



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 2012

* For identification purpose only

CONTENTS

	<i>Page</i>
Corporate Information.....	1
Management Discussion and Analysis.....	3
Financial Statements	
Consolidated Statement of Comprehensive Income.....	14
Balance Sheets.....	15
Consolidated Cash Flow Statement.....	17
Statements of Changes in Equity.....	19
Notes to the Consolidated Financial Statements.....	20

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wang Yangang
(Executive Chairman & CEO)
Sun Jinguo (Deputy CEO)
Fu Shan (Non-executive Director)
Joshua Ong Kian Guan
(Independent Non-executive Director)
Feng Jinglan
(Independent Non-executive Director)
Wong Gang
(Independent Non-executive Director)

AUDIT COMMITTEE

Joshua Ong Kian Guan (Chairman)
Feng Jinglan
Wong Gang

REMUNERATION COMMITTEE

Wong Gang (Chairman)
Feng Jinglan
Joshua Ong Kian Guan

NOMINATION COMMITTEE

Feng Jinglan (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 and Technological
Development Zone
Beijing 100176
PRC
Tel: 86 10 5157 1919
Fax: 86 10 5157 1928
www.chinanimalhealthcare.com

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
35/F One Pacific Place
88 Queensway
Hong Kong

Partner-in-charge: Patrick Cheng
(since financial year ending 31 December 2012)

PRINCIPAL SHARE REGISTRAR

HSBC Bank Bermuda Limited
Bank of Bermuda Building
6 Front Street Hamilton HM11
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
Wanchai
Hong Kong

PRINCIPAL BANKERS

OCBC Bank

65 Chulia Street
OCBC Centre
Singapore 049513

DBS Bank (Hong Kong) Limited

G/F, The Center,
99 Queen's Road Central,
Central, Hong Kong

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. 50 West Avenue
Shijiazhuang City, PRC

China Everbright Bank

Economic and Technological Development
Zone Sub-Branch
No. 1-C2 Tianbao South Road
Beijing Economic and Technological
Development Zone, PRC

China Minsheng Banking Corp., Ltd.

Shijiazhuang Branch
No. 10 West Avenue
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 2012 ("2Q2012") and six months ended 30 June 2012 ("HY2012") is set out below.

Revenue	2Q2012		2Q2011		HY2012		HY2011	
	RMB	%	RMB	%	RMB	%	RMB	%
Powdered form drugs	126,895	52.2	122,668	57.3	228,867	55.2	221,115	64.0
Injection form drugs	8,236	3.4	7,356	3.4	17,144	4.1	16,641	4.8
Biological drugs	107,767	44.4	84,078	39.3	168,454	40.7	107,689	31.2
Total	<u>242,898</u>	<u>100.0</u>	<u>214,102</u>	<u>100.0</u>	<u>414,465</u>	<u>100.0</u>	<u>345,445</u>	<u>100.0</u>

The Group has achieved aggregate revenue of RMB242.9 million in the current quarter, representing a 41.6% growth over the preceding quarter and a 13.4% increase over 2Q2011. Total revenue for HY2012 increased by RMB69.0 million or 20.0% from RMB345.5 million in HY2011 to RMB414.5 million in HY2012. The increase in revenue was mainly boosted by the surge in sales of biological drugs from RMB107.7 million in HY2011 to RMB168.5 million in HY2012, and augmented by the continuing strong performance in the powdered drugs segment.

Sale of mandatory vaccines to provincial veterinary stations accounted for RMB99.5 million in 2Q2012, bringing the aggregate mandatory vaccine sales in HY2012 to RMB151.4 million, representing a staggering increase of RMB62.9 million or 71.1% over HY2011. The substantial increase in mandatory vaccines in HY2012 is mainly attributed to surging sales contribution from animal foot and mouth disease ("FMD") vaccines of RMB59.6 million, compared to FMD vaccine sales of only RMB4.9 million in HY2011. Following its initial launch a year ago, the Group's FMD vaccines have since enjoyed increasing market acceptance and approbation. FMD sales of RMB38.8 million in the current quarter is the highest quarterly sales recorded for the FMD vaccines to-date. Porcine reproductive and respiratory syndrome ("PRRS") vaccines further contributed RMB50.0 million in revenue in 2Q2012, bringing the total PRRS vaccines sales in HY2012 to RMB75.6 million, compared to PRRS sales of RMB64.9 million in HY2011. Swine fever vaccines accounted for RMB16.3 million in revenue in the first half of 2012, RMB2.5 million lower than the RMB18.8 million of swine fever vaccine sales achieved in HY2011. Sale of common vaccines also dropped marginally from RMB19.2 million in HY2011 to RMB17.0 million in HY2012.

