CHINA ANIMAL HEALTHCARE LTD.
中國動物保健品有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 0940

INTERIM REPORT 2011

* *For identification purpose only*

CONTENTS

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 IN CHINA
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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
HSBC Bank 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

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

Comprehensive Income Statement Review

A breakdown of the Group's revenue by business activities for the three months ended 30 June 2011 ("2Q2011") and the financial period ended 30 June 2011 ("HY2011") is set out below.

Revenue	**2Q2011**		2Q2010		**HY2011**		HY2010	
	RMB	*%*	*RMB*	*%*	***RMB***	*%*	*RMB*	*%*
Powdered form drugs	**122,668**	57.3	101,963	73.8	**221,115**	**64.0**	196,167	77.4
Injection form drugs	**7,356**	3.4	7,010	5.0	**16,641**	**4.8**	15,963	6.3
Biological drugs	**84,078**	39.3	29,241	21.2	**107,689**	**31.2**	41,330	16.3
Total	**214,102**	100.0	138,214	100.0	**345,445**	**100.0**	253,460	100.0

The Group has performed commendably in 2Q2011, achieving an aggregate revenue of RMB214.1 million in the current quarter, representing a 63.0% increase over the preceding quarter and a 54.9% increase over 2Q2010. Total revenue for HY2011 increased by RMB92.0 million or 36.3% from RMB253.5 million in HY2010 to RMB345.5 million in HY2011.

After a muted start in the first quarter, sales of biological drugs have ramped up substantially in the current quarter. Revenue contribution from biological drugs amounted to RMB84.1 million and RMB107.7 million in 2Q2011 and HY2011, respectively, representing an increase of RMB60.5 million or 256.1% from 1Q2011 and RMB54.9 million or 187.5% from 2Q2010.

Sale of swine fever vaccines and porcine reproductive and respiratory syndrome ("PRRS") vaccines to provincial veterinary stations contributed RMB70.2 million and RMB83.7 million in 2Q2011 and HY2011 respectively. The animal foot and mouth disease ("FMD") vaccine has also made its maiden contribution in 2Q2011 with sales amounting to RMB4.9 million.

Sale of the common vaccines through the Group's network of customers amounted to RMB19.2 million in HY2011, representing an increase of RMB7.5 million or 64.1% over the RMB11.7 million sales made in HY2010.

Powdered form drug sales of RMB122.7 million in 2Q2011 represented an increase of 20.3% and 24.6% over 2Q2010 and 1Q2011 respectively. Total powdered drug sales has increased by RMB24.9 million or 12.7% to RMB221.1 million in HY2011, compared to sales of RMB196.2 million in HY2010.

Sales contribution from the injection form drugs segment increased marginally in 2Q2011 and HY2011 by 4.9% and 4.2% respectively as compared to 2Q2010 and HY2010.

Rising poultry and pork prices due to increase in domestic consumption demand has been the key catalyst for the encouraging results from formulated drugs segment in the current period. The Group continued to capitalise on its extensive network to increase powdered and injection form drug sales to its existing customers.

Cost of sales of the Group constituted approximately 27.1% and 24.1% of its revenue in HY2011 and HY2010, respectively. Cost of sales increased by RMB32.4 million or 52.9% from RMB61.1 million in HY2010 to RMB93.5 million in HY2011. Overall gross profit margin decreased by

3.0 percentage points from 75.9% in HY2010 to 72.9% in HY2011. The drop in gross profit margin can be largely attributed to the two new taxes, City Construction Tax ("CCT") and Education Supplementary Tax ("EST") that were introduced in November 2010. CCT and EST are computed based on 7% and 3% of Value Added Tax respectively and are included in cost of sales. These new taxes aggregated to approximately RMB4.8 million for 2H2011.

Gross profit margins for powdered form drugs and injection form drugs in HY2011 were 76.7% and 60.6% respectively, compared to 77.4% and 61.6% respectively in HY2010.The marginal fall in the gross profit margin is due to new taxes as mentioned above. The gross profit margin for injection form drugs is lower as the costs of raw materials and packaging materials required in the manufacture of the injection form drugs are comparatively higher compared to those for powdered form drugs. Gross profit margin for biological drug sales decreased to 67.1% in HY2011 compared to the 74.2% achieved in HY2010. In addition to the new taxes mentioned above, the decline is also in part attributed to two other key reasons. Firstly, the PRRS vaccines sold to certain new provincial veterinary stations were set at comparatively lower prices to allow the Group to break into the new markets. In addition, production of the FMD vaccines, which commenced during period, has yet to achieve economies of scale and hence affecting the overall gross profit margin for the vaccine segment. Notwithstanding, prices of raw materials in general have continued to remain stable in the current period.

Other operating income in HY2011 relates mainly to net foreign exchange gain. Gain on change in fair value of the derivative financial instruments amounted to RMB30.1 million in HY2011.

