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 2013

**For identification purpose only*

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wang Yangang
(Executive Chairman & CEO)
Sun Jinguo (Deputy CEO)
Fu Shan (Non-executive Director)
Ma Yan Qing Steven (Non-executive Director)
(retired on 25 April 2013)
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

Codan Services Limited

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 PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Beijing Branch
8/F Deloitte Tower
The Towers, Oriental Plaza
1 East Chang'An Avenue
Beijing 100738, PRC

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

PRINCIPAL SHARE REGISTRAR

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

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 2013 ("2Q2013") and six months ended 30 June 2013 ("HY2013") is set out below.

Revenue	**2Q2013**		**2Q2012**		**HY2013**		**HY2012**	
	RMB	**%**	**RMB**	**%**	**RMB**	**%**	**RMB**	**%**
Powdered form drugs	108,382	50.4	126,895	52.2	211,168	53.1	228,867	55.2
Injection form drugs	7,301	3.4	8,236	3.4	16,330	4.1	17,144	4.1
Biological drugs	99,465	46.2	107,767	44.4	169,964	42.8	168,454	40.7
Total	215,148	100.0	242,898	100.0	397,462	100.0	414,465	100.0

The Group has recorded an aggregate revenue of RMB215.1 million in the current quarter, representing a 18.0% growth over the preceding quarter and a 11.4% decrease over 2Q2012. Total revenue for HY2013 dipped by RMB17.0 million or 4.1% from RMB414.5 million in HY2012 to RMB397.5 million in HY2013. The slide in revenue was mainly due to weaker sales of formulated drugs from RMB246.0 million in HY2012 to RMB227.5 million in HY2013.

Powdered form drug sales amounted to RMB211.2 million in HY2013, representing a decrease of RMB17.7 million or 7.7% over HY2012 while injection form drugs contributed RMB16.3 million in revenue over the same period, a decrease of 4.7% over HY2012. China's poultry industry has been severely hit by reports on H7N9 human infections and this resulted in the closure of many poultry markets in eastern China by the authorities to curb the spread of the H7N9 virus. Consumers have stayed away from poultry products due to fears of being infected by the deadly virus, resulting in lower poultry prices which in turn led to breeders reducing their breeding stocks to cut losses. For the current quarter, which corresponds with the peak of the H7N9 outbreak, powdered drugs sales amounted to RMB108.4 million which represents a 14.6% decrease over 2Q2012.

Revenue from biological drugs remained relatively flat in current period. Sales of mandatory vaccines to provincial veterinary stations accounted for RMB89.6 million in 2Q2013, bringing the aggregate mandatory vaccine sales in HY2013 to RMB151.2 million (HY2012: RMB 151.4 million). The lacklustre performance from this segment can be attributed to lower sales recorded for Porcine reproductive and respiratory syndrome ("PRRS") vaccines and Swine fever vaccines, and mitigated by stronger sales recorded for animal foot and mouth disease ("FMD") vaccines and common vaccines. PRRS vaccines contributed RMB48.5 million in revenue in 2Q2013, bringing the total PRRS vaccines sales in HY2013 to RMB66.1 million, compared to PRRS sales of RMB75.5 million in HY2012. Swine fever vaccines accounted for RMB14.9 million in revenue in the first half of 2013, RMB1.4 million lower than the RMB16.3 million of swine fever vaccine sales achieved in HY2012. FMD sales in current quarter amounted to RMB26.3 million, bringing total sales for HY2013 to RMB70.2 million. This is an increase of RMB10.6 million or 18.8% from sales of RMB59.6 million in HY2012. Sale of common vaccines increased from RMB17.0 million in HY2012 to RMB18.7 million in HY2013.

Cost of sales of the Group constituted approximately 37.2% of its revenue in HY2013 and HY2012. Cost of sales decreased by RMB6.4 million or 4.1% from RMB154.2 million in HY2012 to RMB147.8 million in HY2013. Overall gross profit margin remained constant at 62.8% in HY2013 (HY2012: 62.8%).

Excluding the effects of amortisation, gross profit margins remained relatively stable across all business segments in the current period. Gross profit margins for powdered form drugs and injection form drugs in HY2013 were 76.8% and 64.8% respectively, compared to 76.3% and 61.3% respectively in HY2012. 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 increase in gross profit margin of injection form drugs are mainly due to a variation of product mix sold in the current period. Gross profit margin for biological drug sales has increased by 1.9 percentage points to 67.6% in HY2013 compared to the 65.7% gross profit margin achieved in HY2012. The improvement is mainly attributed to a higher gross profit margin achieved for the mandatory vaccines. Gross profit margins of animal FMD vaccine, swine fever vaccines and PRRS vaccines are 61.3%, 66.1% and 75.4% respectively in HY2013 (HY2012: 60.8%, 64.8% and 69.3% respectively).