The Group's formulated drugs segment recorded marginal year-on-year increase in revenue. Powdered form drug sales amounted to RMB228.9 million in HY2012, representing an increase of 3.5% over HY2011 while injection form drugs contributed RMB17.1 million in revenue over the same period, an increase of 2.8% over HY2011. While the Group continued to capitalise on its extensive network to increase formulated drug sales to its existing customers, the recent bird flu outbreak in China, in particular the Xinjiang Province has to some extent impeded the sales growth anticipated from the formulated drugs segment.

Cost of sales of the Group constituted approximately 28.6% and 27.1% of its revenue in HY2012 and HY2011, respectively. Cost of sales increased by RMB25.1 million or 26.8% from RMB93.5 million in HY2011 to RMB118.6 million in HY2012. Overall gross profit margin decreased by

1.5 percentage point from 72.9% in HY2011 to 71.4% in HY2012 due mainly to changes in the sales mix. The lower gross profit margin in HY2012 is however comparable with the gross profit margin of 71.6% for FY2011.

Gross profit margins for powdered form drugs and injection form drugs in HY2012 were 76.3% and 61.3% respectively, compared to 76.7% and 60.6% respectively in HY2011. 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. The marginal decrease in the gross profit margins of powdered form drugs is primarily due to variations in product mix. Gross profit margin for biological drug sales decreased to 65.7% in HY2012 compared to the 67.1% gross profit margin achieved in HY2011. The decline is mainly attributed to the lower gross profit margin derived on animal FMD vaccine sales, which accounted for 35% of revenue in HY2012. As FMD vaccines production in the current period has yet to achieve economies of scale, its current gross profit margin of 60.8% is considerably lower compared to the other vaccines. Gross profit margins on sales of swine fever vaccines and PRRS vaccines have remained stable in the current period at 64.8% and 69.3% respectively.

Other operating expenses of RMB2.0 million in HYQ2012 relates mainly to net foreign exchange loss. Gain on change in fair value of the derivative financial instruments of RMB3.2 million was substantially lower in HY2012 compared to the gain of RMB30.1 million recorded in HY2011.

Selling and distribution expenses increased by RMB17.4 million or 24.6% from RMB70.9 million in HY2011 to RMB88.4 million in HY2012 due mainly to the increase in payroll expenses, travelling and transport expenses and marketing and promotion expenses of approximately RMB4.2 million, RMB10.1 million and RMB2.5 million, respectively. Payroll expenses increased from RMB40.1 million in HY2011 to RMB44.3 million in HY2012 due mainly to due mainly to higher sales commission paid out at the back of the 20.0% increase in sales.

Administrative expenses increased by RMB10.0 million or 19.8% from RMB50.5 million in HY2011 to RMB60.5 million in HY2012 due mainly to increases in amortisation expense of RMB7.7 million and depreciation expense of RMB1.3 million. The increase in amortisation expense from RMB28.1 million in HY2011 to RMB35.8 million in HY2012 was mainly attributed to Bigvet Biotech. Amortisation pertaining to the production technology rights for the animal FMD vaccines, which commenced in March 2011 amounted to RMB23.0 million in HY2012, compared to only RMB15.3 million in HY2011.

Finance costs increased by RMB4.4 million due in part to higher interest expense on convertible bonds at amortised costs of RMB12.5 million. Other interest expense relates mainly to working capital loans from HSBC Bank (China) Company Limited amounting to RMB87.3 million as at 30 June 2012. The increase in interest income of RMB0.8 million was due mainly to the increase in deposits with banks.