Selling and distribution expenses increased by RMB9.1 million or 14.7% from RMB61.8 million in HY2010 to RMB70.9 million in HY2011 due mainly to the increase in payroll expenses, transportation expenses and marketing and promotion expenses of approximately RMB6.2 million, RMB1.0 million and RMB1.7 million, respectively. Payroll expenses increased from RMB33.9 million in HY2010 to RMB40.1 million in HY2011 due mainly to due mainly to higher sales commission paid out at the back of the 36.3% increase in sales.

Administrative expenses increased by RMB26.7 million from RMB23.8 million in HY2010 to RMB50.5 million in HY2011 due mainly to the increase in amortisation expenses of RMB24.7 million and payroll expenses of RMB2.2 million. Payroll expenses increased from RMB4.5 million in HY2010 to RMB6.7 million in HY2011 due mainly to the increase in headcount of administrative personnel.

The increase in amortisation expenses from RMB3.5 million in HY2010 to RMB28.1 million in HY2011 was mainly attributed to the Beijing Jianxiang Hemu and Bigvet Biotech. Additional amortisation expenses pertaining to the production technology rights for the PRRS and FMD vaccines amounted to RMB27.3 million in HY2011. In addition, amortisation of the seed strains purchased by Bigvet Biotech from a governmental animal disease research and development institute for the production of the FMD vaccine amounted to RMB0.6 million.

Finance costs increased by RMB11.3 million due mainly to interest expense on convertible bonds at amortised costs of RMB10.5 million. There were no such interest costs in HY2010. Other interest expense relates mainly to working capital loans from HSBC Bank (China) Company Limited amounting to RMB53.0 million as at 30 June 2011. The decrease in interest income of RMB1.1 million was due mainly to the interest income of RMB1.2 million recognised in 1Q2010 on the loan of RMB70.0 million made to Bigvet Biotech prior to the completion of the acquisition.

Tax expense has increased to RMB34.1 million in HY2011. Excluding the fair value gain on the derivative financial instruments and interest expense on the convertible bonds, the Group's effective tax rate on the adjusted profit before tax would have been 25.4%. The Group's PRC subsidiaries are subject to tax at 25%. In addition, the Group has also provided for withholding tax of 10% on the portion of distributable profits derived by the PRC subsidiaries in HY2011 that is expected to be distributed out as dividend.

As a result of the foregoing, net profit for the period attributable to owners of the Company increased by RMB43.7 million or 58.4% from RMB74.8 million in HY2010 to RMB118.5 million in HY2011. Net profit attributable to non-controlling interests amounted to RMB1.2 million in HY2011.

Balance Sheet Review

As at 30 June 2011, non-current assets amounted to approximately RMB994.8 million and comprised property, plant and equipment ("PPE") of RMB196.7 million, land use rights of RMB19.0 million, intangibles of RMB771.7 million, deferred tax assets of RMB6.3 million and available-for-sale investment of RMB1.1 million.

The decrease of approximately RMB3.7 million in PPE during HY2011 was mainly attributed to depreciation charge of RMB7.5 million, partially offset by PPE additions of RMB3.8 million comprising mainly improvements to buildings, additions of plant and machinery and motor vehicles. Land use rights amounted to RMB19.0 million as at 30 June 2011 after amortisation charge of RMB0.2 million in HY2011. These land use rights have a remaining useful lives ranging from approximately 43–48 years as at end HY2011.

Intangibles as at 30 June 2011 comprised production technology rights of RMB636.9 million, seed strain of RMB10.2 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 FMD vaccines of RMB460.0 million and RMB210.0 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 RMB25.8 million in HY2011. In addition, production technology rights of Shanxi Longkeer amounted to RMB5.0 million as at 30 June 2011, after amortisation charge of RMB1.5 million in HY2011. These production technology rights have a remaining useful life of approximately 2 years as at end HY2011.

The goodwill on consolidation represents mainly the excess of the aggregate purchase consideration for Bigvet Biotech and Beijing Jianxiang Hemu of RMB498.0 million over the fair value of the net identifiable net assets acquired of RMB375.8 million. No impairment loss on the recognised goodwill is required as at 30 June 2011. The seed strain was purchased by Bigvet Biotech from a governmental animal disease research and development institute for the production of the FMD vaccine, it amounted to RMB10.2 million after amortisation charge of RMB0.6 million. The available-for-sale investment relates to the Group investment of RMB1.1 million paid 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.

Current assets comprised inventories, trade receivables, other receivables, pledged deposits and cash and cash equivalents. Current assets amounted to approximately RMB728.8 million as at end HY2011, representing an increase of RMB162.9 million over end of FY2010. The increase is mainly attributed to increases in cash and cash balances, inventories, trade receivables and other receivables of RMB88.4 million, RMB 25.6 million, RMB45.2 million and RMB3.7 million, respectively in HY2011.

Cash and cash equivalents, excluding pledged deposit of RMB17.7 million amounted to approximately RMB559.8 million as at 30 June 2011. Approximately RMB56.2 million was generated from the Group's operating activities, augmented by additional cash flows of RMB34.2 million from its investing activities. Net cash from investing activities arose mainly from the increase in investment by non-controlling interests in Bigvet Biotech of RMB38.0 million, partially offset by PPE purchases amounting to RMB3.8 million. Cash flows used in financing activities amounted to RMB19.7 million. The Group repaid the RMB20.0 million working capital loan and drew down a new working capital loan of RMB53.0 million in the current quarter. The Company has provided a pledged deposit of RMB17.7 million on the remaining outstanding banking facility. Dividend amounting to RMB35.0 million was also paid in the current quarter.

