



**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 2014**

\* For identification purpose only

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Wang Yangang (*Executive Chairman & CEO*)

Sun Jinguo

(*Executive Director & Deputy CEO*)

Li Jun (*Executive Director*)

(appointed on 6 June 2014)

Alberto Riva (*Non-executive Director*)

(appointed on 20 February 2014)

Du Ying (*Non-executive Director*)

(appointed on 20 February 2014)

Goh Kay Seng Edwin (*Non-executive Director*)

(appointed on 6 June 2014)

Cai Huiyi (*Independent Non-executive Director*)

(appointed on 6 June 2014)

Liu Zhanmin

(*Independent Non-executive Director*)

(appointed on 6 June 2014)

Liang Hsien Tse Joseph

(*Independent Non-executive Director*)

(appointed on 6 June 2014)

Ong Kian Guan

(*Independent Non-executive Director*)

(retired on 3 June 2014)

Feng Jinglan

(*Independent Non-executive Director*)

(retired on 3 June 2014)

Wong Gang

(*Independent Non-executive Director*)

(retired on 3 June 2014)

### **AUDIT COMMITTEE**

Liang Hsien Tse Joseph (*Chairman*)

(appointed on 6 June 2014)

Goh Kay Seng Edwin (appointed on 6 June 2014)

Cai Huiyi (appointed on 6 June 2014)

Ong Kian Guan (ceased on 3 June 2014)

Feng Jinglan (ceased on 3 June 2014)

Wong Gang (ceased on 3 June 2014)

### **REMUNERATION COMMITTEE**

Cai Huiyi (*Chairman*)

(appointed on 6 June 2014)

Alberto Riva (appointed on 6 June 2014)

Liu Zhanmin (appointed on 6 June 2014)

Ong Kian Guan (ceased on 3 June 2014)

Feng Jinglan (ceased on 3 June 2014)

Wong Gang (ceased on 3 June 2014)

## **NOMINATION COMMITTEE**

Liu Zhanmin (*Chairman*)

(appointed on 6 June 2014)

Liang Hsien Tse Joseph

(appointed on 6 June 2014)

Du Ying (appointed on 6 June 2014)

Ong Kian Guan (ceased on 3 June 2014)

Feng Jinglan (ceased on 3 June 2014)

Wong Gang (ceased on 3 June 2014)

## **COMPLIANCE COMMITTEE**

Du Ying (*Chairman*)

Li Jun

Alberto Riva

(Established on 6 June 2014 and the current Chairman/members were appointed on the same date)

## **COMPANY SECRETARY**

Ngai Kit Fong (became the sole company secretary on 3 March 2014)

Goh Kay Seng Edwin (resigned as a joint company secretary on 3 March 2014)

Yeoh Kar Choo (resigned as a joint company secretary on 3 March 2014)

## **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](http://www.chinanimalhealthcare.com)

**AUDITOR****Deloitte Touche Tohmatsu**

35/F One Pacific Place  
88 Queensway  
Hong Kong

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

**PRINCIPAL SHARE REGISTRAR****Codan Services Limited**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

**HONG KONG BRANCH  
SHARE REGISTRAR****Tricor Investor Services Limited**

Level 22, Hopewell Centre  
183 Queen's Road East  
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

#### Statement of Profit or Loss and Other Comprehensive Income Review

A breakdown of the Group's revenue by business activities for the six months ended 30 June 2014 ("HY2014" or "current period") is set out below.

Revenue	HY2014		HY2013	
	RMB'000	%	RMB'000	%
Powdered form drugs	254,631	51.2	211,168	53.1
Injection form drugs	15,987	3.2	16,330	4.1
Biological drugs	226,629	45.6	169,964	42.8
Total	<u>497,247</u>	<u>100.0</u>	<u>397,462</u>	<u>100.0</u>

HY2014 marks a record half-yearly performance for the Group by revenue with an aggregate turnover of RMB497.2 million, representing an increase of RMB99.8 million or 25.1% increase over HY2013 of RMB397.5 million. The increase in turnover is boosted by the surge in sales of biological drugs and powdered form drugs in the current period.

The Group's powdered form drug sales posted a strong set of results in HY2014. Revenue from this segment amounted to RMB254.6 million in the current period, representing an increase of RMB43.5 million or 20.6% over HY2013, while injection form drugs contributed RMB16.0 million in revenue over the same period, a slight decrease of 2.1% over HY2013. Rising poultry prices due to increase in domestic consumption demand has been the key catalyst for the encouraging results from the powdered drugs segment in the current period. The Group continued to capitalise on its extensive network to increase powdered form drug sales to its existing customers.

