	5,794,469	0.36
19	Lui Yen Li (Li Yanli)	5,300,000	0.33
20	Li Kunyu	5,114,000	0.32
		1,400,509,275	88.02

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Shareholdings registered in the name of substantial shareholder	Shareholdings held by the substantial shareholders in the name of nominees	Shareholdings in which the substantial shareholders are deemed to be interested	Total	Percentage of issued shares
Li Chunhua	15,913,906	828,860,677[1]	—	844,774,583	53.08
Wang Yangang [2]	—	—	844,774,583	844,774,583	53.08
FMR LLC; FIL Limited and Edward C. Johnson 3d*	—	146,880,000	—	146,880,000	9.23

Notes :

(1) Shares are held in the name of Standard Chartered Bank, Hong Kong.

(2) Mr Wang Yangang is deemed to be interested in the shares held by his spouse, Mdm Li Chunhua.

(*) FMR LLC, FIL Limited and Edward C. Johnson 3d are deemed to have an interest in shares acquired by the Registered Holders:

FIDELITY CHINA SPECIAL SIT PLC
FID FDS — ASEAN POOL
FID FDS — PACIFIC POOL
FID FDS — SINGAPORE POOL
FA INT SOUTH EAST ASIA SUB
FIJ IT JPN ASIA GROWTH MOTHER
FID KOREA ASEAN EQ IT MTHR
FID PACIFIC BASIN FUND

Five Year
Financial Summary

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year Ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**590,513**	438,289	385,090	274,765	180,821
Gross profit	**447,999**	332,337	287,487	209,589	141,340
Profit before tax	**193,805**	188,563	170,605	74,621	86,763
Profit and total comprehensive income for the year attributable to:					
Owners of the Company	**119,668**	157,895	138,288	58,944	86,763
Non-controlling interests	**10,008**	5,931	4,474		
	129,676	163,826	142,762	58,944	86,763
Assets and Liabilities					
Total assets	**1,590,917**	825,417	523,357	241,400	166,733
Total liabilities	**521,698**	53,731	71,148	49,446	60,723
Equity attributable to owners of the Company	**892,584**	750,564	437,018	191,954	106,010

CHINAnimal
HEALTHCARE

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