Trade receivables amounted to RMB101.8 million as at 30 June 2011, representing an increase of RMB45.2 million over end of FY2010. The increase was mainly attributed to new trade receivables arising from the sale of the various compulsory vaccines to the provincial veterinary stations in HY2011 amounting to approximately RMB88.5 million, partially offset by receipts of RMB56.6 million collected in the current period.

Other receivables amounted to RMB8.9 million as at 30 June 2011, comprising mainly prepayments made to raw material suppliers. The increase in inventories is mainly attributable to Bigvet Biotech and Shanxi Longkeer, which accounted for RMB14.6 million and RMB11.8 million of vaccines respectively scheduled for delivery in the ensuing quarter.

Current liabilities comprised primarily trade and other payables, borrowings and income tax liabilities. Current liabilities as at 30 June 2011 amounted to RMB131.1 million.

Trade payables amounted to RMB17.8 million as at end HY2011, representing an increase of RMB13.5 million over end of FY2010. Other payables decreased by RMB11.0 million to RMB37.5 million as at end HY2011. Other payables comprise accrued operating expenses of RMB18.4 million, VAT and other taxes payable amounting to RMB10.4 million and outstanding contract sums and retention monies owing to the contractors of the manufacturing plant in Inner Mongolia amounting to RMB8.7 million.

Total borrowings as at 30 June 2011 amounted to RMB53.0 million. In anticipation of increasing working capital requirements for the production of the FMD vaccines, Bigvet Biotech drew down a short-term working capital loan of RMB53.0 million from the HSBC Bank (China) Company Limited in HY2011. The loan is to be repaid in full upon maturity in January 2012.

Income tax liabilities amounted to approximately RMB22.8 million as at 30 June 2011 and mainly relate to the corporate tax payable by the PRC subsidiaries on the profits for HY2011.

Non-current liabilities amounted to RMB400.6 million as at 30 June 2011. It comprises derivative financial instruments, convertible bonds and deferred tax liabilities. Derivative financial instruments of RMB120.2 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 RMB112.9 million as at 30 June 2011 is accounted for at amortised cost using effective interest method. Deferred taxation of RMB167.5 million 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 RMB8.1 million as at 30 June 2011.

The Group's total equity comprised share capital, share premium, retained earnings, other reserves and non-controlling interests. Total equity as at 1 January 2011 amounted to approximately RMB1,069.2 million. Net profit attributable to owners of the Company and non-controlling interests amounted to RMB118.5 and RMB1.2 million in the current period respectively. Consequently, total equity increased to RMB1,191.9 million as at 30 June 2011, of which RMB976.0 million is attributable to owners of the Company.

(II) FINANCIAL REVIEW

Gearing

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 period/year is as follows:

	HY2011 *RMB'000*	FY2010 *RMB'000*
Borrowings	**52,984**	20,000
Derivative financial instruments	**120,220**	153,174
Convertible bonds	**112,912**	104,661
	286,116	277,835
Total equity	**1,191,893**	1,069,219
	0.24	0.26

Loans and Debt Securities

	Group			
	As at 30 June 2011		As at 31 December 2010	
	Secured *RMB'000*	**Unsecured** *RMB'000*	Secured *RMB'000*	Unsecured *RMB'000*
Amount repayable in one year or less, or on demand	**52,984**	—	20,000	—
Amount repayable after one year	—	**112,912**	—	104,661
Total	**52,984**	**112,912**	20,000	104,661

Details of any collateral

The loan of RMB53.0 million comprises working capital facilities granted by HSBC Bank (China) Company Limited to our subsidiary, Inner Mongolia Bigvet Biotech Co., Ltd. ("Bigvet Biotech"). The banking facilities are secured on the following:

1. A corporate guarantee of USD16.5 million from the Company

2. A corporate guarantee of RMB60.0 million from Shenzhou Pagina-kang

3. A pledge of RMB17.7 million on bank deposits

The unsecured borrowing represents the liability component of the USD40.0 million convertible bonds issued by the Company on 11 August 2010.

(III) PROSPECTS

Amidst growing concerns over the imminent slowdown of the Chinese economy, and to the extent of a probable hard landing for China, China's National Bureau of Statistics recently reported that the economy grew 9.5% in the April-June quarter. Although slower than the 9.7% recorded in the previous three months, these latest economic data has surpassed the forecast by most analysts, suggesting that China's economy still remains robust.

