瑞年國際
Ruinian International

瑞年國際有限公司
RUINIAN INTERNATIONAL LIMITED

(A company incorporated in the Cayman Islands with limited liability)

Stock code: 2010

Annual Report 2009

Contents

Corporate Information

Directors

Executive Directors

Mr. Wang Fucai
(Chairman and Chief Executive Officer)
Mr. Yu Yan
Mr. Li Lin
Mr. Yi Lin
Mr. Zhang Yan
Ms. Au-yeung Kam Ling Celeste

Non-executive Directors

Mr. Ip Tak Chuen, Edmond

Independent Non-executive Directors

Mr. Wong Lung Tak Patrick, J.P.
Dr. Fong Chi Wah
Mr. Bernard Ban-yew Yaw

Audit Committee

Mr. Wong Lung Tak Patrick, J.P. *(Chairman)*
Dr. Fong Chi Wah
Mr. Bernard Ban-yew Yaw

Remuneration Committee

Dr. Fong Chi Wah *(Chairman)*
Mr. Wang Fucai
Mr. Wong Lung Tak Patrick, J.P.
Mr. Bernard Ban-yew Yaw

Qualified Accountant and Company Secretary

Mr. Poon Yick Pang, Philip

Authorised Representatives

Ms. Au-yeung Kam Ling Celeste
Mr. Poon Yick Pang, Philip

Auditor

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

Compliance Advisor

SinoPac Securities (Asia) Limited
21/F One Peking
1 Peking Road
Tsim Sha Tsui
Kowloon, Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit A, 10th Floor
China Overseas Building
No.139 Hennessy Road and
No.138 Lockhart Road
Wan Chai, Hong Kong

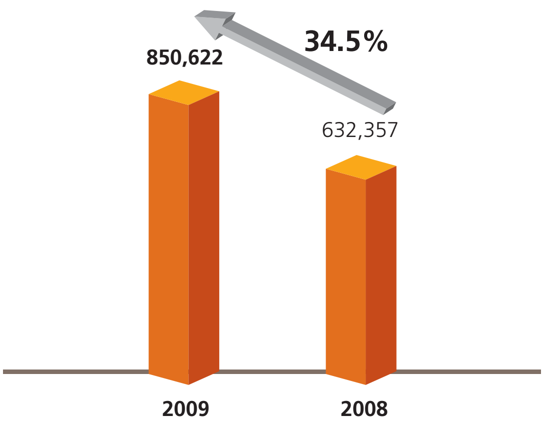
Financial Highlights

	2009 **RMB'000**	2008 RMB'000	Change %
Turnover	**850,622**	632,357	34.5%
Gross profit	**589,049**	426,289	38.2%
Profit attributable to equity holders of the Company	**209,702**	119,979	74.8%
Basic earnings per share (cents)	**28.0**	16.0	75.0%

Financial Highlights

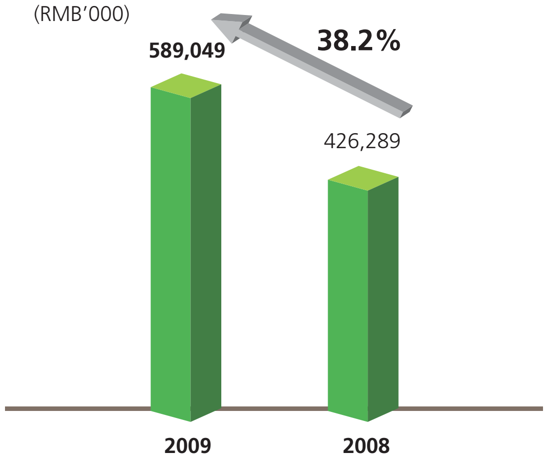
Turnover

(RMB'000)



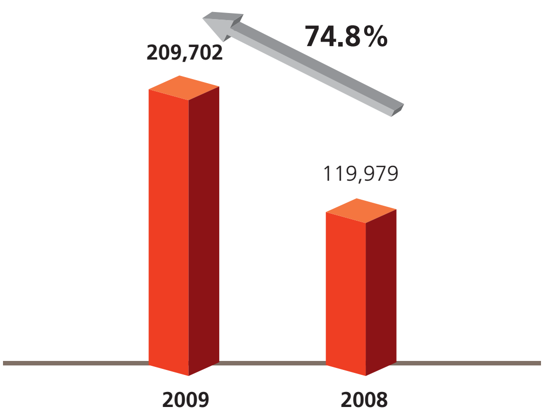
Gross Profit

(RMB'000)