Other operating expenses of RMB16.5 million in HY2012 comprises mainly net foreign exchange loss of RMB11.5 million and research and development expenses of RMB5.0 million. The foreign exchange loss is mainly due an increase of Singapore Dollar deposits from the issuance of shares and warrants and the appreciation of Renminbi against Singapore Dollar during the period.

Selling and distribution expenses remained relatively constant at RMB90.0 million (HY2012: RMB88.4 million) and these mainly relates to payroll expenses, travelling and transport expenses and marketing and promotion expenses.

Administrative expenses increased by RMB7.4 million or 33.1% from RMB22.3 million in HY2012 to RMB29.7 million in HY2013 due mainly to increase in professional fees incurred for the Company's delisting exercise. Professional fees amounting to approximately RMB7.0 million has been recorded during the period.

Finance costs amounted to RMB16.6 million in HY2013, an increase of RMB0.9 million from prior period. It comprises Arrangement Fee of RMB11.7 million, interest on Redemption Amount of the convertible bond of RMB2.3 million and loan interest expense of RMB2.6 million. In connection with the Company's proposed voluntary delisting from SGX, the Group has entered into a SGD60.0 million facility agreement with Macquarie Capital (Singapore) Pte Limited ("Macquarie"). The total arrangement fee for the standby facility amounted to SGD2.4 million of which SGD1.96 million was borne and paid by our two shareholders, Lilly Nederland Holding B.V. (Lilly") and Themes Dragon International Limited ("Themes"). The portion borne by the shareholders is deemed as contribution to equity and accounted for as a notional finance charge. Loan interest expense relates mainly to working capital loans from HSBC Bank (China) Company Limited amounting to RMB90.0 million as at 30 June 2013. The decrease in interest income of RMB0.3 million was due mainly to the decrease of average deposits with the banks of various subsidiaries.

Tax expense decreased by RMB3.4 million to RMB28.1 million in HY2013. Excluding the finance costs and expenses incurred for the delisting exercise and foreign exchange loss on bank balances, the Group's effective tax rate is 21.3%. 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 2 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 HY2013 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 RMB31.0 million or 33.9% from RMB91.3 million in HY2012 to RMB60.3 million in HY2013. Net profit attributable to non-controlling interests amounted to RMB10.8 million in HY2013.

Balance Sheet Review

As at 30 June 2013, non-current assets amounted to approximately RMB888.1 million and comprised property, plant and equipment ("PPE") of RMB183.8 million, prepaid lease payments of RMB15.8 million, intangible asset of RMB562.8 million, goodwill of RMB124.6 million and available-for-sale investment of RMB1.1 million.

The decrease of approximately RMB8.5 million in PPE during HY2013 was mainly attributed to depreciation charge of RMB8.9 million and partially offset by PPE additions of RMB0.4 million comprising mainly improvements to buildings, additions of plant and machinery and office equipment.

Prepaid lease payments amounted to RMB15.8 million as at 30 June 2013 after amortisation charge of RMB0.2 million in HY2013. A portion of unused land amounting to approximately RMB2.3 million has been returned to the authorities and the said amount was refunded to the Group. These prepaid lease payments have remaining useful lives ranging from approximately 41 to 46 years as at end HY2013. Intangibles as at 30 June 2013 comprised production technology rights of RMB501.8 million and seed strain of RMB61.0 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 HY2013. In addition, production technology rights of Shanxi Longkeer amounted to RMB3.8 million as at 30 June 2013, after amortisation charge of RMB1.0 million in HY2013. These production technology rights have remaining useful lives ranging of approximately 7 years as at end of HY2013.

The seed strains purchased by the Group from a governmental animal disease research and development institute for the production of the FMD vaccine amounted to RMB61.0 million after amortisation charge of RMB3.5 million during the period.

Goodwill on acquisition of subsidiaries amounted to RMB124.6 million. It 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 2013.

The available-for-sale financial asset 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, prepayments and other receivables, deferred expenditure, pledged deposits and cash and cash equivalents. Current assets amounted to approximately RMB1,437.6 million as at end of HY2013, representing an increase of RMB346.7 million over end of FY2012. The increase is mainly attributed to increases in cash and cash balances, trade receivables and prepayments and other receivables, and deferred expenditure of RMB248.1 million, RMB89.8 million, RMB4.1 million and RMB10.6 million respectively in HY2013, and partially offset by decrease in inventories of RMB5.9 million.