Biological drugs has also performed commendably in the current period, contributing RMB226.6 million to turnover in HY2014. This is an increase of RMB56.7 million or 33.3% from sales of RMB170.0 million in HY2013. Surge in the biological drugs segment is mainly contributed by the strong performance of animal foot and mouth disease ("FMD") vaccines sales and porcine reproduction and respiratory syndrome ("PRRS") vaccines sales. FMD vaccines sales of RMB106.4 million and PRRS vaccines sales of RMB87.0 million in the current period represent the highest half-yearly sales recorded for these two vaccines to-date.

During the second quarter of 2014, the Group started selling premium FMD vaccines and premium PRRS vaccines (collectively, "premium mandatory vaccines") directly to breeders. Sales of mandatory vaccines to provincial veterinary stations and premium mandatory vaccines to breeders accounted for RMB192.4 million and RMB16.5 million respectively in HY2014, bringing the aggregate mandatory vaccines sales in HY2014 to RMB208.9 million. In comparison with HY2013 which posted turnover of RMB151.2 million, this segment has achieved a 38.2% growth in the current period. Common vaccines accounted for RMB17.8 million of revenue in the current period, a decrease of RMB0.9 million in comparison with sales of RMB18.7 million in HY2013.

FMD vaccines has achieved creditable aggregate sales of RMB106.4 million in HY2014, representing an increase of RMB36.2 million or 51.6% from HY2013 of RMB70.2 million. Revenue from sales of FMD vaccines to provincial veterinary stations increased by RMB33.7 million or 48.0% from RMB70.2 million in HY2013 to RMB103.9 million in the current period. Following its initial launch in 2011, the Group's FMD vaccines have since enjoyed increasing market acceptance and approbation. In addition to selling to more provincial veterinary stations, the Group has also started selling premium FMD vaccines to breeders in June 2014. Premium FMD vaccines accounted for RMB2.5 million.

Aggregate sales of PRRS vaccines sales amounted to RMB87.0 million in the current period, representing an increase of RMB20.9 million or 31.6% from sales of RMB66.1 million in prior period. PRRS vaccines to provincial veterinary stations has seen growth of 10.5% from prior period, accounting for RMB73.1 million of revenue. In addition to selling to provincial veterinary stations, the Group has also started selling premium PRRS vaccines to breeders in May 2014 which contributed RMB13.9 million to turnover in the current period.

Swine fever vaccines accounted for RMB15.4 million in revenue in HY2014, a marginal increase of 3.6% in comparison with sales in HY2013 of RMB14.9 million.

Cost of sales of the Group constituted approximately 34.0% and 37.2% of its revenue in HY2014 and HY2013 respectively. Cost of sales increased by RMB21.4 million or 14.5% from RMB147.8 million in HY2013 to RMB169.2 million in HY2014. Overall gross profit margin improved by 3.2 percentage points from 62.8% in HY2013 to 66.0% in HY2014.

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 HY2014 were 75.0% and 69.0% respectively, compared to 76.8% and 64.8% respectively in HY2013. 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 decrease in gross profit margin of powdered form drugs and 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 4.6 percentage points to 72.2% in HY2014 compared to the 67.6% gross profit margin achieved in HY2013. Gross profit margins of FMD vaccines, swine fever vaccines and PRRS vaccines are 67.7%, 65.8% and 79.6% respectively in HY2014 (HY2013: 61.3%, 66.1% and 75.4% respectively). The improvement is mainly attributed to a higher gross profit margin achieved for FMD and PRRS vaccines. Gross profit margin for FMD vaccines has improved by 6.4% mostly due to the result of better economies of scale while the gross profit margin for PRRS vaccines has improved by 4.6% in part due to premium PRRS vaccines sold during the current period which enjoys higher gross profit margins than the ones sold to provincial veterinary stations.

Other operating income in the current period relates mainly to net foreign exchange gain of RMB4.3 million and a government grant given by the department of science and technology of RMB3.8 million.

Other expenses pertained to research and development expenses. The decrease in other expenses is due to net foreign exchange losses of RMB11.5 million that was incurred in HY2013 but not in the current period.

Distribution and selling expenses increased by RMB24.4 million or 27.1% to RMB114.4 million in HY2014 (HY2013: RMB90.0 million) due mainly to increases in payroll expenses, travelling expenses and transport expenses of RMB8.6 million, RMB7.2 million and RMB2.5 million respectively. Payroll expenses increased from RMB42.4 million in HY2013 to RMB51.0 million in HY2014 due mainly to due mainly to higher sales commission paid out at the back of the 25.1% increase in sales.

Administrative expenses decreased by RMB4.6 million or 15.5% to RMB25.1 million (HY2013: RMB29.7 million) and these mainly pertained to payroll expenses, depreciation expenses and other office expenses. The decrease is mainly due to professional fees in relation to the delisting exercise that were recorded during the prior period and not incurred in HY2014.