Tax expense decreased by RMB2.7 million to RMB31.4 million in HY2012. 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 21.9%. The Group's PRC subsidiaries are subject to tax at rates of 25%, except for certain subsidiaries which were awarded the high-tech enterprise status during the period and are therefore entitled to the preferential enterprise tax rate of 15% for 3 years commencing from FY2012. In addition, the Group has also provided for withholding tax of 10% on the portion of distributable profits derived by the PRC subsidiaries in HY2012 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 decreased by RMB27.2 million or 23.0% from RMB118.5 million in HY2011 to RMB91.3 million in HY2012. Net profit attributable to non-controlling interests amounted to RMB11.5 million in HY2012.

Balance Sheet Review

As at 30 June 2012, non-current assets amounted to approximately RMB914.7 million and comprised property, plant and equipment (“PPE”) of RMB193.3 million, land use rights of RMB18.5 million, intangibles of RMB700.6 million, deferred tax assets of RMB1.2 million and available-for-sale investment of RMB1.1 million.

The decrease of approximately RMB6.4 million in PPE during HY2012 was mainly attributed to depreciation charge of RMB8.8 million, partially offset by PPE additions of RMB2.4 million comprising mainly additions of plant and machinery, and motor vehicles.

Land use rights amounted to RMB18.5 million as at 30 June 2012 after amortisation charge of RMB0.2 million in HY2012. These land use rights have a remaining useful lives ranging from approximately 42 to 47 years as at end HY2012.

Intangibles as at 30 June 2012 comprised production technology rights of RMB567.0 million, seed strain of RMB9.0 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 acquired production rights amounted to RMB33.5 million in HY2012. In addition, production technology rights of Shanxi Longkeer amounted to RMB2.0 million as at 30 June 2012, after amortisation charge of RMB1.5 million in HY2012. These production technology rights have a remaining useful life of less than a year as at end of HY2012. The seed strain purchased by Bigvet Biotech from a governmental animal disease research and development institute for the production of the FMD vaccine amounted to RMB9.0 million after amortisation charge of RMB0.6 million in HY2012.

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 2012.

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 RMB1,056.3 million as at end of HY2012, representing an increase of RMB184.6 million over end of FY2011. The increase is mainly attributed to increases in cash and cash balances and trade receivables of RMB120.4 million and RMB64.9 million, respectively. Cash and cash equivalents, excluding pledged deposit

of RMB29.1 million amounted to approximately RMB821.4 million as at 30 June 2012. Approximately RMB113.2 million was generated from the Group's operating activities. Net cash used in investing activities amounted to RMB2.4 million which pertained to PPE purchases. Net cash from financing activities amounted to RMB6.2 million. The Group repaid RMB8.0 million of the working capital loan and drew down a new working capital loan of RMB17.3 million in the current period. Pledged deposits for the outstanding banking facilities increased by RMB3.2 million during the period.

Trade receivables amounted to RMB162.5 million as at 30 June 2012, representing an increase of RMB64.9 million over end of FY2011. The increase was mainly due to new trade receivables arising from the sale of the various compulsory vaccines to the provincial veterinary stations in HY2012 amounting to approximately RMB151.4 million, partially offset by receipts from prior year receivables amounting to RMB100.6 million.

Other receivables amounted to RMB11.3 million as at 30 June 2012, comprising mainly deposits for PPE purchases and security deposits for the compulsory vaccines sales bidding exercise.

Inventories decreased marginally by RMB2.2 million, comprising mainly stockpile of PRRS vaccines and FMD vaccines of RMB15.7 million scheduled for delivery in the ensuing quarter. Raw materials amounted to RMB8.0 million as at 30 June 2012.

Current liabilities comprised primarily trade and other payables, borrowings, derivative financial instruments and income tax liabilities. Current liabilities as at 30 June 2012 amounted to RMB324.0 million.