Cash and cash equivalents, excluding pledged deposit of RMB30.0 million amounted to approximately RMB1,054.8 million as at 30 June 2013. Approximately RMB48.0 million was generated from the Group's operating activities. Net cash used in investing activities amounted to RMB0.4 million. PPE purchases amounted to RMB0.4 million and RMB2.3 million pertained to refund from the authorities for the return of a portion of the land. Pledged deposits for the outstanding banking facilities increased by RMB2.3 million during the year. Net cash generated from financing activities amounted to RMB209.1 million. Proceeds from the issuance of shares amounted to RMB159.4 million and the corresponding expenses amounted to RMB9.7 million. Advance proceeds from issuance of warrants amounted to RMB318.6 million. Deferred expenditure of RMB10.6 million pertained to professional fees incurred for warrants and shares issuance. RMB9.5 million pertained to the arrangement fee on the Facility Agreement borne and paid for by Lilly and Themes. The Group repaid RMB57.0 million of the working capital loan and drew down a new working capital loan of RMB82.0 million in the current period.

Trade receivables amounted to RMB305.2 million as at 30 June 2013, comprising mainly of RMB151.2 million due from provincial veterinary stations for compulsory vaccine sales and RMB144.5 million due from retailers of the Group's formulated animal drugs. With the introduction of Good Supply Practice ("GSP") requirements, animal drugs retailers are compelled to allocate considerable resources to be GSP compliant, including the acquisition of the relevant infrastructure and storage equipment. For strategic purposes, the Group has extended one-off credit terms for prior year sales to these retailers to aid them through this critical period when many were experiencing transitional working capital difficulties. The total credit extended to these retailers amounted to RMB144.5 million and are expected to be paid down over a period of 18 months expiring in December 2013 and all subsequent sales have resumed to cash terms.

Other receivables amounted to RMB9.8 million as at 30 June 2013, comprising mainly security deposits for the compulsory vaccines sales bidding exercise and other sundry debtors. Deferred expenditure pertained to fees incurred for the proposed issuance of shares and warrants.

Inventories decreased by RMB5.9 million, comprising mainly stockpile of PRRS vaccines and FMD vaccines of RMB14.2 million scheduled for delivery in the ensuing quarter. Raw materials amounted to RMB10.9 million as at 30 June 2013.

Current liabilities comprised primarily trade and other payables, borrowings, warrants, convertible bond and income tax liabilities. Current liabilities as at 30 June 2013 amounted to RMB580.5 million.

Trade payables amounted to RMB20.5 million as at end of HY2013, representing an increase of RMB9.5 million over end of FY2012. Other payables increased by RMB310.4 million to RMB386.6 million as at end of HY2013. Other payables mainly comprise advance proceeds from warrants issuance of RMB318.6 million, accrued personnel expenses of RMB23.2 million, accrued operating expenses of RMB33.5 million and VAT and other taxes payable amounting to RMB11.3 million. Accrued operating expenses mainly pertained to professional fees of RMB24.3 million.

Total borrowings as at 30 June 2013 amounted to RMB90.0 million. The Group repaid RMB57.0 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 subsequently drew down a short-term working capital loan of RMB82.0 million from the HSBC Bank (China) Company Limited. The loan is to be repaid in full upon maturity by March 2014.

Convertible bonds amounting to RMB61.1 million as at 30 June 2013 represent the Redemption Amount and interest accrued. The Group has repaid USD45,000,000 during the period.

Income tax liabilities amounted to approximately RMB22.3 million as at 30 June 2013 and mainly relate to the corporate tax payable by the PRC subsidiaries on the operating profits for HY2013.

Non-current liabilities, which comprises deferred tax liabilities amounted to RMB133.5 million as at 30 June 2013. Deferred taxation of RMB133.5 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 RMB14.5 million as at 30 June 2013.

The Group's total equity comprised share capital, share premium, retained earnings, other reserves and non-controlling interests. Total equity as at 1 January 2013 amounted to approximately RMB1,381.4 million. Net profit attributable to owners of the Company and non-controlling interests amounted to RMB60.3 million and RMB10.8 million in the current period respectively. Consequently, total equity increased to RMB1,611.8 million as at 30 June 2013, of which RMB1,358.4 million is attributable to owners of the Company.