Finance costs which pertained to loan interest expense amounted to RMB2.3 million in HY2014, a decrease of RMB14.3 million from prior period. The decrease can be attributed to the Arrangement Fee of RMB11.7 million and interest on Redemption Amount of the convertible bond of RMB2.6 million that was incurred in HY2013 and not in HY2014.

Tax expense increased by RMB12.7 million to RMB40.7 million in HY2014. The Group's effective tax rate is 21.4%. The Group's PRC subsidiaries are subject to tax at rates of 25%, except for a certain subsidiary which was awarded the high-tech enterprise status and is therefore entitled to the preferential enterprise tax rate of 15% for 2 years commencing from FY2014. In addition, the Group has also provided for withholding tax of 10% on the portion of distributable profits derived by the PRC subsidiaries in HY2014 that is expected to be distributed out as dividend.

As a result of the foregoing, net profit for the current period attributable to owners of the Company increased by RMB69.3 million or 114.9% from RMB60.3 million in HY2013 to RMB129.6 million in HY2014. Net profit attributable to non-controlling interests amounted to RMB19.8 million in HY2014.

#### Statement of Financial Position Review

Current assets of the Group decreased by RMB238.2 million to RMB1.4 billion as at HY2014, comprising mainly cash and bank balances of RMB1.1 billion. Other current assets comprised inventories, trade receivables, prepayments and other receivables amounting to RMB0.3 million in aggregate.

Cash and cash equivalents (excluding pledged deposit of RMB30.0 million) amounted to RMB1.1 billion as at 30 June 2014. Approximately RMB99.3 million was generated from the Group's operating activities. Net cash used in investing activities amounted to RMB418.7 million. RMB417.0 million pertained to the acquisition of 27.8% additional equity interest in one of the subsidiaries, Inner Mongolia Bigvet Biotech Co., Ltd which was completed in March 2014. Pledged deposits for the outstanding banking facilities increased by RMB0.9 million during the current period. Net cash generated from financing activities amounted to RMB0.4 million. The Group repaid RMB87.3 million of the working capital loan and drew down a new working capital loan of RMB90.0 million in the current period.

Trade receivables amounted to RMB193.0 million as at 30 June 2014, representing an increase of RMB72.1 million over end of FY2013. The increase was mainly due to new trade receivables arising from the sale of the various compulsory vaccines to the provincial veterinary stations in HY2014 amounting to approximately RMB192.4 million, partially offset by receipts from prior year receivables amounting to RMB120.3 million.

Prepayments and other receivables amounted to RMB14.0 million as at 30 June 2014, comprising mainly security deposits for the compulsory vaccines sales bidding exercise and other sundry debtors.

Inventories remained relatively constant at RMB37.1 million, comprising mainly stockpile of PRRS vaccines and FMD vaccines of RMB15.5 million scheduled for delivery in the ensuing quarter. Raw materials and packing materials accounted for a further RMB18.8 million.

Non-current assets amounted to RMB812.7 million, comprising property, plant and equipment (“PPE”) of RMB172.6 million, prepaid lease payments of RMB15.5 million, intangible assets of RMB487.9 million, goodwill of RMB124.6 million, available-for-sale financial asset of RMB1.1 million, deferred tax asset of RMB1.0 million and deposits for intangible asset of RMB10.0 million.

PPE decreased by RMB4.3 million during the current period as a result of depreciation charge of RMB5.1 million, partially offset by PPE additions of RMB0.9 million.

Prepaid lease payments amounted to RMB15.5 million as at 30 June 2014 after amortisation charge of RMB0.2 million for the current period. These prepaid lease payments have remaining tenures ranging from approximately 39 to 44 years as at HY2014.

Deposits for intangible asset pertained to prepayment of RMB10.0 million in November 2013 to Xinjiang Tecon Animal Husbandry Biotechnology Co., Ltd for the transference of the new veterinary certificate pertaining to the FMD trivalent vaccine.

Intangibles as at 30 June 2014 comprised production technology rights of RMB433.8 million and seed strains of RMB54.1 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 HY2014. In addition, production technology rights of Shanxi Longkeer amounted to RMB2.8 million as at the current period end, after amortisation charge of RMB0.5 million for the current period. These production technology rights have a remaining useful life of approximately 2.5 years. Seed strains purchased by the Group from a governmental animal disease research and development institute for the production of the FMD vaccine amounted to RMB54.1 million after amortisation charge of RMB3.5 million for the current period.

Goodwill on acquisition of subsidiaries amounted to RMB124.6 million, representing 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 2014.

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.