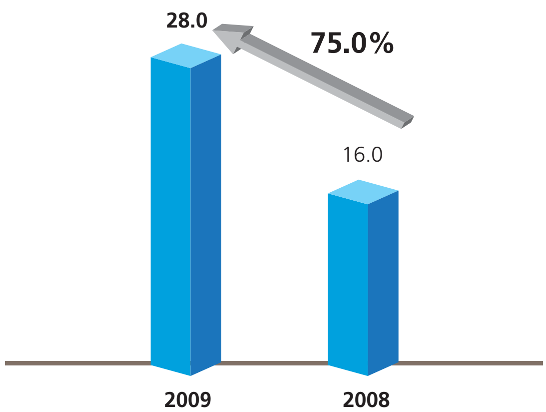
Profit attributable to equity holders of the Company

(RMB'000)



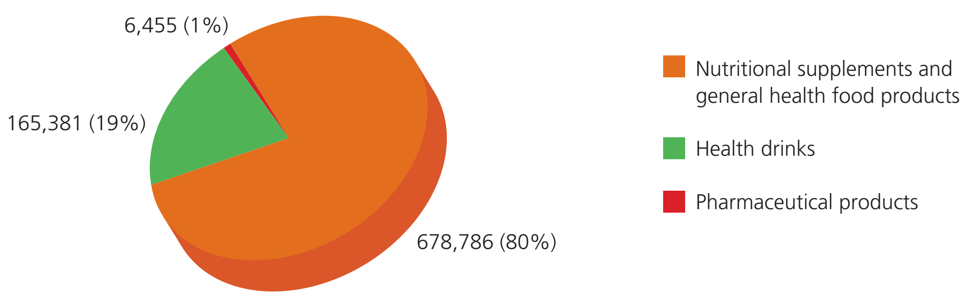
Basic earnings per share

(Cents)



Sales analysis by categories

(RMB'000)



Chairman's Statement

Mr. Wang Fucai
Chairman

We are glad to present the record breaking 2009 results. Despite the financial crisis overhanging the first half of the year, our team managed to achieve remarkable growth on both sales and net profit, and completed the listing application process in December 2009.

Business Review

The global financial crisis in late 2008 represented a challenge to the Group. The Group's management proactively adopted a series of measures during the crisis to ensure its financial soundness. These measures included reduction of overall sales and marketing budget, and prioritization of resources to the promotion of high end amino acid products, the sales of which were less affected by economic cycle as their target customer group's consuming power could stay strong even in economic downturn.

The China consumer market quickly recovered in the second half of 2009. In view of the effective measures taken by the management earlier in the year, the Group preserved abundant financial resources in capturing the strong rebound in sales. As a result, the Group posted an impressive overall sales growth in 2009 across the broad range of nutritional and health supplements and health drinks. The Directors are of the view that the financial crisis fastened the consolidation in China's nutritional supplement market and would help elevate the overall standard of the nation's amino acid health supplement products in the medium to long term.

The Group was successfully listed ("Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 19, 2010 (the "Listing Date") and raised net proceeds of approximately HK$806.6 million. Approximately 45% and 30% of the net proceeds will be deployed for market expansion and capital expenditure. In view of the new capital and the listing status, the Group can attract quality new distributors in the PRC and overseas, as well as sales, management and research talents to join the Group. The Group is confident to capture the enormous opportunities in China's fast growing and competitive amino acid health supplement market.

Prospects

The Group will continue to consolidate its leading position in amino acids health supplement market in the PRC. The Group targets to expand its distribution outlets to over 50,000 by the end of 2010. The Group will replicate its high penetration distribution model in the Yangzi River Delta in other provinces in the PRC.

The Group will continue to increase its market penetration.

Priority will be given to Southern and Central provinces of strong consumption power, with focus on cities like Guangzhou, Shenzhen, Chengdu, and Wuhan. 8 regional sales conferences for distributors will be held this year to update distributors with the Group's latest product information, market trend, and most importantly, the Group's teaming strategies in expanding the amino acids heath supplement market in the PRC. At the consumer level, 300 promotional events in key supermarkets, hypermarkets and chain stores will be held throughout the year to educate consumers of the benefits of amino acid products and how the Group's products would serve their needs. The Group would also sponsor major sports and social events to improve the publicity of Ruinian brand.