(II) FINANCIAL REVIEW

Loans and Debt Securities

	Group			
	As at 30.6.13		As at 31.12.12	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Amount repayable in one year or less, or on demand	90,000	61,103	65,000	338,675
Amount repayable after one year	–	–	–	–
Total	90,000	61,103	65,000	338,675

Details of any collateral

The loan of RMB90.0 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 RMB30.0 million on bank deposits

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

(III) PROSPECTS

China's poultry industry has been severely hit by reports on H7N9 human infections. Since late March, authorities have closed many poultry markets in eastern China to curb the spread of the H7N9 virus and many consumers have stayed away from poultry products due to fears of being infected by the deadly virus. Poultry prices plummeted as a result and many breeders have reduced or killed all their breeding stocks to cut losses. Expectedly, our powdered drugs sales suffered a 14.6% year-on-year dip in the current quarter, bearing the brunt of the H7N9 aftermath.

To stabilise the industry, the central government has embarked on subsidy initiatives to major poultry-processing companies and breeders nationwide. Certain provinces have also issued beneficial policies to ease the pressure on breeders. Such measures have led to a rebound in poultry prices in May 2013. Poultry prices are expected to rise further as the waning H7N9 virus help consumers regain confidence in poultry meat and related products.

On the broader scheme of things, recent economic indicators and data have confirmed that China's growth engine is spluttering. Manufacturing activity contracted to an 11-month low in July, suggesting a continuous slowdown in the manufacturing sectors on the back of weaker new orders. Export manufacturers are still reeling under weak global demand. Barring the policy makers re-introducing any major stimulus measures in the short term to boost growth, the domestic economy is expected to remain sluggish.

(IV) DISCLOSURE OF INTERESTS

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

As at 30 June 2013, 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	50.0
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 2013, 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 2013, 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	Shares held in the name of the substantial shareholders/ their nominee	Shareholdings in which the substantial shareholders are deemed to be interested	Underlying Shares in which the substantial shareholders are deemed to be interested	Total	Percentage of the Company's Issued Share Capital
Li Chunhua	848,774,583(1)	–	–	848,774,583	50.0
Wang Yangang(2)	–	848,774,583	–	848,774,583	50.0
Eli Lilly and Company	–	293,940,208	346,920,730	640,860,938	37.75
Eli Lilly International Corporation	–	293,940,208	346,920,730	640,860,938	37.75
Skandinaviska Enskilda Banken AB (Publ)(3)	–	53,079,270	106,059,792	159,139,062	9.37
Themes Investment Partners II GP, L.P. (3)	–	53,079,270	106,059,792	159,139,062	9.37
Themes Investment Partners II, L.P.(3)	–	53,079,270	106,059,792	159,139,062	9.37
TIP II General Partner Limited (3)	–	53,079,270	106,059,792	159,139,062	9.37
Yi Xiqun (3)	–	53,079,270	106,059,792	159,139,062	9.37
Yu Fan (3)	–	53,079,270	106,059,792	159,139,062	9.37
BCP/CAH Holdings (Cayman) L.P.(4)	–	20,000,000	136,425,648	156,425,648	9.21

(1) Mdm Li Chunhua held 280,860,938 Shares in her own name while 300,000,000 Shares are held in the name of CCB International Securities Ltd and 267,913,645 Shares are held in the name of Macquarie Bank Limited.

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

(3) A total of 53,079,270 Subscription Shares and 106,059,792 Warrants were subscribed by SEB SICAV 2 – SEB Listed Private Equity Fund ("SEB Listed PE Fund") and Themes Dragon International Limited ("Themes") under a conditional Subscription Agreement, of which 6,473,081 Subscription Shares and 12,934,120 Warrants were subscribed by SEB Listed PE Fund and 46,606,189 Subscription Shares and 93,125,672 Warrants were subscribed by Themes. The controlling shareholder of SEB Listed PE Fund is Skandinaviska Ensikilda Banken AB (Publ) and Themes' controlling shareholders/general partners are Themes Investment Partners II GP, L.P., Themes Investment Partners II, L.P. and TIP II General Partner Limited, Mr Yi Xiqun and Mr Yu Fan.

(4) The number of Shares and Underlying Shares held by BCP/CAH Holdings (Cayman) L.P. and its percentage of shareholding are those stated in the disclosure of interests notice available on the website of the Hong Kong Stock Exchange as at 30 June 2013.

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.

During the year ended 31 December 2010, 3,000,000 share awards were granted and awarded to 223 employees (including directors and other key management personnel) under the Scheme.

There were no such awards granted during the six months ended 30 June 2013 or the previous financial year ended 31 December 2012.

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

Name of director	Awards granted during the year	Aggregate awards granted since commencement of the Scheme to end of the year	Aggregate awards released during the year	Aggregate awards lapsed during the year	Aggregate awards outstanding at the end of the year
Mr Sun Jinguo	–	3,000,000	–	–	–

(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.

As at period end, other than the convertible bonds which are denominated in US$, the Group and the Company hold certain cash and short term deposits denominated in foreign currencies for working capital purposes.