Fuelled by strong domestic consumption demand, the Group's operations have continued to thrive in the current quarter. The Group's powdered form drugs business segment has recorded a 20.3% year-on-year gain in 2Q2011 at the back of higher chicken meat prices. China's domestic broiler meat production in the second half of 2011 is expected to enjoy modest growth along with continuing decline in broiler meat imports due primarily to sharply lower imports from the United States resulting from China's anti-dumping and countervailing duties imposed since February and August 2010 respectively. Much to the delight of the domestic broilers, these duties are widely expected to continue into 2H2011. Similarly, pork prices have surpassed its previous peak in 2008 and hit a record high in June 2011, notwithstanding summer is usually a low-demand period for pork. Along with the growing costs of pig farming, price of pork is expected to rise further and therefore adding pressure to overall inflation since pork makes up about 65% of the meat consumed by the Chinese. To curtail further incessant price hikes, it does appear that the Chinese government will have to encourage and promote pig farming to achieve a sustainable increase in the supply of pork as freeing up existing pork reserves can only be a temporary stabilizing measure. The Group's injection form drugs and common vaccines business segments in particular should benefit from such expected uptrend in domestic pig breeding activities. Indeed, sales of common vaccines have increased by 74.6% year-on-year in the current quarter.

In line with expectation, the Group's biological drugs segment has posted a strong year-on-year growth of 160.6% at the half-way mark, largely attributed to the significant contribution from the PRRS vaccine sales of RMB64.9 million. The Group has also finally commenced sales of its animal FMD vaccines in the current quarter, albeit only a modest contribution of RMB4.9 million. Notwithstanding, the Group expects the demand for its animal FMD vaccines to increase progressively in the second half of the year along with increasing market acceptance after its initial launch. Currently, management is also keenly exploring opportunities to export the animal FMD vaccines overseas through joint ventures or OEM arrangements. Accordingly, the biological drugs segment is expected to contribute substantially to the Group's revenue growth for the current financial year.

The Group has posted a commendable set of results in 2Q2011. Excluding the gain in fair value of derivative financial instruments and amortised interest expense relating to the convertible bonds, the adjusted net profit attributable to owners of the Company for 2Q2011 would be RMB59.0 million, representing a 54.5% increase over 2Q2010. Such strong performance achieved in the current quarter has propelled the Group to a RMB24.1 million or 32.2% increase in the adjusted net profit attributable to owners of the Company for the first six months of 2011. The increase in net profit was achieved despite a sharp increase of RMB29.0 million in fixed periodic non-cash expenses for the six months ended 30 June 2011. In particular, amortisation expense on intangibles and depreciation of PPE increased by RMB24.6 million and RMB4.3 million respectively year-on-year.

Notwithstanding the gain in fair value of derivative financial instruments recognised in the current period, the Board of Directors wishes to highlight that subsequent fair value adjustments on the derivative financial instruments relating to the conversion option component of the convertible bonds may adversely affect the results of the Group. The directors of the Company remain optimistic on the Group's operations and barring unforeseen circumstances, expect the Group's operations to remain profitable with strong growth in the current financial year.

(IV) DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2011, 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*	—	848,774,583	53.34
Mr Sun Jinguo	300,000	—	0.02

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

Save as disclosed above, as at 30 June 2011, 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.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2011, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial Shareholders	Shareholdings registered in the name of the 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 the Company's Issued Share Capital
Li Chunhua	15,913,906	832,860,677(1)	—	848,774,583	53.34
Wang Yangang(2)	—	—	848,774,583	848,774,583	53.34
FMR LLC; FIL Limited and Edward C. Johnson 3d(3)	—	143,420,000	—	143,420,000	9.01

(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.

(3) FMR LCC, 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

Save as disclosed above, 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, had registered in the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 Jinlan

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.

There were no such awards granted during the six months ended 30 June 2011.

(V) SUPPLEMENTARY INFORMATION

1. Material Investments and Acquisitions and Disposals of Subsidiaries

There are no material investments and acquisitions and disposals of subsidiaries.

2. Operational and Financial Risks

(i) Interest and Foreign Exchange Risk

The Group's borrowings are at fixed interest rate and as such exposure to market interest rates are not significant.

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.

The Group has issued a USD denominated convertible bond during FY2010 which contain a liability component, redemption option derivative and conversion option derivative. Due to the nature of these derivative financial instruments, the Group is exposed to the fair value gains or losses and foreign exchange fluctuation on redemption option and conversion right.

(ii) Liquidity Risk

The Group monitors its risk exposure to shortage of funds. The Group considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 30 June 2011, RMB53.0 million (2010:

RMB20.0 million), or 31.9% (2010: 16.0%) of the Group's debts will mature in less than one year based on the carrying value of the borrowings and debt securities reflected in the financial statements.

(iii) Gearing Risk

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 period ended 30 June 2011.

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 period ended 30 June 2011.

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 period is 0.24 (2010: 0.26).

3. Capital Commitments

As at 30 June 2011, the Group had no capital commitments (2010: RMB2,900,000).

4. Contingent Liabilities

As at 30 June 2011, the Group has no material contingent liabilities (2010: Nil).

5. Material litigation and arbitration

As at 30 June 2011, the Group was not involved in any material litigation or arbitration.

6. Audit Committee

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The interim results for the period ended 30 June 2011 has not been audited or reviewed by our auditors, Moore Stephens LLP. The Audit Committee has reviewed the interim results for the period ended 30 June 2011.