Trade payables amounted to RMB23.2 million as at end of HY2012, representing an increase of RMB5.5 million over end of FY2011. Other payables increased by RMB66.2 million to RMB91.4 million as at 30 June 2012. The increase was primarily attributed to the accrual for the declared dividend of RMB47.7 million payable to shareholders of the Company on 24 July 2012. Other payables comprise mainly accrued operating expenses of RMB32.7 million and VAT and other taxes payable of RMB11.0 million.

Derivative financial instruments of RMB106.8 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.

Total borrowings as at 30 June 2012 amounted to RMB87.3 million. The Group repaid RMB8.0 million of the working capital loan when it was due during the current period. In anticipation of increasing working capital requirements for the production of the animal FMD vaccines, the Group drew down a short-term working capital loan of RMB17.3 million from the HSBC Bank (China) Company Limited in HY2012. The loan is to be repaid in full upon maturity by July 2013.

Income tax liabilities amounted to approximately RMB15.3 million as at 30 June 2012 and mainly relate to the corporate tax payable by the PRC subsidiaries on the profits for HY2012.

Non-current liabilities amounted to RMB290.9 million as at 30 June 2012. They comprise convertible bonds and deferred tax liabilities. The liability component of the convertible bonds amounting to RMB135.9 million as at 30 June 2012 is accounted for at amortised cost using effective interest method. Deferred taxation of RMB155.0 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 RMB12.5 million as at 30 June 2012.

The Group's total equity comprised share capital, share premium, retained earnings, other reserves and non-controlling interests. Total equity as at 1 January 2012 amounted to approximately RMB1,301.1 million. Net profit attributable to owners of the Company and non-controlling interests amounted to RMB91.3 million and RMB11.5 million in the current period respectively. Consequently, total equity increased to RMB1,356.1 million as at 30 June 2012, of which RMB1,124.2 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:

	Group	
	HY2012 RMB'000	FY2011 RMB'000
Borrowings	87,297	77,984
Derivative financial instruments	106,766	109,087
Convertible bonds	135,860	122,323
Total	<u>329,923</u>	<u>309,394</u>
Total equity	<u>1,356,117</u>	<u>1,301,117</u>
Gearing ratio	<u>0.24</u>	<u>0.24</u>

Loans and Debt Securities

	Group			
	As at 30 June 2012		As at 31 December 2011	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Amount repayable in one year or less, or on demand	87,297	—	77,984	—
Amount repayable after one year	—	135,860	—	122,323
Total	<u>87,297</u>	<u>135,860</u>	<u>77,984</u>	<u>122,323</u>

Details of any collateral

The loan of RMB87.3 million comprises working capital facilities granted by HSBC Bank (China) Company Limited to the Group. 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 corporate guarantee of RMB40.0 million from Bigvet Biotech
4. A pledge of RMB29.1 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

Our Group's operations have continued to hold up commendably despite growing concerns over a faltering Chinese economy and its dwindling domestic consumption. Our group revenue has posted a year-on-year 20.0% increase to RMB414.5 million for the first six months of 2012. 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 the six months ended 30 June 2012 would be RMB100.6 million, representing a marginal increase of RMB1.7 million over the adjusted net profit of RMB98.9 million recorded in HY2011. The increase in profitability, despite a RMB7.7 million jump in non-cash amortisation expenses, is primarily attributed to higher mandatory vaccines sales in the current period. Revenue contribution from the sale of mandatory vaccines is expected to continue strongly into the second half of the financial year.

The sudden outbreak of avian flu in China, in particular the remote northwestern region of Xinjiang has also resulted in some minor bumps to our growth prospects in the powdered drugs business segment. Thousands of poultry were sickened by the outbreak and culled by the agricultural authorities in their efforts to contain the disease.