(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 2013, RMB151.1 million (FY2012 : RMB403.7 million), or 100% (FY2012 : 100%) 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 Group issued USD40.0 million in principal amount of zero-coupon Convertible bonds to the Blackstone Group maturing 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.

The Company has received a redemption notice from BCP/CAH on 31 December 2012. In accordance with the terms of the bonds, the Company will proceed to pay the redemption amount of US$54,350,685 in respect of the bonds to the bondholder within six months of the redemption date. Interest is payable by the Company on the Redemption Amount for the period between the Redemption Date and the date of Redemption Settlement based on an interest rate equivalent to that which would be chargeable by DBS Bank Limited on an equivalent US dollar corporate loan. The Company has repaid USD45,000,000 during the period and the total amount outstanding inclusive of interest is USD9,956,156 as at 30 June 2013.

(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 2013.

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 2013.

The Group monitors capital using a gearing ratio, which is total borrowings (including convertible bonds) divided by total equity. The gearing ratio at the end of the financial period is 0.09 (FY2011: 0.29).

3. Capital Commitments

As at 30 June 2013, the Group had no capital commitments (FY2012: Nil).

4. Contingent Liabilities

As at 30 June 2013, the Group has no material contingent liabilities (FY2012: Nil).

5. Material litigation and arbitration

As at 30 June 2013, the Group was not involved in any material litigation or arbitration.

6. Employees and Remuneration Policy

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.

7. 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 2013 has not been audited by our auditors, Deloitte Touche Tohmatsu. The Audit Committee has reviewed the interim results for the period ended 30 June 2013.

8. Compliance with the Corporate Governance Code

The Company devotes to best practice on corporate governance, and has complied with all the code provisions of the Corporate Governance Code (the ''CG Code'') as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013, except with the following deviations:

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.

Mr. Fu Shan, a non-executive director of the Company, was unable to attend the 2013 annual general meeting held on 25 April 2013 as provided for in Code Provision A.6.7 due to other business engagement.

9. 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 2013, all Directors have complied with the required standards of the Model Code.

10. Closure of Register of Members

Not applicable as no interim dividend in respect of the period ended 30 June 2013 has been proposed by the Directors.

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

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the securities of the Company.

12. Changes in Directors' Information

Changes in directors' information since the date of the 2012 Annual Report are set out below:

Name of director	Changes
Joshua Ong Kian Guan	Appointed on 31 July 2013 as an independent director of Asia Fashion Holdings Limited, a company listed on the Mainboard of SGX-ST. He has also been appointed as chairman of the audit committee and member of the nominating committee and remuneration committee of Asia Fashion Holdings Limited
Wong Gang	Retired on 22 May 2013 as an independent director of Fujian Zhenyun Plastics Industry Co., Ltd., a company listed on the Mainboard of SGX-ST. He thus ceased to be the chairman of the nominating and remuneration committees and member of audit committee of Fujian Zhenyun Plastics Industry Co., Ltd. concurrently.

13. Issue of Shares and Warrants of the Company

On 8 May 2013, the Company has issued an aggregate of 106,158,540 shares and 212,119,584 warrants to Lilly Nederland Holding B.V, Themes Dragon International Limited and SEB Listed PE Fund at S$0.30 each. Proceeds from the issuance of shares amounted to approximately S$31,848,000 and advance proceeds from warrants amounted to approximately S$63,636,000. As at 30 June 2013, the total shares of the Company in issue is 1,697,549,165 ordinary shares.

14. 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 2013 together with the comparative figures for the previous period as follows:

Consolidated Statement of Comprehensive Income

	Group Unaudited 3 Months Ended			Group Unaudited 6 Months Ended		
	30.6.13	**30.6.12**	**Change**	**30.6.13**	**30.6.12**	**Change**
	RMB'000	**RMB'000**	**%**	**RMB'000**	**RMB'000**	**%**
Revenue	215,148	242,898	(11.4)	397,462	414,465	(4.1)
Cost of sales	(78,387)	(87,724)	(10.6)	(147,814)	(154,187)	(4.1)
Gross profit	136,761	155,174	(11.9)	249,648	260,278	(4.1)
Other operating income	735	–	n.m.	735	272	170.2
Other operating expenses	(13,877)	(3,510)	–	(16,513)	(5,010)	n.m
Change in fair value of derivative financial instruments	–	(633)	n.m	–	3,152	(100.0)
Selling and distribution expenses	(49,064)	(49,579)	(1.0)	(89,994)	(88,368)	1.8
Administrative expenses	(17,698)	(10,662)	66.0	(29,727)	(22,335)	33.1
Profit from operations	56,857	90,790	(37.4)	114,149	147,989	(22.9)
Finance income	850	1,003	(15.3)	1,626	1,897	(14.3)
Finance costs	(13,386)	(7,871)	70.1	(16,572)	(15,710)	5.5
Profit before taxation	44,321	83,922	(47.2)	99,203	134,176	(26.1)
Taxation	(17,321)	(20,403)	(15.1)	(28,069)	(31,434)	(10.7)
Profit and total comprehensive income for the period	27,000	63,519	(57.5)	71,134	102,742	(30.8)
Profit and total comprehensive income for the period attributable to:						
Owners of the Company	21,673	54,601	(60.3)	60,301	91,275	(33.9)
Non-controlling interests	5,327	8,918	(40.3)	10,833	11,467	(5.5)
	27,000	63,519		71,134	102,742	
Earnings per share *(RMB cents)*						
– basic and diluted				3.58	5.75	