For the pharmaceutical products, the Group targets to launch high end post surgical eye care medicine and unique new generation anti-cancer drug oral topotecan in 200 hospitals in China. The Group strives to establish itself as one of the top eye medicine manufacturers in the PRC in three years, with specialization in high end eye medicine for hospital use.

For overseas market, the Group is in discussion with a number of overseas distributors for the launch of the Group's products in Singapore and Malaysia. Amino acids tablets have been selling in Watsons stores in Hong Kong since March 2010, and additional health supplement products are expected to be launched in more chain stores in Hong Kong this year.

Construction of the health drink production line is expected to begin in the third quarter of 2010. Upon completion, the production line will have an annual production capacity of 200 million cans of 350 ml drink based on two eight-hour shifts per day and 300 working days per year. The Group has started the construction of the new logistic center in Wuxi, phase one of which is expected to come into operation by the fourth quarter of 2010.

New products including E-jiao iron capsules and collagen complex tablets are expected to be launched in the fourth quarter of 2010. In addition, the prototypes of the amino acid beverage is being developed and the new products will be launched in the third quarter of 2010. The Group aims to establish itself as a leading amino acid health drink brand in China's fast consumer drinks market. As a result, the Group would be able to quickly gain strong exposure in the vast consumer market and consolidate its position as top provider of amino health products covering multiple consumer segments.

On the research and development front, the Group will continue to develop new amino acid products serving the specific needs of different population groups. For instance, the Group has initiated research on the development of user-group-focused amino acid health supplements for different user groups like:

- ladies wishing to enhance skin quality;
- couples planning to have babies;
- patients suffering from chronic diseases like diabetes and hepatitis;
- patients suffering from heart diseases;
- overweight persons on diet;
- students in examination seasons; and
- people who stay online for games or other application over a long time.

The Group will develop these new user-group-focused products by utilizing its existing knowhow and scientific mixing and matching of natural amino acids, so as to minimize the development time and costs. The first batch of these new products prototypes is expected to come out in the third quarter of 2010. The Group expects to launch one to two of these user-group-focused amino acid products in each of the next few years.

Dividend

The Board of Directors does not recommend the payment of a final dividend for the year ended December 31, 2009 (2008: nil).

Acknowledgements

I acknowledge with deep gratitude the work and support of the Board of Directors and the staff of the Group, which have been crucial to our success. I am confident that their endeavours will continue to help the Group achieve greater accomplishments in the years ahead. I would also like to take this opportunity to express my sincere appreciation to all our shareholers, customers and suppliers for their longtime support.

Wang Fucai
Chairman

Hong Kong, April 21, 2010

Management Discussion and Analysis

Results

The turnover of the Group in 2009 was RMB850.6 million, representing an increase of approximately 34.5% from turnover of RMB632.4 million in 2008. Profit attributable to equity holders of the Company increased by approximately 74.8% to RMB209.7 million in 2009 from RMB120.0 million in 2008. The Company's basic earnings per share ("Share") reached RMB28.0 cents per Share (2008: RMB16.0 cents per Share) based on the weighted average number of 750 million (2008: 749.1 million) Shares in issue during the year. The increase in financial results in 2009 was mainly attributable to the increase in sales volume and improvement of the gross profit margin.

Comparison with Prospectus

In the prospectus of the Company dated February 8, 2010 (the "Prospectus"), the Group estimated its combined profit attributable to equity holders of the Company for the year ended December 31, 2009 will not be less than RMB200.0 million. In the combined financial information for the year ended December 31, 2009, the combined profit attributable to equity holders of the Company for the year ended December 31, 2009 amounted to approximately RMB209.7 million, which slightly exceeded the estimation.

Financial Review

Turnover

The turnover of the Group increased by approximately 34.5% from RMB632.4 million in 2008 to RMB850.6 million in 2009.

Sales of nutritional supplements and general health food products increased by approximately 34.0% from RMB506.7 million in 2008 to RMB678.8 million in 2009, which was primarily due to the increase in sales of the Group's amino acids tablets in 2009.

Sales of health drinks, which were launched by the Group in early 2008, increased by approximately 31.6% from RMB125.7 million in 2008 to RMB165.4 million in 2009.

Turnover from sales of pharmaceutical products amounted to RMB6.5 million in 2009.