The Group's current liabilities increased by RMB42.0 million from RMB206.2 million as at 31 December 2013 to RMB248.3 million as at 30 June 2014. Trade payables remained relatively low at RMB17.5 million at as the current period end. Other payables comprise accrual for the declared dividend of RMB49.2 million payable to shareholders of the Company on 21 July 2014 while accrued personnel expenses, operating expenses and VAT and other taxes payable accounted for a further RMB59.7 million.

The Group's borrowings of RMB90.0 million as at 30 June 2014 comprise a loan from HSBC Bank (China) Company Limited taken by its 87.8% held subsidiary for working capital purposes. The loan is due in 2015. Income tax liabilities relating mainly to corporate tax payable by the PRC subsidiaries on the operating profits for HY2014 amounted to approximately RMB32.0 million as at 30 June 2014.

Non-current liability comprises deferred tax liabilities amounting RMB129.4 million as at 30 June 2014. The deferred taxation 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 RMB20.4 million as at 30 June 2014.

The Group's total equity comprised share capital, share premium, retained earnings, other reserves and non-controlling interests. Total equity decreased from RMB2.1 billion as the start of the year to RMB1.8 billion as at 30 June 2014, due mainly to the increase in 27.8% equity interest in Bigvet Biotech which resulted in an accounting charge to retained earnings of RMB292.5 million. Net profit attributable to owners of the Company and non-controlling interests amounted to RMB129.6 million and RMB19.8 million during the current period respectively. Total equity attributable to owners of the Company amounted to RMB1.7 billion as at 30 June 2014.

## (II) FINANCIAL REVIEW

### Loans and Debt Securities

	Group			
	As at 30 June 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Amount repayable in one year or less, or on demand	89,944	—	87,297	—
Amount repayable after one year	—	—	—	—
Total	89,944	—	87,297	—

## 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

## (III) DISCLOSURE OF INTERESTS

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

As at 30 June 2014, 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	43.17
Mr Sun Jinguo	300,000	—	0.015

\* 300,000,000 shares are held in the name of CCB International Securities Ltd, 40,000,000 shares are held in the name of his spouse, Mdm Li Chunhua and 508,774,583 shares are held in the name of Wang Family Company Limited.

Save as disclosed above, as at 30 June 2014, 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 Person's Interests in Shares and Underlying Shares

As at 30 June 2014, the register of interest in shares and short positions of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than interest disclosed in "Directors' and Chief Executives' Interest and Short Positions in Shares and Underlying Shares and Debentures", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company:

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Li Chunhua <sup>(1)</sup>	40,000,000	2.03	808,774,583	41.14
Lilly Nederland Holding B.V.	400,000,000	20.35	—	—
Eli Lilly International Corporation	—	—	400,000,000 <sup>(2)</sup>	20.35
Eli Lilly and Company	—	—	400,000,000 <sup>(2)</sup>	20.35
Themes Dragon International Limited <sup>(3) &amp; (4)</sup>	65,486,882	3.33	19,407,201	0.99
Themes Investments Partners II, L.P. <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32
Themes Investments Partners II GP, L.P. <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32
TIP II General Partner Limited <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32
Wanhui Limited <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32
Ally Investment Holdings Limited <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32
Mr Yi Xiqun <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32
Mr Yu Fan <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32
SEB SICAV 2 SEB Listed Private Equity Fund <sup>(3) &amp; (4)</sup>	19,407,201	0.99	65,486,882	3.33
SEB Asset Management S.A. <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32
Skandinaviska Enskilda Banken AB (Publ) <sup>(3) &amp; (4)</sup>	—	—	84,894,083	4.32

<sup>(1)</sup> 300,000,000 shares are held in the name of CCB International Securities Ltd, and 508,774,583 shares are held in the name of Wang Family Company Limited which is wholly owned by Mdm Li Chunhua.

<sup>(2)</sup> Lilly Nederland Holding B.V. is a subsidiary of Eli Lilly International Corporation which is in turn a subsidiary of Eli Lilly and Company.

<sup>(3)</sup> Themes Dragon International Limited is a wholly-owned subsidiary of Themes Investment Partners II, L.P.. Themes Investment Partners II GP, L.P. is the general partner of Themes Investment Partners II, L.P.. TIP II General Partner Limited is the general partner of Themes Investments Partners II GP, L.P.. Wanhui Limited and Ally Investment Holdings Limited together holds a majority of the voting shares in TIP II General Partner Limited. Mr Yi Xiqun is the controlling shareholder of Wanhui Limited and Mr Yu Fan is the controlling shareholder of Ally Investment Holdings Limited.