BALANCE SHEETS

	Group As at 30.6.13 RMB'000	Group As at 31.12.12 RMB'000	Company As at 30.6.13 RMB'000	Company As at 31.12.12 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	183,811	192,312	–	–
Prepaid lease payments	15,838	18,315	–	–
Available-for-sale financial asset	1,125	1,125	–	–
Intangible assets	562,750	600,700	–	–
Goodwill	124,617	124,617	–	–
Investment in subisidiaries	–	–	869,696	869,696
Amounts due from a subisidiary	–	–	249,893	249,893
	888,141	937,069	1,119,589	1,119,589
Current assets				
Inventories	27,263	33,201	–	–
Trade receivables	305,173	215,407	–	–
Prepayments and other receivables	9,786	5,664	–	–
Deferred expenditure	10,584	–	10,584	–
Amounts due from a subisidiary	–	–	231,090	228,840
Pledged deposits	30,000	27,701	–	–
Cash and cash equivalents	1,054,775	808,934	203,038	31,969
	1,437,581	1,090,907	444,712	260,809
Total assets	2,325,722	2,027,976	1,564,301	1,380,398
EQUITIES AND LIABILITIES				
Current liabilities				
Trade payables	20,468	10,962	–	–
Other payables and accrued charges	386,577	76,189	343,969	7,011
Amounts due to subisidiaries	–	–	2,802	2,752
Borrowings	90,000	65,000	–	–
Convertible bonds - loan component	61,103	338,675	61,103	338,675
Provision for income tax	22,343	15,357	–	–
	580,491	506,183	407,874	348,438
Net current assets/(liabilities)	857,090	584,724	36,838	(87,629)
Total assets less current liabilities	1,745,231	1,521,793	1,156,427	1,031,960
Capital and reserves				
Issued equity/share capital	87,481	79,075	155,533	147,127
Reserves	1,270,926	1,059,780	1,000,894	884,833
Equity attributable to owners of the Company	1,358,407	1,138,855	1,156,427	1,031,960
Non-controlling interests	253,348	242,515	–	–
Total equity	1,611,755	1,381,370	1,156,427	1,031,960
Non-current liabilities				
Deferred tax liabilities	133,476	140,423	–	–
	133,476	140,423	–	–
Total liabilities	713,967	646,606	407,874	348,438
Total equity and liabilities	2,325,722	2,027,976	1,564,301	1,380,398

CONSOLIDATED CASH FLOW STATEMENT

	Group 6 Months Ended	
	30.6.13	30.6.12
	RMB’000	RMB’000
Cash Flows from Operating Activities		
Profit before income tax	99,203	134,176
Adjustments for:		
Change in fair value of derivative	–	(3,152)
Depreciation of property, plant and equipment	8,883	8,830
Release of prepaid lease payments	199	207
Amortisation of intangible assets	37,950	35,600
Foreign exchange translation	11,580	1,519
Interest on convertible bonds at amortised cost	–	12,518
Interest income	(1,626)	(1,897)
Interest expense	4,886	3,192
Operating cash flow before movements in working capital	161,075	190,993
Changes in working capital:		
Inventories	5,938	2,199
Trade and other receivables	(93,888)	(66,383)
Trade and other payables	1,315	23,973
Cash generated from operating activities	74,440	150,782
Interest received	1,626	1,897
Income tax paid	(28,028)	(36,297)
Net cash generated from operating activities	48,038	116,382
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(383)	(2,422)
Refund of prepaid leases	2,277	–
Bank deposit pledged	(2,299)	(3,150)
Net cash used in investing activities	(405)	(5,572)
Cash Flows from Financing Activities		
Proceeds from shares issuance	159,438	–
Advance proceeds from warrants issuance	318,579	–
Shares issuance expenses	(9,731)	–
Deferred expenditure on shares and warrants issuance	(10,584)	–
Reimbursement of finance costs by shareholders	9,544	–
Partial repayment of Redemption Amount of convertible bond	(277,572)	–
Repayment of borrowings	(57,000)	(7,984)
Proceeds from borrowings	82,000	17,297
Interest paid	(4,886)	(3,192)
Net cash generated from financing activities	209,788	6,121
Net increase in cash and cash equivalents	257,421	116,931
Effects of exchange rate changes on the balance of cash held in foreign currencies	(11,580)	332
Cash and cash equivalents at the beginning of the period	808,934	704,182
Cash and cash equivalents at the end of the period	1,054,775	821,445