Gross profit

The Group's gross profit increased from RMB426.3 million in 2008 to RMB589.0 million in 2009. The Group's average gross profit margin increased from 67.4% in 2008 to 69.2% in 2009. Such slight increase in gross profit margin was mainly due to the increase in gross profit margin of health drinks as a result of lower purchase cost and higher selling price after re-branding of health drink products under the "Shun" brand.

Other income

The Group's other income decreased from RMB2.0 million in 2008 to RMB0.7 million in 2009, which was mainly due to the decrease in interest income from pledged bank deposits with relatively higher interest rate compared to regular bank deposits, as all trade financing transactions were terminated in March 2008.

Selling and distribution costs

Since the Group maintained a very tight advertising budget during the trough of financial crisis in the first half of 2009 and increased efforts in the promotion of its products to retail outlets, the Group's selling and distribution costs only slightly increased by approximately 7.6% from RMB200.8 million in 2008 to RMB216.2 million in 2009, represented approximately 31.8% in 2008 and 25.4% in 2009 of the Group's turnover. Such slight increase was primarily due to the increase in advertising and promotional expenses for the Group's products from RMB156.8 million in 2008 to RMB182.2 million in 2009.

Administrative expenses

The Group's administrative expenses increased by approximately 10.8% from RMB42.1 million in2008 to RMB46.6 million in 2009, represented approximately 6.7% in 2008 and 5.5% in 2009 of the Group's turnover. Such increase was primarily due to the increase in depreciation on property, plant and equipment from RMB1.7 million in 2008 to RMB6.3 million in 2009.

Research and development costs

The Group's research and development costs decreased from RMB13.9 million in 2008 to RMB2.0 million in 2009 as the Group prioritized its financial resources in the sales and marketing of the core amino acid products in the financial crisis and economic downturn in the first half of 2009. Furthermore, the Group already has a number of product candidates which went through the product development stage, just pending regulatory approval.

Finance costs

The Group's finance costs decreased by approximately 18.9% from RMB14.7 million in 2008 to RMB11.9 million in 2009, which was primarily due to the decrease in interest rates for bank loans in 2009. The interest rates of the Group's variable-rate bank loans ranged from 4.9% to 7.6% in 2009, compared to 6.4% to 7.5% in 2008.

Taxation

Tax charge increased by approximately 180.7% from RMB36.8 million in 2008 to RMB103.4 million in 2009 primarily due to the increased tax rate as a result of the expiration of the preferential tax treatment under the Enterprise Income Tax Law. As a result, the Group's effective tax rates in 2008 and 2009 were 23.5% and 33.0%, respectively.

Profit attributable to equity holders of the Company

As a result of the foregoing, the Group's profit for the year increased from RMB120.0 million in 2008 to RMB209.7 million in 2009. The Group's profit margin increased from approximately 19.0% in 2008 to approximately 24.7% in 2009.

Management Discussion and Analysis

Liquidity and Capital Resources

Cash flow

In 2009, net cash increased by RMB213.4 million. RMB234.5 million and RMB59.7 million were generated from operating activities and financing activities respectively, while RMB80.8 million was spent on investing activities. Net cash outflows from investing activities were primarily for the payment for the purchase of land use rights for two parcels of land, which were dedicated for the construction of health drink production facility and logistics centre, and a warehouse.

Inventories

The Group's inventories decreased to RMB22.6 million (2008: RMB87.1 million) as at December 31, 2009 primarily due to decreases in merchandise for resale and finished goods. The Group's inventories comprise raw materials, packaging materials, work in progress, finished goods and merchandise for resale. During the year, inventory turnover was approximately 77 days (2008: 98 days). The shorter inventory turnover period during the year was primarily the result of faster sale of products.

Trade receivables

The Group's trade and bills receivables amounted to RMB377.7 million (2008: RMB122.5 million) as at December 31, 2009. During the year, the distributors were generally granted a credit term of 90 days. Turnover days for trade and bills receivables increased to 107 days (2008: 82 days), primarily due to the increase in sales in the fourth quarter of 2009, the payment for which were not due as at December 31, 2009.

Trade Payables

The Group's trade and bills payables amounted to RMB39.0 million (2008: RMB9.4 million) as at December 31, 2009. During the year, the credit term provided by the suppliers typically ranged from 70 to 90 days. Turnover days for trade and bills payables increased to 50 days (2008: 29 days), which was primarily due to the re-negotiated credit terms with reduction of prepayment to the third-party manufacturers of health drinks and liquid amino acids.