The performance of our operations will continue to mirror the path of the Chinese economy, given that our growth is primarily driven by domestic consumption. While there is still plenty of gloom surrounding the global economy, we can draw comfort from some positive developments amidst the grim. Domestic inflationary pressures which have hounded China since the start of 2010 has eased to 2.2% year-on-year in June 2012, hence giving the Chinese government some flexibility as it tries to reignite growth in the world's second biggest economy with the adoption of a more aggressive and active fiscal policy. Separately, in its annual report on China's economy, the International Monetary Fund expects growth for China's economy to bottom out in the second quarter and then accelerate in the second half of the year. After focussing for long periods to achieve a managed slowdown in its economy, the authorities have now turned around to pursue measures to support growth, including slashing interest rates and loosening bank reserves requirements to spur lending. Consensus is that with the Chinese government's fortitude to increase the strength of its pre-emptive fine-tuning policy, the Chinese government should be able to achieve its annual economic growth target of 7.5% set early this year. Notwithstanding, the downward pressure on China's economy is still relatively huge and the raging eurozone sovereign debt crisis remains as the biggest external risk facing the Republic.

Notwithstanding the gain in fair value of derivative financial instruments recognised in the six months ended 30 June 2012, 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 2012, 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 2012, 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 2012, 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

⁽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.

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 15 April 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 2012 or the previous financial year ended 31 December 2011.

The following are details of share awards granted to the Director 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	—	13,000,000	—	—	—

(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 2012, RMB87.3 million (FY2011: RMB78.0 million), or 39.1% (FY2011: 38.9%) 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.

In addition, the convertible bond issued by the Group of USD40.0 million is zero-coupon and matures on 15 August 2015. However, 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 such principal amount.

(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 2012.

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 2012.

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 (FY2011: 0.24).

3. Capital Commitments

As at 30 June 2012, the Group had no capital commitments (FY2011: RMB3,927,000).

4. Contingent Liabilities

As at 30 June 2012, the Group has no material contingent liabilities (FY2011: Nil).

5. Material litigation and arbitration

As at 30 June 2012, 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 2012 has not been audited by our auditors, Deloitte Touche Tohmatsu. The Audit Committee has reviewed the interim results for the period ended 30 June 2012.

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 2012, 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 2012, all Directors have complied with the required standards of the Model Code.

9. Changes in Directors’ Information

Changes in directors’ information since the date of the 2011 Annual Report are set out below.

Name of Director	Changes
Wong Gang	Appointed on 20 June 2012 as an independent non-executive director of Bowsprit Capital Corporation Limited which is the Manager of First Real Estate Investment Trust, a REIT listed on the Mainboard of SGX-ST.
Ong Kian Guan	Retired on 30 April 2012 as an independent non-executive director of JES International Holdings Limited, a company listed on the Mainboard of SGX-ST. He thus ceased to be a member of the audit committee and the chairman of the remuneration committee of JES International Holdings Limited concurrently. Appointed on 1 May 2012 as an independent non-executive director of Weiye Holdings Limited, a company listed on the Mainboard of SGX-ST.

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

10. Purchase, Sales or Redemption of the Company’s Securities

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the securities of the Company.

11. Employees and Remuneration Policy

As at 30 June 2012, there were approximately 2,600 (FY2011: 2,600) 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.

12. Disclosure on the Website of the Stock Exchange

This announcement 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 of directors (the “Board”) of China Animal Healthcare Ltd. (the “Company”) is pleased to announce its unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012 together with the comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial period ended 30 June 2012

	Group Unaudited 3 Months Ended			Group Unaudited 6 Months Ended		
	30.6.12	30.6.11	Change	30.6.12	30.6.11	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	242,898	214,102	13.4	414,465	345,445	20.0
Cost of sales	(69,924)	(61,925)	12.9	(118,587)	(93,498)	26.8
Gross profit	172,974	152,177	13.7	295,878	251,947	17.4
Other operating income	—	2,709	(100.0)	272	3,972	(93.2)
Other operating expenses	(1,962)	—	—	(1,962)	—	n.m
Change in fair value of derivative financial instruments	(633)	6,478	n.m	3,152	30,139	(89.5)
Selling and distribution expenses	(49,579)	(39,503)	25.5	(88,368)	(70,947)	24.6
Administrative expenses	(29,921)	(27,140)	10.2	(60,548)	(50,541)	19.8
Profit from operations	90,879	94,721	(4.1)	148,424	164,570	(9.8)
Finance income	1,003	618	62.3	1,897	1,038	82.8
Finance costs	(7,960)	(6,181)	28.8	(16,145)	(11,780)	37.1
Profit before taxation	83,922	89,158	(5.9)	134,176	153,828	(12.8)
Taxation	(20,403)	(22,848)	(10.7)	(31,434)	(34,148)	(7.9)
Profit and total comprehensive income for the period	63,519	66,310	(4.2)	102,742	119,680	(14.2)
Profit and total comprehensive income for the period attributable to:						
Owners of the Company	54,601	60,212	(9.3)	91,275	118,472	(23.0)
Non-controlling interests	8,918	6,098	46.2	11,467	1,208	849.3
	63,519	66,310		102,742	119,680	
Earnings per share (<i>RMB cents</i>)						
— basic and diluted				5.75	7.44	