7. Compliance with the Code on Corporate Governance Practices

The Company devotes to best practice on corporate governance, and has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011, except for a deviation from Code Provision A.2.1 of the CG Code which is explained below:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wang Yangang is the Executive Chairman and CEO of the Company. 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.

8. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by directors of the Company (the "Directors"). The Board confirms, having made specific enquiries with all Directors that during the period ended 30 June 2011, all Directors have complied with the required standards of the Model Code.

9. Purchase, Sales or Redemption of the Company's Securities

For the six months ended 30 June 2011, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the securities of the Company.

10. Employees and Remuneration Policy

As at 30 June 2011, there were approximately 2,500 (2010: 2,400) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share awards pursuant to the CAH Performance Share Scheme to eligible staff based on their performance and contributions to the Group.

11. Disclosure on the Website of the Stock Exchange

This report shall be published on the website of the Stock Exchange (http://www.hkex.com.hk) and on the website of the Company (http://www.chinanimalhealthcare.com) in due course.

By Order of the Board
China Animal Healthcare Ltd.
Wang Yangang
Chairman, Executive Director
and Chief Executive Officer

FINANCIAL STATEMENTS

The board (the "Board") of directors (the "Directors") of China Animal Healthcare Ltd (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial period ended 30 June 2011

	Group Unaudited 3 Months Ended			Group Unaudited 6 Months Ended		
	30.6.11	30.6.10	**Change**	**30.6.11**	30.6.10	**Change**
	RMB'000	*RMB'000*	*%*	***RMB'000***	*RMB'000*	*%*
Revenue	**214,102**	138,214	54.9	**345,445**	253,460	36.3
Cost of sales	**(61,925)**	(32,778)	88.9	**(93,498)**	(61,136)	52.9
Gross profit	**152,177**	105,436	44.3	**251,947**	192,324	31.0
Other operating income	**2,709**	(30)	(9,130.0)	**3,972**	10	39,620.0
Other operating expenses	**—**	(231)	—	**—**	(231)	(100.0)
Change in fair value of derivative financial instruments	**6,478**	—	n.m	**30,139**	—	n.m
Selling and distribution expenses	**(39,503)**	(32,802)	20.4	**(70,947)**	(61,758)	14.9
Administrative expenses	**(27,140)**	(15,105)	79.7	**(50,541)**	(23,842)	112.0
Profit from operations	**94,721**	57,268	65.4	**164,570**	106,503	54.5
Finance income	**618**	582	6.2	**1,038**	2,140	(51.5)
Finance costs	**(6,181)**	(368)	1,579.6	**(11,780)**	(466)	2,427.9
Profit before taxation	**89,158**	57,482	55.1	**153,828**	108,177	42.2
Taxation	**(22,848)**	(17,137)	33.3	**(34,148)**	(30,437)	12.2
Profit and total comprehensive income for the period	**66,310**	40,345	64.4	**119,680**	77,740	53.9
Profit and total comprehensive income for the period attributable to:						
Owners of the Company	**60,212**	38,192	57.7	**118,472**	74,798	58.4
Non-controlling interests	**6,098**	2,153	183.2	**1,208**	2,942	(58.9)
	66,310	40,345		**119,680**	77,740	
Earnings per share						
— Basic and diluted *(RMB Cents)*	**3.78**	2.45		**7.44**	4.80	

BALANCE SHEETS
As at 30 June 2011

	Group		Company	
	As at		As at	
	30.6.11	31.12.10	**30.6.11**	31.12.10
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS				
Non-current assets				
Investment in subsidiaries	—	—	**1,343,554**	1,298,424
Property, plant and equipment	**196,656**	200,362	—	—
Land use rights	**18,934**	19,141	—	—
Available-for-sale investment	**1,125**	1,125	—	—
Intangible assets	**647,117**	675,050	—	—
Goodwill	**124,617**	124,617	—	—
Deferred tax assets	**6,300**	4,700	—	—
	994,749	1,024,995	**1,343,554**	1,298,424
Current assets				
Inventories	**40,666**	15,082	—	—
Trade receivables	**101,836**	56,613	—	—
Other receivables	**8,857**	5,132	—	—
Pledged deposits	**17,667**	4,000	—	—
Cash and cash equivalents	**559,816**	485,095	**50,908**	108,875
	728,842	565,922	**50,908**	108,875
Total assets	**1,723,591**	1,590,917	**1,394,462**	1,407,299
EQUITIES AND LIABILITIES				
Current liabilities				
Trade payables	**17,843**	4,339	—	—
Other payables	**37,483**	48,525	**4,537**	15,687
Borrowings	**52,984**	20,000	—	—
Provision for income tax	**22,766**	19,439	—	—
	131,076	92,303	**4,537**	15,687
Net current assets	**597,766**	473,619	**46,371**	93,188
Total assets less current liabilities	**1,592,515**	1,498,614	**1,389,925**	1,391,612