Borrowings

As at December 31, 2009, the Group had short-term bank loans in the amount of RMB226.0 million. As at December 31, 2009, the Group had unutilised available credit facilities amounting to RMB317.0 million.

Pledge of assets

As at December 31, 2009, the Group pledged certain of its buildings and land use rights with an aggregate carrying value of RMB37.6 million and RMB1.5 million respectively to certain banks to secure the credit facilities granted to the Group.

Capital expenditure

During the year, the Group invested approximately RMB86.6 million (2008: RMB122.1 million) for acquisition of land use rights, construction of production facilities and purchase of intangible assets.

Capital commitments

As at December 31, 2009, the Group's capital commitments were approximately RMB73.4 million (2008: RMB84.7 million), all of which were related to property, plant and equipment and technological knowhow.

Use of net proceeds from the Company's initial public offering

The total net proceeds from the Listing after the issue of the over-allotment shares amounted to approximately HK$806.6 million, which are intended to be applied in accordance with the proposed application set out in the section headed "Use of Proceeds" in the prospectus dated February 8, 2010 issued by the Company (the "Prospectus").

Significant Acquisition

In July 2009, the Group acquired the entire equity interest in 南京瑞年百思特製藥有限公司 (Nanjing Ruinian Best Pharmaceutical Co., Limited) ("Nanjing Ruinian") for a consideration of RMB211.0 million. Details are set out in the paragraph headed "History of Nanjing Ruinian" under the section headed "History and Reorganisation" in the Prospectus.

Human Resources Management

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees in Hong Kong and the PRC. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirement.

As at December 31, 2009, the Group employed a work force of 534. The total salaries and related costs for the year ended December 31, 2009 amounted to approximately RMB9.9 million (2008: RMB16.1 million).

Corporate Governance Report

Corporate Governance Practices

The Company has adopted the code provisions on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance. The directors of the Company ("Directors") consider that since the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on February 19, 2010 ("Listing Date") and up to the date of this annual report, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provision A.2.1 of the CG Code as mention below.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders of the Company ("Shareholders").

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company from the Listing Date up to the date of this annual report ("Review Period").

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Review Period.

Board of Directors

(i) Board Composition

The Board currently comprises a combination of six executive Directors, one non-executive Director and three independent non-executive Directors.

As at the date of this annual report, the board of Directors ("Board") consisted the following Directors:

Executive Directors
Mr. Wang Fucai *(Chairman and Chief Executive Officer)*
Mr. Yu Yan
Mr. Li Lin
Mr. Yi Lin
Mr. Zhang Yan
Ms. Au-yeung Kam Ling Celeste

Non-executive Director
Mr. Ip Tak Chuen, Edmond

Independent Non-executive Directors
Mr. Wong Lung Tak Patrick, J.P.
Dr. Fong Chi Wah
Mr. Bernard Ban-yew Yaw

The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries (together, the "Group").

(ii) Board Functions and Duties

The principal functions and duties conferred on the Board include:

- convening general meetings and reporting the Board's work at general meetings;
- implementing the resolutions passed by Shareholders in general meetings;
- deciding business plans and investment plans;
- preparing annual financial budgets and final reports;
- formulating the proposals for profit distributions, recovery of losses and for the increase or reduction of registered capital; and
- exercising other powers, functions and duties conferred by Shareholders in general meetings.

(iii) Board Meetings

During the Review Period, there was one board meeting held, at which the Directors approved, among other things, the annual results of the Group for the year ended December 31, 2009.

Prior notice convening the board meeting was despatched to the Directors setting out the matters to be discussed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved. The company secretary of the Company are responsible for keeping minutes for the board meetings.