BALANCE SHEETS

As at 30 June 2012

	Group		Company	
	As at		As at	
	30.6.12	31.12.11	30.6.12	31.12.11
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment in subsidiaries	—	—	1,393,947	1,346,735
Property, plant and equipment	193,338	199,746	—	—
Land use rights	18,521	18,728	—	—
Available-for-sale investment	1,125	1,125	—	—
Intangible assets	575,917	611,517	—	—
Goodwill	124,617	124,617	—	—
Deferred tax assets	1,200	5,100	—	—
	914,718	960,833	1,393,947	1,346,735
Current assets				
Inventories	31,870	34,069	—	—
Trade receivables	162,487	97,624	—	—
Other receivables	11,321	9,801	—	—
Pledged deposits	29,148	25,998	—	—
Cash and cash equivalents	821,445	704,182	39,710	45,343
	1,056,271	871,674	39,710	45,343
Total assets	1,970,989	1,832,507	1,433,657	1,392,078
EQUITIES AND LIABILITIES				
Current liabilities				
Trade payables	23,220	17,724	—	—
Other payables	91,371	25,152	52,374	7,007
Borrowings	87,297	77,984	—	—
Derivative financial instruments	106,766	109,087	106,766	109,087
Provision for income tax	15,322	17,777	—	—
	323,976	247,724	159,140	116,094
Net current assets/(liabilities)	732,295	623,950	(119,430)	(70,751)
Total assets less current liabilities	1,647,013	1,584,783	1,274,517	1,275,984

	Group		Company	
	As at		As at	
	30.6.12	31.12.11	30.6.12	31.12.11
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities				
Convertible bonds	135,860	122,323	135,860	122,323
Deferred tax liabilities	155,036	161,343	—	—
	290,896	283,666	135,860	122,323
Total liabilities	614,872	531,390	295,000	238,417
Equity attributable to Owners of the Company				
Share capital	79,075	79,075	147,127	147,127
Reserves	1,045,126	1,001,593	991,530	1,006,534
	1,124,201	1,080,668	1,138,657	1,153,661
Non-controlling interests	231,916	220,449	—	—
	1,356,117	1,301,117	1,138,657	1,153,661
Total equity and liabilities	1,970,989	1,832,507	1,433,657	1,392,078

CONSOLIDATED CASH FLOW STATEMENT

For the financial period ended 30 June 2012

	Group	
	Unaudited 6 Months Ended	
	30.6.12	30.6.11
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Profit before income tax	134,176	153,828
Adjustments for:		
Change in fair value of derivative	(3,152)	(30,139)
Depreciation of property, plant and equipment	8,830	7,511
Amortisation of land use rights	207	207
Amortisation of technology rights	35,000	27,333
Amortisation of seed strain	600	600
Foreign exchange translation	1,519	(4,895)
Interest on convertible bonds at amortised cost	12,518	10,522
Interest income	(1,897)	(1,038)
Interest expense	3,193	1,143
	<u>190,994</u>	<u>165,072</u>
Operating cash flow before movements in working capital		
Changes in working capital:		
Inventories	2,199	(25,584)
Trade and other receivables	(66,383)	(48,948)
Trade and other payables	23,973	2,462
	<u>150,783</u>	<u>93,002</u>
Cash generated from operating activities		
Interest received	1,897	1,038
Interest paid	(3,193)	(1,143)
Income tax paid	(36,297)	(36,493)
	<u>113,190</u>	<u>56,404</u>
Net cash generated from operating activities		
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(2,422)	(3,805)
Increase in investment in subsidiary by non-controlling interest	—	38,005
	<u>(2,422)</u>	<u>34,200</u>
Net cash (used in)/from investing activities		
Cash Flows from Financing Activities		
Bank deposit pledged	(3,150)	(13,667)
Repayment of borrowings	(7,984)	(20,000)
Proceeds from borrowings	17,297	52,984
Dividends paid	—	(35,011)
	<u>6,163</u>	<u>(15,694)</u>
Net cash from/(used in) financing activities		
Net increase in cash and cash equivalents	116,931	74,910
Effects of exchange rate changes on the balance		
of cash held in foreign currencies	332	(189)
Cash and cash equivalents at the beginning of the period	<u>704,182</u>	<u>485,095</u>
Cash and cash equivalents at the end of the period	<u>821,445</u>	<u>559,816</u>