Each of Themes Investment Partners II, L.P., Themes Investment Partners II GP, L.P., TIP II General Partner Limited, Wanhui Limited, Ally Investment Holdings Limited, Mr Yi Xiqun and Mr Yu Fan are therefore deemed to have an interest in the shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

<sup>(4)</sup> Skandinaviska Enskilda Banken AB (Publ) (“SEB”) and Themes Dragon International Limited entered into an agreement to which section 317 of the SFO applies in relation to shares in the Company. As such, under section 318 of the SFO, Themes Dragon International Limited is deemed to be interested in the shares held by Skandinaviska Enskilda Banken AB (Publ) (“SEB”) and SEB is deemed to be interested in the shares held by Themes Dragon International Limited.

### 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 current members are:

Mr Cai Huiyi (Chairman)  
 Mr Alberto Riva  
 Mr Liu Zhanmin

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 2014 or the previous financial year ended 31 December 2013.

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

Name of director	Awards granted during the period	Aggregate awards granted since commencement of the Scheme	Aggregate awards released during the period	Aggregate awards lapsed during the period	Aggregate awards outstanding at the end of the period
		to end of the period			
Mr Sun Jinguo	—	300,000	—	—	—
Mr Li Jun	—	200,000	—	—	—
Mr Goh Kay Seng Edwin	—	300,000	—	—	—

## (IV) SUPPLEMENTARY INFORMATION

### 1. Material Investments and Acquisitions and Disposals of Subsidiaries

On 17 February 2014, the Group announced that it has entered into three Sale and Purchase agreements to acquire 27.8% additional equity interest in one of its subsidiaries, Inner Mongolia Bigvet Biotech Co., Ltd (“Bigvet Biotech”) for a consideration of RMB417.0 million. This transaction was completed in March 2014 and the Group currently holds 87.8% equity interest in Bigvet Biotech.

Other than as disclosed above, there are no other 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, 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 2014, RMB90.0 million (FY2013: RMB87.3 million), or 100% (FY2013: 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.

### **(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 six months ended 30 June 2014.

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 six months ended 30 June 2014.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. The gearing ratio at the end of the financial period is 0.05 (FY2013: 0.04).

## **3. Capital Commitments**

As at 30 June 2014, the Group had capital commitments amounting to approximately RMB7.0 million (FY2013: Nil).

#### **4. Contingent Liabilities**

As at 30 June 2014, the Group has no material contingent liabilities (FY2013: Nil).

#### **5. Material litigation and arbitration**

As at 30 June 2014, 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, reviewed the interim report for the six months ended 30 June 2014, and has discussed and reviewed the internal control and reporting matters. The interim results for the six months ended 30 June 2014 has not been audited by Deloitte Touche Tohmatsu.

#### **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 to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”) throughout the six months ended 30 June 2014, 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 judgment 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.

#### **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 six months ended 30 June 2014, 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 2014 has been proposed by the Directors.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the securities of the Company.

## 12. Change in Directors' Information

Pursuant to Rule 13.51(B) of the Listing Rules, changes in a director's information since the date of the 2013 Annual Report are set out below:

<b>Name of director</b>	<b>Changes</b>
Li Jun	Appointed as executive Director and member of Compliance Committee on 6 June 2014.
Alberto Riva	Appointed as member of Remuneration Committee and Compliance Committee on 6 June 2014.
Du Ying	Appointed as member of Nomination Committee and Chairman of Compliance Committee on 6 June 2014.
Goh Kay Seng Edwin	Appointed as non-executive Director and member of Audit Committee on 6 June 2014.
Cai Huiyi	Appointed as independent non-executive Director and member of Audit Committee and Chairman of Remuneration Committee on 6 June 2014. Retired on 30 June 2014 as an independent director of Shenzhen Jinxinnong Feed Co., Ltd. (深圳市金新農飼料股份有限公司, a company listed on the Shenzhen Stock Exchange with stock code 002548).
Liu Zhanmin	Appointed as independent non-executive Director, member of Remuneration Committee and Chairman of Nomination Committee on 6 June 2014.
Liang Hsien Tse Joseph	Appointed as independent non-executive Director, Chairman of Audit Committee and member of Nomination Committee on 6 June 2014.
Ong Kian Guan	Retired as independent non-executive Director and ceased to be the Chairman of Audit Committee, member of Nomination Committee and Remuneration Committee on 3 June 2014.
Feng Jinglan	Retired as independent non-executive Director and ceased to be the Chairman of Nomination Committee, member of Audit Committee and Remuneration Committee on 3 June 2014.
Wong Gang	Retired as independent non-executive Director and ceased to be the Chairman of Remuneration Committee, member of Audit Committee and nomination Committee on 3 June 2014.