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

	Group As at 30.6.13 RMB'000	Group As at 30.6.12 RMB'000
Cash and bank balances	1,084,775	850,593
Less: bank deposits pledged	(30,000)	(29,148)
Cash and cash equivalents per cash flow statement	1,054,775	821,445

STATEMENTS OF CHANGES IN EQUITY

Group	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Reserve fund RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
	Attributable to owners of the Company							
Balance at 1 January 2013	79,075	309,702	–	(26,358)	91,926	684,510	242,515	1,381,370
Total comprehensive income for the period	–	–	–	–	–	60,301	10,833	71,134
Reimbursement of finance costs by shareholders	–	–	9,544	–	–	–	–	9,544
Issuance ofshares	8,406	151,032	–	–	–	–	–	159,438
Shares issuance expense	–	(9,731)	–	–	–	–	–	(9,731)
Balance at 30 June 2013	87,481	451,003	9,544	(26,358)	91,926	744,811	253,348	1,611,755
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

Company	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2013	147,127	309,702	609,235	–	(34,104)	1,031,960
Loss and total comprehensive expense for the period	–	–	–	–	(34,784)	(34,784)
Issuance of shares	8,406	151,032	–	–	–	159,438
Shares issuance expense	–	(9,731)	–	–	–	(9,731)
Reimbursement of finance costs by shareholders	–	–	–	9,544	–	9,544
Balance at 30 June 2013	155,533	451,003	609,235	9,544	(68,888)	1,156,427
Balance at 1 January 2012	147,127	309,702	656,977	–	39,855	1,153,661
Total comprehensive income for the period	–	–	–	–	32,738	32,738
Dividend	–	–	(47,742)	–	–	(47,742)
Balance at 30 June 2012	147,127	309,702	609,235	–	72,593	1,138,657

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”**) during the financial period ended 30 June 2013. The delisting of the shares of the Company from the SGX-ST pursuant to the Selective Capital Reduction has been taken place at 9:00 a.m. on 29 August 2013. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamiliton HM 11, Bermuda and its principal place of business in Hong Kong is Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. 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 2013.

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 2012. 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 2013 where applicable. The application of these standards has no significant impact on the Group.

The Group has reclassified certain financial line items in the consolidated financial statements for the period ended 30 June 2012 to conform with the current period financial statement presentation.

Consolidated statement of comprehensive income

i. Amortisation expense of RMB35,600,000 has been reclassified from administrative expenses to cost of goods sold in the statement of comprehensive income;

ii. Bank charges of RMB435,000 have been reclassified from finance costs to administrative expenses in the statement of comprehensive income; and

iii. Research and development expenses of RMB3,048,000 have been reclassified from administrative expenses to other expenses.

	3 Months Ended		6 Months Ended	
	30.6.12	**30.6.12**	**30.6.12**	**30.6.12**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
		restated		restated
Cost of sales	69,924	87,724	118,587	154,187
Administrative expenses	29,921	10,662	60,548	22,335
Finance cost	7,960	7,871	16,145	15,710
Other expenses	1,962	3,510	1,962	5,010

Consolidated statement of cash flows

iv. Bank deposits pledged of RMB3,150,000 have been reclassified from financing activities to investing activities; and

v. Interest paid of RMB3,192,000 has been reclassified from operating activities to financing activities.