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

	Group	
	As at	
	30.6.12	30.6.11
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	850,593	577,483
Less: bank deposits pledged	(29,148)	(17,667)
Cash and cash equivalents per cash flow statement	<u>821,445</u>	<u>559,816</u>

STATEMENTS OF CHANGES IN EQUITY

For the financial period ended 30 June 2012

Group	Attributable to owners of the Company					Non-	Total
	Share capital	Share premium	Merger reserve	Reserve fund	Retained earnings	controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	79,075	309,702	(26,358)	80,702	637,547	220,449	1,301,117
Total comprehensive income for the period	—	—	—	—	91,275	11,467	102,742
Dividend	—	—	—	—	(47,742)	—	(47,742)
Balance at 30 June 2012	79,075	309,702	(26,358)	80,702	681,080	231,916	1,356,117
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
Company		Share capital	Share premium	Accumulated losses		Total	
		RMB'000	RMB'000	RMB'000		RMB'000	
Balance at 1 January 2012			147,127	1,061,643	(55,109)	1,153,661	
Total comprehensive loss for the period			—	—	32,738	32,738	
Dividend			—	—	(47,742)	(47,742)	
Balance at 30 June 2012			147,127	1,061,643	(70,113)	1,138,657	
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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial period ended 30 June 2012

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, Hamilton HM 11, Bermuda and its principal place of business is 36 Armenian Street #06-12 Singapore 179934. The principal place of business of the Group is located at 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 2012.

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 2011. 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 2012 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

HY2012	Powdered form drugs <i>RMB'000</i>	Injection form drugs <i>RMB'000</i>	Biological drugs <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	228,867	17,144	168,454	414,465
Segment results	90,352	6,356	57,793	154,501
Unallocated expenses, net				(6,077)
Financial expenses, net				(14,248)
Profit before tax				134,176
Tax				(31,434)
Profit for the period				102,742
Segment assets	646,077	64,484	1,219,190	1,929,751
Unallocated assets				
— Deferred tax asset				1,200
— Cash and cash equivalents				40,038
Total assets				1,970,989
Segment liabilities	39,698	141	24,109	63,948
Unallocated liabilities				
— Other payables				50,643
— Derivative financial instruments				106,766
— Convertible bonds				135,860
— Borrowings				87,297
— Income tax liabilities				15,322
— Deferred tax liabilities				155,036
Total liabilities				614,872

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

(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	
	2012	2011
	RMB'000	RMB'000
REVENUE		
Sale of goods	<u>414,465</u>	<u>345,445</u>
OTHER INCOME AND GAINS		
Other operating income	—	3,972
Change in fair value of derivatives	3,152	30,139
Bank interest income	<u>1,897</u>	<u>1,038</u>

6. PROFIT BEFORE TAX

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

	6 months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Staff costs	54,282	48,139
Travelling expenses	33,045	24,662
Directors' fees	644	667
Depreciation of property, plant and equipment	8,830	7,511
Amortisation of land use rights	207	207
Amortisation of technology rights	35,000	27,333
Amortisation of seed strain	600	600
Rental — operating leases	4,400	4,400
Interest on convertible bonds at amortised cost	12,518	10,521
Interest expense	3,193	1,144
Interest income	<u>(1,897)</u>	<u>(1,038)</u>