	Group As at		Company As at	
	30.6.11	31.12.10	**30.6.11**	31.12.10
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current liabilities				
Derivative financial instruments	**120,220**	153,174	**120,220**	153,174
Convertible bonds	**112,912**	104,661	**112,912**	104,661
Deferred tax liabilities	**167,490**	171,560	**—**	—
	400,622	429,395	**233,132**	257,835
Total liabilities	**531,698**	521,698	**237,669**	273,522
Equity attributable to Owners of the Company				
Share capital	**79,075**	79,075	**147,127**	147,127
Reserves	**896,970**	813,509	**1,009,666**	986,650
	976,045	892,584	**1,156,793**	1,133,777
Non-controlling interests	**215,848**	176,635	**—**	—
	1,191,893	1,069,219	**1,156,793**	1,133,777
Total equity and liabilities	**1,723,591**	1,590,917	**1,394,462**	1,407,299

CONSOLIDATED CASH FLOW STATEMENT

For the financial period ended 30 June 2011

	Group Unaudited 6 Months Ended 30.6.11 RMB'000	30.6.10 RMB'000
Cash Flows from Operating Activities		
Profit before income tax	**153,828**	108,177
Adjustments for:		
Change in fair value of derivative	**(30,139)**	—
Depreciation of property, plant and equipment	**7,511**	3,197
Plant and equipment written off	—	853
Amortisation of land use rights	**207**	137
Amortisation of technology rights	**27,333**	3,250
Amortisation of seed strains	**600**	100
Foreign exchange translation	**(5,084)**	—
Interest on convertible bonds at amortised cost	**10,521**	—
Interest income	**(1,038)**	(2,140)
Interest expense	**1,144**	335
Operating cash flow before movements in working capital	**164,883**	113,909
Changes in working capital:		
Inventories	**(25,584)**	(5,092)
Trade and other receivables	**(48,948)**	(15,617)
Trade and other payables	**2,462**	8,461
Cash generated from operating activities	**92,813**	101,661
Interest received	**1,038**	2,140
Interest paid	**(1,144)**	(335)
Income tax paid	**(36,492)**	(20,982)
Net cash generated from operating activities	**56,215**	82,484
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	**(3,805)**	(2,138)
Increase in investment in subsidiary by non-controlling interest	**38,005**	—
Net cash outflow on acquisition of subsidiaries (Note A)	—	(304,765)
Purchase of other investment	—	(1,125)
Net cash used in investing activities	**34,200**	(308,028)
Cash Flows from Financing Activities		
Bank deposit pledged	**(17,667)**	(25,000)
Repayment of borrowings	**(20,000)**	(27,712)
Proceeds from borrowings	**52,984**	13,000
Dividends paid	**(35,011)**	(31,168)
Net cash generated used in financing activities	**(19,694)**	(70,880)
Net increase in cash and cash equivalents	**70,721**	(296,424)
Cash and cash equivalents at the beginning of the period	**489,095**	451,245
Cash and cash equivalents at the end of the period	**559,816**	154,821

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	Group As at 30.6.11	30.6.10
	RMB'000	*RMB'000*
Cash and bank balances	**577,483**	179,821
Less: bank deposits pledged	**(17,667)**	(25,000)
Cash and cash equivalents per cash flow statement	**559,816**	154,821

Note A:

The acquisitions of Inner Mongolia Bigvet Biotech Co., Ltd. and Beijing Jianxiang Hemu Biological Technology Limited have been accounted for using the purchase method. The fair values of the net identifiable assets of the subsidiaries as at the date of acquisition were:

	At fair value	**Carrying amount before combination**
	RMB'000	*RMB'000*
Property, plant and equipment	148,683	144,941
Land use rights	8,200	6,124
Seed strain	11,500	11,500
Production technology rights	670,000	—
Inventories	942	942
Trade and other receivables	3,557	3,557
Cash and cash equivalents	235	235
Trade and other payables	(40,833)	(40,833)
Borrowings	(112,000)	(112,000)
Deferred taxation	(168,955)	—
Net identifiable assets	521,329	14,466
Less: minority interests	(145,505)	
Net identifiable assets acquired	375,824	
Goodwill on consolidation	122,176	
Cash consideration paid	498,000	
Less: purchase considerations paid in prior year	(193,000)	
Cash and cash equivalents of subsidiaries acquired	(235)	
Net cash outflow on acquisition of subsidiaries	304,765	

STATEMENTS OF CHANGES IN EQUITY

For the financial period ended 30 June 2011

Group	Attributable to owners of the Company						
	Share capital	**Share premium**	**Merger reserve**	**Reserve fund**	**Retained earnings**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011	**79,075**	**309,702**	**(26,358)**	**64,933**	**465,232**	**176,635**	**1,069,219**
Total comprehensive income for the period	—	—	—	—	**118,472**	**1,208**	**119,680**
Dividend	—	—	—	—	**(35,011)**	—	**(35,011)**
Increase in investment in subsidiary	—	—	—	—	—	**38,005**	**38,005**
Balance at 30 June 2011	**79,075**	**309,702**	**(26,358)**	**64,933**	**548,693**	**215,848**	**1,191,893**
Balance at 1 January 2010	76,192	259,065	(26,358)	42,511	399,154	21,122	771,686
Total comprehensive income for the period	—	—	—	—	74,798	2,942	77,740
Dividend	—	—	—	—	(31,168)	—	(31,168)
Acquisition of subsidiary	—	—	—	—	—	145,505	145,505
Balance at 30 June 2010	76,192	259,065	(26,358)	42,511	442,784	169,569	963,763