### 13. Related Parties Transactions

During the financial period, the Group entered into the following transactions with related parties:

	2014 RMB'000	2013 RMB'000
Rental — operating leases	5,300	5,300
Sale of finished goods to related parties	897	2,056

Related parties comprise companies that are controlled by a director of the Company.

### 14. Event after Reporting Period

There is no material event affecting the Group that occurred after the reporting period.

### 15. Future Developments

#### (i) Operations Agreements with Eli Lilly

The Company has on 8 May 2013 entered into various operations agreements with Eli Lilly Export S.A. (“Eli Lilly”):

- (a) a distribution agreement pursuant to which Eli Lilly will grant to the Company a non-exclusive right to distribute certain of its products in the PRC;
- (b) a promotion agreement pursuant to which Eli Lilly will introduce and promote two of the Company’s vaccine products (and other products the parties may jointly identify in future) to certain large producers in the PRC; and
- (c) a license agreement pursuant to which the Company will grant licenses to Eli Lilly in relation to developing, researching and selling (under Eli Lilly’s brand) certain products utilising certain of the Company’s patent rights and know-how globally except for the PRC.

The arrangements for the above agreements and other associated work streams are ongoing as at the date of this report and we expect see some revenue contribution from agreements (a) and (b) in the second half of this year.

#### (ii) Patents

As announced during the period, the Group has obtained the patent for construction method and applications of non-pathogenic recombinant attenuated rabies virus strain, patent for quantitative method of 146S content in FMD vaccine and patent for purified FMD vaccine. The receipt of the abovementioned will provide the Group with the opportunity to expand its range of vaccine products and increase its market competitiveness.



**(iii) Memorandum of Understanding (“MOU”) entered into with Eli Lilly**

As announced in March 2014, the Group has entered into a non-legally binding MOU in respect of possible registration and commercialization of a protein supplement product that increases milk production in healthy lactating cows in PRC.

The arrangements for the above MOU and other associated work streams are ongoing as at the date of this report.

**16. Publication of 2014 Interim Report**

This interim report is published on the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and on the website of the Company (<http://www.chinanimalhealthcare.com>).

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

## (V) 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 2014 together with the comparative figures for the previous period as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Group		Change %
	30 June 2014	30 June 2013	
	RMB'000	RMB'000	
<b>Revenue</b>	497,247	397,462	25.1
Cost of sales	(169,190)	(147,814)	14.5
Gross profit	328,057	249,648	31.4
Other operating income	8,067	735	997.6
Other operating expenses	(6,581)	(16,513)	(60.1)
Selling and distribution expenses	(114,353)	(89,994)	27.1
Administrative expenses	(25,113)	(29,727)	(15.5)
<b>Profit from operations</b>	190,077	114,149	66.5
Finance income	2,306	1,626	41.8
Finance costs	(2,263)	(16,572)	(86.3)
<b>Profit before income tax</b>	190,120	99,203	91.6
Income tax	(40,730)	(28,069)	45.1
<b>Profit for the year</b>	149,390	71,134	110.0
Other comprehensive income	—	—	n.m
<b>Total comprehensive income for the period</b>	149,390	71,134	110.0
<b>Profit attributable to:</b>			
Owners of the Company	129,587	60,301	114.9
Non-controlling interests	19,803	10,833	82.8
	149,390	71,134	
<b>Earnings per share</b>			
— basic (RMB cents)	6.59	3.72	
— diluted (RMB cents)	6.59	3.58	