7. FINANCE EXPENSES

	6 months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest on bank borrowings	3,193	1,144
Interest on convertible bonds at amortised cost	12,518	10,521
Bank charges	<u>434</u>	<u>114</u>
	<u>16,145</u>	<u>11,780</u>

8. INCOME TAX EXPENSE

	6 months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Income tax		
— current tax	32,251	39,281
— under provision in respect of prior year	1,590	537
Deferred tax	(2,407)	(5,670)
	<u>31,434</u>	<u>34,148</u>

Income tax on assessable profits during the financial periods ended 30 June 2012 and 2011 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	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>134,176</u>	<u>153,828</u>
Tax at the applicable income tax rates	30,841	31,013
Tax effect of expenses not deductible for tax purposes	187	447
Effect on tax exemptions granted to subsidiaries in the PRC	(5)	(49)
Deferred tax benefits not recognised	599	—
Utilisation of deferred tax benefits not recognized previously	(3,878)	(220)
Withholding tax on distributable profits of PRC subsidiaries	2,100	2,420
Under provision in respect of prior year	1,590	537
Taxation for the period	<u>31,434</u>	<u>34,148</u>

9. DIVIDENDS

	6 months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Ordinary		
— 2010 final dividend of RMB2.2 cents per share (paid)	—	35,011
— 2011 final dividend of RMB3.0 cents per share (unpaid)	47,742	—
	<u>47,742</u>	<u>35,011</u>

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

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

	Group	
	6 Months ended 30 June	
	2012	2011
Net profit after tax attributable to owners of the Company (<i>RMB'000</i>)	91,275	118,472
a) Based on weighted average number of shares (<i>RMB cents/share</i>)	5.74	7.44
b) Based on fully diluted basis (<i>RMB cents/share</i>)	5.74	7.44
Weighted average number of shares applicable to basic earnings per share (<i>'000</i>)	1,591,391	1,591,391
Weighted average number of shares based on fully diluted basis (<i>'000</i>)	<u>1,591,391</u>	<u>1,591,391</u>

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

<i>RMB'000</i>	Seed strains	Production technology rights	Goodwill	Total
Cost				
1 January 2011, 31 December 2011, 1 January 2012 and 30 June 2012	11,500	685,000	124,617	821,117
Accumulated amortisation				
At 1 January 2011	700	20,750	—	21,450
Amortisation for the year	1,200	62,333	—	63,533
At 31 December 2011 and 1 January 2012	1,900	83,083	—	84,983
Amortisation for the period	600	35,000	—	35,600
At 30 June 2012	2,500	118,083	—	120,583
Net book value				
At 31 December 2011	<u>9,600</u>	<u>601,917</u>	<u>124,617</u>	<u>736,134</u>
At 30 June 2012	<u>9,000</u>	<u>566,917</u>	<u>124,617</u>	<u>700,534</u>

Capital expenditure

The Group's capital expenditure in respect of property, plant and equipment amounted to approximately RMB2.4 million (2011: RMB3.8 million). The capital expenditure primarily consisted of the followings:

	6 months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Plant and machinery	2,025	1,438
Motor vehicles	235	713
Office equipment	134	240
Buildings	28	1,414
	<u>2,422</u>	<u>3,805</u>

12. TRADE RECEIVABLES

	HY2011	FY2011
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from third-parties	162,487	97,744
Less: allowance for impairment	—	(120)
	<u>162,487</u>	<u>97,624</u>

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:

	HY2012	FY2011
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	34,472	26,352
31 to 90 days	84,656	19,138
91 to 180 days	43,194	26,661
181 to 365 days	165	25,473
	<u>162,487</u>	<u>97,624</u>

13. TRADE PAYABLES

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

	HY2012 RMB'000	FY2011 RMB'000
0 to 30 days	10,102	7,040
31 to 90 days	7,068	3,420
91 to 180 days	2,937	404
181 to 365 days	1,200	3,713
Over 365 days	1,913	3,147
	23,220	17,724