Group	Attributable to owners of the Company			
	Share capital	**Share premium**	**Retained losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011	**147,127**	**1,061,643**	**(74,993)**	**1,133,777**
Total comprehensive income for the period	—	—	**58,027**	**58,027**
Dividend	—	—	**(35,011)**	**(35,011)**
Balance at 30 June 2011	**147,127**	**1,061,643**	**(51,977)**	**1,156,793**
Balance at 1 January 2010	144,244	1,011,006	(13,706)	1,141,544
Total comprehensive income for the period	—	—	25,244	25,244
Dividend			(31,168)	(31,168)
Balance at 30 June 2010	144,244	1,011,006	(19,630)	1,135,620

1. CORPORATION INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are dual primary listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamiliton HM 11, Bermuda and its principal place of business is 61 Robinson Road #13-02 Robinson Centre Singapore 068893. The principal place of business of the Group is located at No. 6 Kangding Street, Beijing Economic-Technological Development Area, Beijing, People's Republic of China (the "PRC"). The principal activity of the Company consists of investment holding. The Group is principally engaged in the manufacture, sale and distribution of animal drugs for poultry and livestock in China. The Group's products are sold directly to animal drug retailers and large-scale poultry enterprises throughout China. As a value-added service to selected customers who meet their sales target or whom the Group is of the view has sales potential, the Group also provides technical and support services such as farming techniques and methodologies and to impart knowledge relating to animal health and treatment of animal diseases.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), amendments and related interpretations ("IFRICs") (hereinafter collectively referred to as the "IFRS") issued by the International Accounting Standards Board ("IASB") that are effective for annual reporting periods beginning on or after 1 January 2011.

These financial statements have been prepared on a historical cost basis and have been prepared in accordance with accounting policies which conform to IFRS issued by the IASB. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

3. ADOPTION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2010. Additionally, the Group has adopted the International Financial Reporting Standards ("IFRS") including amendments and related interpretation ("IFRICs") that are effective for annual reporting periods beginning on or after 1 January 2011 where applicable. The application of these standards has no significant impact on the Group.

4. SEGMENT INFORMATION

For management reporting purposes, the Group is currently organised into the following three main business operations, which are the basis that the Group reports its primary segment information:

— Powdered form drugs (including additives)

— Injection form drugs

— Biological drugs

An analysis by principal activity of contribution to results is as follows:

(a) Reportable Operating Segments

HY2011	Powdered form drugs *RMB'000*	Injection form drugs *RMB'000*	Biological drugs *RMB'000*	Total *RMB'000*
Revenue	**221,115**	**16,641**	**107,689**	**345,445**
Segment results	**99,853**	**7,701**	**27,866**	**135,420**
Unallocated income, net				**29,150**
Financial expenses, net				**(10,742)**
Profit before tax				**153,828**
Tax				**(34,148)**
Profit for the period				**119,680**
Segment assets	**508,761**	**14,336**	**1,142,731**	**1,665,828**
Unallocated assets				
— Deferred tax asset				**6,300**
— Cash and cash equivalents				**51,463**
Total assets				**1,723,591**
Segment liabilities	**23,236**	**1,773**	**27,412**	**52,421**
Unallocated liabilities				
— Other payables				**2,905**
— Derivative financial instruments				**120,220**
— Convertible bonds				**112,912**
— Borrowings				**52,984**
— Income tax liabilities				**22,766**
— Deferred tax liabilities				**167,490**
Total liabilities				**531,698**

HY2010	Powdered form drugs *RMB'000*	Injection form drugs *RMB'000*	Biological drugs *RMB'000*	Total *RMB'000*
Revenue	196,167	15,963	41,330	253,460
Segment results	100,568	7,109	8,952	116,629
Unallocated expenses, net				(8,444)
Financial expenses, net				(8)
Profit before tax				108,177
Tax				(30,437)
Profit for the period				77,740
Segment assets	175,570	2,616	1,087,405	1,265,591
Unallocated assets				
— Property, plant and equipment				2
— Other receivables				1
— Cash and cash equivalents				6,893
Total assets				1,272,487
Segment liabilities	33,540	1,431	82,959	117,930
Unallocated liabilities				
— Other payables				1,989
— Income tax liabilities				16,238
— Deferred tax liabilities				172,567
Total liabilities				308,724

(b) Geographical Information

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the invoiced value of goods sold to customers excluding value-added tax. An analysis of the Group's revenue, other income and gains are as follows:

	6 months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
REVENUE		
Sale of goods	**345,445**	253,460
OTHER INCOME AND GAINS		
Other operating income	**3,972**	10
Change in fair value of derivatives	**30,139**	—
Bank interest income	**1,038**	2,140