(iv) Attendance Record

The following is the attendance record of the board meeting held by the Board during the Review Period:

	Attendance at meeting
Executive Directors	
Mr. Wang Fucai *(Chairman and Chief Executive Officer)*	1/1
Mr. Yu Yan	1/1
Mr. Li Lin	1/1
Mr. Yi Lin	1/1
Mr. Zhang Yan	1/1
Ms. Au-yeung Kam Ling Celeste	1/1
Non-executive Director	
Mr. Ip Tak Chuen, Edmond	1/1
Independent Non-executive Directors	
Mr. Wong Lung Tak Patrick, J.P.	1/1
Dr. Fong Chi Wah	1/1
Mr. Bernard Ban-yew Yaw	1/1

(v) Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Wong Lung Tak Patrick, J.P., has over 30 years in the accounting profession. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Association of Certified Accountants, the Association of International Accountants, the Society of Chinese Accountants and Auditors of Hong Kong, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors Ltd.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

(vi) Chairman and Chief Executive Officer

Provision A.2.1 of the CG Code provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Wang Fucai has been performing both the roles of Chairman and Chief Executive Officer. Mr. Wang is the founder of the Group and has over 30 years of experience in the health care and pharmaceutical industry. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

(vii) Appointment and Re-election of Directors

According to the articles of association of the Company, at each annual general meeting one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years.

Each of the executive Directors has entered into a service contract with the Company for a term of two years commencing from February 19, 2010. Each of the non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of one year commencing from February 19, 2010.

(viii) Directors' Remuneration

The remuneration committee makes recommendations to the Board on the remuneration package of the Directors and senior management personnel. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by reference to, inter alia, their duties, responsibilities, experience and qualifications.

Before the listing of the Company, the Directors had been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules.

Remuneration Committee

The Company established a remuneration committee on February 1, 2010 with written terms of reference in compliance with the CG Code. The remuneration committee comprises Mr. Wang Fucai, Mr. Wong Lung Tak Patrick, J.P., Dr. Fong Chi Wah and Mr. Bernard Ban-yew Yaw. Dr. Fong Chi Wah is the chairman of the remuneration committee.

The primary responsibilities of the remuneration committee are to make recommendations to the Board on the remuneration package of the Directors and senior management personnel and to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the Review Period, the remuneration committee has held one meeting, at which memebers of the remuneration committee has considered and reviewed the existing terms of remunerations of all the Directors and senior management, and the Group's remuneration policy in relation to that of comparable companies, time commitment and responsibilities of the Directors and senior management and desirability of performance-based remuneration. The remuneration committee considered that the existing terms of remunerations of the Directors and senior management were fair and reasonable.

The following is the attendance record of the committee meeting held by the remuneration committee during the Review Period.

	Attendance at meeting
Dr. Fong Chi Wah	1/1
Mr. Wang Fucai	1/1
Mr. Wong Lung Tak Patrick, J.P.	1/1
Mr. Bernard Ban-yew Yaw	1/1

Audit Committee

The Company has established an audit committee with written terms of reference based upon the provisions and recommended practices of the CG Code on February 1, 2010. The primary duties of the audit committee are to review and supervise financial reporting processes and internal control system of the Group. At present, the audit committee comprises Mr. Wong Lung Tak Patrick, J.P., Dr. Fong Chi Wah and Mr. Bernard Ban-yew Yaw, being the three independent non-executive Directors of the Company. Mr. Wong Lung Tak Patrick, J.P. is the chairman of the audit committee.

During the Review Period, the audit committee has held one meeting, at which the members of audit committee have reviewed and discussed with the external auditors of the Company the Group's combined financial information for the year ended December 31, 2009, who is of the opinion that such statements have complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

The following is the attendance record of the committee meeting held by the audit committee during the Review Period.

	Attendance at meeting
Mr. Wong Lung Tak Patrick, J.P.	1/1
Dr. Fong Chi Wah	1/1
Mr. Bernard Ban-yew Yaw	1/1

Auditor's Remuneration

For the year ended December 31, 2009, apart from the provisions of annual audit services, the Group's external auditor, Deloitte Touche Tohmatsu, was also the reporting accountants of the Company in relation to the listing. For the year ended December 31, 2009, the total fee paid/payable in respect of audit services provided by the Group's external auditor is set out below:

	For the year ended December 31, 2009 HK$'000
Annual audit services	1,800
Reporting accountants in relation to the listing	9,680

The audit committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders.

Director's Responsibility on the Financial Statements

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

Internal Control

The internal control system has been designed to safeguard the assets of the Company, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. They have carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board is responsible for implementing the internal control system and reviewing its effectiveness. For the year ended December 31, 2009, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the code provisions on internal control of the CG Code.

Communications with Shareholders and Investors

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the remuneration committee and the audit committee and, in their absence, other members of the respective committees are available to answer questions at Shareholders' meetings.

The 2010 Annual General Meeting ("AGM") will be held on May 26, 2010. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.ruinian.com.hk, where extensive information and updates on the Company's financial information, corporate governance practices and other information are posted and available for public access.