# STATEMENTS OF FINANCIAL POSITION

At 30 June 2014

	Group		Company	
	As at		As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000	30 June 2014 RMB'000	31 December 2013 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	172,585	176,846	—	—
Prepaid lease payments	15,470	15,654	—	—
Available-for-sale financial asset	1,125	1,125	—	—
Intangible assets	487,850	525,300	—	—
Goodwill	124,617	124,617	—	—
Deferred tax assets	1,007	1,007	—	—
Deposits for intangible assets	10,000	10,000	—	—
Investment in subsidiaries	—	—	869,696	869,696
Amounts due from a subsidiary	—	—	548,367	544,621
	<u>812,654</u>	<u>854,549</u>	<u>1,418,063</u>	<u>1,414,317</u>
<b>Current assets</b>				
Inventories	37,130	37,172	—	—
Trade receivables	193,044	120,965	—	—
Prepayments and other receivables	14,048	10,410	—	—
Pledged deposits	29,981	29,131	—	—
Cash and cash equivalents	1,108,253	1,422,963	124,924	125,467
	<u>1,382,456</u>	<u>1,620,641</u>	<u>124,924</u>	<u>125,467</u>
<b>Current liabilities</b>				
Trade payables	17,548	21,870	—	—
Other payables and accrued charges	108,809	69,903	52,522	4,327
Amounts due to subsidiaries	—	—	3,777	3,752
Borrowings	89,944	87,297	—	—
Provision for income tax	31,987	27,171	—	—
	<u>248,288</u>	<u>206,241</u>	<u>56,299</u>	<u>8,079</u>
<b>Net current assets</b>	<u>1,134,168</u>	<u>1,414,400</u>	<u>68,625</u>	<u>117,388</u>
<b>Total assets less current liabilities</b>	<u>1,946,822</u>	<u>2,268,949</u>	<u>1,486,688</u>	<u>1,531,705</u>
<b>Capital and reserves</b>				
Issued equity/share capital	108,677	108,677	176,729	176,729
Reserves	1,545,771	1,757,835	1,309,959	1,354,976
Equity attributable to owners of the Company	1,654,448	1,866,512	1,486,688	1,531,705
Non-controlling interests	162,986	267,682	—	—
<b>Total equity</b>	<u>1,817,434</u>	<u>2,134,194</u>	<u>1,486,688</u>	<u>1,531,705</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	129,388	134,755	—	—
	<u>1,946,822</u>	<u>2,268,949</u>	<u>1,486,688</u>	<u>1,531,705</u>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Group As at	
	30 June 2014 RMB'000	30 June 2013 RMB'000
<b>Cash Flows from Operating Activities</b>		
Profit before income tax	190,120	99,203
Adjustments for:		
Depreciation of property, plant and equipment	5,121	8,883
Release of prepaid lease payments	184	199
Amortisation of intangible assets	37,450	37,950
Foreign exchange translation	(4,307)	11,580
Interest income	(2,306)	(1,626)
Interest expense	2,263	4,886
Operating cash flow before movements in working capital	228,525	161,075
Changes in working capital:		
Inventories	42	5,938
Trade and other receivables	(75,717)	(93,888)
Trade and other payables	(14,566)	1,315
Cash generated from operating activities	138,284	74,440
Interest received	2,306	1,626
Income tax paid	(41,281)	(28,028)
Net cash generated from operating activities	99,309	48,038
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(860)	(383)
Increase in investment in subsidiary	(417,000)	—
Refund of prepaid leases	—	2,277
Bank deposit pledged	(850)	(2,299)
Net cash used in investing activities	(418,710)	(405)
<b>Cash Flows from Financing Activities</b>		
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	(87,297)	(57,000)
Proceeds from borrowings	89,944	82,000
Interest paid	(2,263)	(4,886)
Net cash generated from financing activities	384	209,788
<b>Net (decrease)/increase in cash and cash equivalents</b>	(319,017)	257,421
Effects of exchange rate changes on the balance of cash held in foreign currencies	4,307	(11,580)
Cash and cash equivalents at the beginning of the period	1,422,963	808,934
<b>Cash and cash equivalents at the end of the period</b>	<b>1,108,253</b>	<b>1,054,775</b>

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

	<b>Group</b>	
	<b>As at</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cash and bank balances	1,138,234	1,084,775
Less: bank deposits pledged	(29,981)	(30,000)
Cash and cash equivalents per cash flow statement	<u>1,108,253</u>	<u>1,054,775</u>

## STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2014

GROUP	Attributable to owners of the Company							Non-controlling interests	Total
	Issued equity	Share premium	Capital reserve	Merger reserve	Reserve fund	Retained earnings	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>At 1 January 2014</b>	108,677	811,880	9,544	(26,358)	105,309	857,460	1,866,512	267,682	2,134,194
Profit and other comprehensive income for the period	—	—	—	—	—	129,587	129,587	19,803	149,390
Increase in investment in subsidiary	—	—	—	—	—	(292,501)	(292,501)	(124,499)	(417,000)
Dividends paid	—	—	—	—	—	(49,150)	(49,150)	—	(49,150)
<b>At 30 June 2014</b>	<b>108,677</b>	<b>811,880</b>	<b>9,544</b>	<b>(26,358)</b>	<b>105,309</b>	<b>645,396</b>	<b>1,654,448</b>	<b>162,986</b>	<b>1,817,434</b>

GROUP	Attributable to owners of the Company							Non-controlling interests	Total
	Issued equity	Share premium	Capital reserve	Merger reserve	Reserve fund	Retained earnings	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>At 1 January 2013</b>	79,075	309,702	—	(26,358)	91,926	684,510	1,138,855	242,515	1,381,370
Profit and other comprehensive income for the period	—	—	—	—	—	60,301	60,301	10,833	71,134
Contribution by shareholders	—	—	9,544	—	—	—	9,544	—	9,544
Issuance of shares	8,406	151,032	—	—	—	—	159,438	—	159,438
Shares issuance expense	—	(9,731)	—	—	—	—	(9,731)	—	(9,731)
<b>At 30 June 2013</b>	<b>87,481</b>	<b>451,003</b>	<b>9,544</b>	<b>(26,358)</b>	<b>91,926</b>	<b>744,811</b>	<b>1,358,407</b>	<b>253,348</b>	<b>1,611,755</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 1. Corporation information

The Company is a public limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited (“SEHK”).