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

HY2013	Powdered form drugs RMB'000	Injection form drugs RMB'000	Biological drugs RMB'000	Total RMB'000
Revenue	211,168	16,330	169,964	397,462
Segment results	78,635	6,311	51,576	136,522
Unallocated expenses, net				(22,373)
Financial expenses, net				(14,946)
Profit before tax				99,203
Tax				(28,069)
Profit for the period				71,134
Segment assets	766,182	56,033	1,287,169	2,109,384
Unallocated assets				
- Cash and cash equivalents				205,754
- Deferred expenditure				10,584
Total assets				2,325,722
Segment liabilities	36,280	97	26,700	63,077
Unallocated liabilities				
- Other payables				25,389
- Warrants				318,579
- Convertible bonds				61,103
- Borrowings				90,000
- Income tax liabilities				22,343
- Deferred tax liabilities				133,476
Total liabilities				713,967

HY2012	Powdered form drugs RMB'000	Injection form drugs RMB'000	Biological drugs RMB'000	Total RMB'000
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

(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	
	2013	**2012**
	RMB'000	**RMB'000**
REVENUE		
Sale of goods	397,462	414,465
OTHER INCOME AND GAINS		
Other operating income	735	272
Change in fair value of derivatives	–	3,152
Bank interest income	1,626	1,897

6. Profit before tax

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

	6 months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Staff costs	51,500	54,282
Travelling expenses	32,648	33,045
Directors' fees	637	644
Depreciation of property, plant and equipment	8,883	8,830
Amortisation of land use rights	199	207
Amortisation of intangible assets	37,950	35,600
Rental – operating leases	5,300	4,400
Interest on convertible bonds at amortised cost	–	12,518
Interest expense	16,572	3,192
Interest income	(1,626)	(1,897)

7. Finance expenses

	6 months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest on bank borrowings	2,635	3,192
Interest on convertible bonds at amortised cost	–	12,518
Interest on redemption sum of convertible bonds	2,251	–
Arrangement fee on Facility Agreement	11,686	–
	16,572	15,710

8. Income tax expense

	6 months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Income tax		
- current tax	33,410	32,251
- under provision in respect of prior year	1,606	1,590
Deferred tax	(6,947)	(2,407)
	28,069	31,434

Income tax on assessable profits during the financial periods ended 30 June 2013 and 2012 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	
	2013	**2012**
	RMB'000	**RMB'000**
Profit before taxation	99,203	134,176
Tax at the applicable income tax rates	25,368	30,841
Tax effect of expenses not deductible for tax purposes	8,794	1,184
Effect on tax exemptions granted to subsidiaries in the PRC	(9,159)	(4,281)
Withholding tax on distributable profits of PRC subsidiaries	1,460	2,100
Under provision in respect of prior year	1,606	1,590
Taxation for the period	28,069	31,434

9. Dividends

	6 months ended 30 June	
	2013	**2012**
	RMB'000	**RMB'000**
Ordinary		
2012 final dividend of RMB3.0 cents per share	–	47,742

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2013.

10. Earnings per share attributable to equity holders of the Company

	Group	
	6 Months ended 30 June	
	2013	**2012**
Net profit after tax attributable to owners of the Company (RMB'000)	60,301	91,275
a) Based on weighted average number of shares (RMB cents/share)	3.72	5.74
b) Based on fully diluted basis (RMB cents/share)	3.58	5.74
Weighted average number of shares applicable to basic earnings per share ('000)	1,622,476	1,591,391
Weighted average number of shares based on fully diluted basis ('000)	1,684,588	1,591,391

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 calculated based on the weighted average number of shares issued during the financial period under review plus the number of ordinary shares that would be issued on the exercise of all warrants.

11. Trade receivables

	HY2013 RMB'000	FY2012 RMB'000
Trade receivables from third-parties	302,767	214,405
Trade receivables from related parties	2,406	1,002
Less: allowance for impairment	–	–
	305,173	215,407

Note: Related parties are companies controlled by a director of the Company

The Group allows credit period ranging from 30 to 180 days to large-scale poultry enterprises and varies on a case to case basis based on the creditworthiness and the Group's existing relationships with its customers.

The Group's sales to animal drug retail customers are mainly on cash-on-delivery basis. However, during FY2012, with the introduction of Good Supply Practice ("GSP") requirements, animal drug retailers are required to allocate considerable resources to be GSP compliant. For strategic purpose, the Group extended one-off credit terms of 18 months for sales to animal drug retailers to aid them through this critical period when many were experiencing transitional working capital difficulties. The related outstanding balances as at 30 June 2013 are expected to be collected by year end. 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. The Directors consider at the difference between the fair value and the carrying amounts of the invoice value of sales transactions are insignificant to the Group.

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

	HY2013 RMB'000	FY2012 RMB'000
0 to 30 days	37,293	13,438
31 to 90 days	92,928	51,507
91 to 180 days	25,572	126,938
181 to 365 days	145,190	22,204
Over 365 days	4,190	1,720
	305,173	215,407

12. Trade payables

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

	HY2013 RMB'000	FY2012 RMB'000
0 to 30 days	7,075	2,325
31 to 90 days	7,949	2,974
91 to 180 days	2,200	1,821
181 to 365 days	2,414	2,814
Over 365 days	830	1,028
	20,468	10,962