6. PROFIT BEFORE TAX

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

	6 months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Staff costs	**48,139**	38,435
Travelling expenses	**24,662**	24,444
Directors' fees	**667**	473
Depreciation of property, plant and equipment	**7,511**	3,197
Amortisation of land use rights	**207**	137
Amortisation of technology rights	**27,333**	3,250
Amortisation of seed strain	**600**	100
Rental — operating leases	**7,589**	3,381
Interest on convertible bonds at amortised cost	**10,521**	—
Interest expense	**1,144**	335
Interest income	**(1,038)**	(2,140)

7. FINANCE EXPENSES

	6 months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest on bank borrowings	**1,144**	335
Interest on convertible bonds at amortised cost	**10,521**	—
Bank charges	**115**	131
	11,780	466

8. INCOME TAX EXPENSE

	6 months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Income tax		
— current tax	**39,281**	29,162
— (over)/under provision in respect of prior year	**537**	968
Deferred tax	**(5,670)**	307
	34,148	30,437

Income tax on assessable profits during the financial periods ended 30 June 2011 and 2010 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 is as follows:

	6 months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**153,828**	108,177
Tax at the applicable income tax rates	**37,603**	34,900
Tax effect of income not taxable for tax purposes	**(6,143)**	(5,082)
Effect on tax exemptions granted to subsidiaries in the PRC	**(49)**	—
Deferred tax benefits not recognised	**(220)**	(656)
Withholding tax on distributable profits of PRC subsidiaries	**2,420**	307
Under provision in respect of previous year	**537**	968
Taxation for the period	**34,148**	30,437

9. DIVIDENDS

	6 months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Ordinary (paid)		
— 2010 interim dividend of RMB2.0 cents per share	**—**	31,168
— 2010 final dividend of RMB2.2 cents per share	**35,011**	—
	35,011	31,168

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2011.

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Group	
	6 months ended 30 June	
	2011	2010
Net profit after tax attributable to Owners of the Company	**118,472**	74,798
a) Based on weighted average number of shares *(RMB cents/share)*	**7.44**	4.80
b) Based on fully diluted basis *(RMB cents/share)*	**7.44**	4.80
Weighted average number of shares applicable to basic earnings per share *('000)*	**1,591,391**	1,558,391
Weighted average number of shares based on fully diluted basis *('000)*	**1,591,391**	1,558,391

Basic earnings per share are calculated based on the weighted average number of shares issued during the financial period under review. Diluted earnings per share are the same as basic earnings per share as the impact from the conversion of the convertible bonds was anti-dilutive.

11. NON-CURRENT ASSETS

Intangible assets

RMB'000	**Seed strains**	**Production technology rights**	**Goodwill**	**Total**
Cost				
At 1 January 2010	—	15,000	2,441	17,441
Acquisition of Bigvet Biotech	11,500	460,000	69,741	541,241
Acquisition of Beijing Jianxiang Hemu	—	210,000	52,435	262,435
At 31 December 2010, 1 January 2011 and 30 June 2011	11,500	685,000	124,617	821,117
Accumulated amortisation				
At 1 January 2010	—	5,500	—	5,500
Amortisation for the year	700	15,250	—	15,950
At 31 December 2010 and 1 January 2011	700	20,750	—	21,450
Amortisation for the period	600	27,333	—	27,933
At 30 June 2011	1,300	48,083	—	49,383
Net book value				
At 31 December 2010	10,800	664,250	124,617	799,667
At 30 June 2011	10,200	636,917	124,617	771,734

Capital expenditure

The Group's capital expenditure in respect of property, plant and equipment amounted to approximately RMB3.8 million (2010: RMB2.1 million). The capital expenditure primarily consisted of the followings:

	6 months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Plant and machinery	**1,438**	615
Motor vehicles	**713**	787
Office equipment	**240**	70
Buildings	**1,414**	666
	3,805	2,138

12. TRADE RECEIVABLES

	HY2011	FY2010
	RMB'000	*RMB'000*
Trade receivables from third-parties	**101,956**	56,733
Less: allowance for impairment	**(120)**	(120)
	101,836	56,613

The Group only grants credit terms from 30 to 180 days to large-scale poultry enterprises and these vary on a case by case basis based on the creditworthiness and the Group's existing relationship with its customers. The Group's sales to animal drug retail customers are mainly on a 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, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is minimised.

The aged analysis of the Group's trade receivables, which is based on invoices dates, (net of allowance for doubtful debts), is as follows:

	HY2011	FY2010
	RMB'000	*RMB'000*
0 to 30 days	**37,148**	8,382
31 to 90 days	**45,414**	13,056
91 to 180 days	**16,017**	21,067
181 to 365 days	**3,171**	14,087
Over 365 days	**86**	21
	101,836	56,613

13. TRADE PAYABLES

The aged analysis of the Group's trade payables, which is based on invoices dates, is as follows:

	HY2011	FY2010
	RMB'000	*RMB'000*
0 to 30 days	**9,447**	3,696
31 to 90 days	**1,712**	228
91 to 180 days	**1,678**	40
181 to 365 days	**1,474**	8
Over 365 days	**3,532**	367
	17,843	4,339