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. 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 PRC. The Group’s products are sold directly to animal drug retailers and large-scale poultry enterprises throughout PRC. 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 2014.

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 2013. 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 2014 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*

HY2014	<b>Powdered form drugs RMB'000</b>	<b>Injection form drugs RMB'000</b>	<b>Biological drugs RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>	254,631	15,987	226,629	497,247
<b>Segment results</b>	95,921	6,702	88,308	190,931
Corporate expenses				(854)
Finance expenses, net				43
Profit before tax				190,120
Income tax expense				(40,730)
Profit for the period				149,390
<b>Segment assets</b>	816,255	72,377	1,179,136	2,067,768
Unallocated assets				
— corporate cash and cash equivalents				126,335
— deferred tax assets				1,007
<b>Total assets</b>				2,915,110
Segment liabilities	39,050	2,315	32,365	73,730
Unallocated liabilities				
— other corporate payables				52,628
— borrowings				89,944
— provision for income tax				31,986
— deferred tax liabilities				129,388
<b>Total liabilities</b>				377,676



HY2013	Powdered form drugs RMB'000	Injection form drugs RMB'000	Biological drugs RMB'000	Total RMB'000
<b>Revenue</b>	211,168	16,330	169,964	397,462
<b>Segment results</b>	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
<b>Segment assets</b>	766,182	56,033	1,287,169	2,109,384
Unallocated assets				
— Cash and cash equivalents				205,754
— Deferred expenditure				10,584
<b>Total assets</b>				2,325,722
<b>Segment liabilities</b>	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
<b>Total liabilities</b>				713,967

**(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.

## 6. Profit before tax

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

	6 months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Depreciation of property, plant and equipment	5,121	8,883
Amortisation of intangible assets (included in cost of sales)	37,450	37,950
Staff costs, including directors' emoluments	63,793	53,091
Interest income from bank balances	(2,306)	(1,626)
Net foreign exchange losses (gains)	(4,303)	11,538
Interest on bank borrowings	2,263	2,635
Interest on redemption sum of convertible bonds	-	2,251
Arrangement fee on Facility Agreement	-	11,686
Release of prepaid lease payments	184	199
Operating leases payments in respect of rented premises	5,580	5,419

## 7. Income tax expense

	6 months ended 30 June	
	2014	2013
	RMB'000	RMB'000
PRC enterprise income tax		
— current year	46,361	33,410
— (over)/under provision in prior years	(264)	1,606
Deferred tax		
— current year	(5,367)	(6,947)

Income tax on assessable profits during the six months ended 30 June 2014 and 2013 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.

## 8. Dividends

	6 months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Ordinary		
— 2013 final dividend of RMB2.5 cents per share	49,150	—

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2014.

## 9. Earnings per share attributable to equity holders of the Company

	Group	
	6 Months ended 2014	30 June 2013
Net profit after tax attributable to owners of the Company ( <i>RMB'000</i> )	129,587	60,301
a) Based on weighted average number of shares ( <i>RMB cents/share</i> )	6.59	3.72
b) Based on fully diluted basis ( <i>RMB cents/share</i> )	6.59	3.58
Weighted average number of shares applicable to basic earnings per share ( <i>'000</i> )	1,965,990	1,622,476
Weighted average number of shares based on fully diluted basis ( <i>'000</i> )	1,965,990	1,684,588

Basic earnings per share are calculated based on the weighted average number of shares issued during the financial year under review. Diluted earnings per share accounts for the effect of dilutive ordinary shares arising from warrants. There were no potential dilutive options for the period ended 30 June 2014.

## 10. Trade receivables

	<b>HY2014</b>	<b>FY2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables	192,829	120,565
Trade receivables from related parties (note)	215	400
	<u>193,044</u>	<u>120,965</u>

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

	<b>HY2014</b>	<b>FY2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
0 to 30 days	37,119	21,420
31 to 90 days	88,030	32,760
91 to 180 days	60,638	41,836
181 to 365 days	7,257	24,949
Over 365 days	—	—
	<u>193,044</u>	<u>120,965</u>

## 11. Trade payables

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

	<b>HY2014</b>	<b>FY2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
0 to 30 days	6,769	6,605
31 to 90 days	6,139	9,878
91 to 180 days	4,105	2,773
181 to 365 days	450	1,518
Over 365 days	85	1,096
	<u>17,548</u>	<u>21,870</u>