Biography of Directors and Senior Management

Directors

Executive Directors

Mr. WANG Fucai (王福才), aged 54, is the founder, the chairman of the Board of Directors and the chief executive officer of the Company and is responsible for the overall management, strategic development and major decision-making of the Group. Mr. WANG was appointed as an executive Director of our Company on August 30, 2006. Mr. WANG received a graduation certificate (畢業證) from the Medical Department of Harbin Medical University (哈爾濱醫科大學) in July 1983. Mr. WANG established Ruinian Industry in 1997 to develop his own business and is now the chairman and general manager of Ruinian Industry. He is an associate director of China Food and Drug Administration Magazine (國家食品藥品監督管理局監督雜誌) and a permanent member of the Association of Hong Kong & Kowloon Practitioners of Chinese Medicine Limited. Mr. WANG possesses almost 30 years of experience in the health care and pharmaceutical industry, including over 10 years in the nutritional supplement industry. Mr. WANG served in BeiMan TeGang and its affiliated hospital (北滿特鋼及其附屬醫院), a state-owned entity, from 1983 to 1992 and was appointed as the Medical Superintendent from 1990 to 1992, during which he gained experience in management and administration. From 1992 to 1997, Mr. WANG worked in Shenzhen Hygienic Development Company (深圳市衛生發展公司) as the General Manager and was responsible for the sale of pharmaceutical products. Since the establishment of Ruinian Industry in 1997, Mr. WANG has devoted all his time to the development of the Group.

Mr. YU Yan (于岩), aged 45, is an executive Director and is responsible for the Group's production and administration. Mr. YU was appointed as an executive Director of our Company on August 30, 2006. Mr. YU has over 22 years of experience in management. He was the supervisor and factory manager of Northern Steel Development Factory (北鋼北發工業公司) and its subsidiary from 1986 to 1996. Mr. YU joined the Group in December 1997 and is currently the deputy general manager of Ruinian Industry.

Mr. LI Lin (李林), aged 42, is an executive Director and is responsible for the sales and marketing of the Group. Mr. LI was appointed as an executive Director of our Company on August 30, 2006. Mr. LI is a senior economist recognised by the Department of Personnel of Jiangsu Province based on the assessment by Jiangsu Qualification Evaluation Committee of Senior Professional Positions Specialised in Economic Field (江蘇省經濟專業高級專業技術資格評審委員會). He graduated from Hubei University (湖北大學) in July 1989 and obtained an executive MBA degree from Peking University (北京大學) in January 2007. He was employed by Wuhan Standard Vehicle Parts Factory (武漢汽車標準件廠) as a teacher, administrator of student affairs department and plant manager during the period between 1989 and 1995. He worked for Sanzhu Group Limited (三株集團有限公司) as a manager, regional manager and sales director until 2000 and has over 13 years of experience in sales and marketing. Mr. LI joined the Group in October 2000 and is currently the deputy general manager of Ruinian Industry.

Mr. YI Lin (伊林), aged 46, is an executive Director and is responsible for the product development and administration of the Group. Mr. YI was appointed as an executive Director of our Company on August 30, 2006. Mr. YI obtained a Bachelor's Degree in Pharmaceutical Preparation (製劑) from Shenyang Medical University (瀋陽藥科大學) in 1987. During the period between 1987 and 1993, he was employed by Harbin Pharmaceutical Group (哈藥集團股份有限公司) and later promoted to be a sales manager. Mr. YI was the head of sales of Shenzhen Bright Way Pharmaceutical Co., Ltd. (深圳凱程醫藥化工有限公司) during the period between 1993 and 1998 and the provincial, regional and Northern China regional manager of Shenzhen Xinpeng Biological Engineering Ltd. (深圳新鵬生物工程有限公司) during the period between 1998 and 2004. He has approximately 20 years of experience in sales and marketing. Mr. YI joined the Group in February 2004 and is currently the deputy general manager of Ruinian Industry.

Biography of Directors and Senior Management

Mr. ZHANG Yan (張宴), aged 33, is an executive Director and is responsible for the finance and treasury of the Group. Mr. ZHANG was appointed as an executive Director of our Company on August 30, 2006. Mr. ZHANG completed a diploma study (大學專科) in Finance and Accounting from Shanghai University of Finance & Economics (上海財經大學) in July 1996. He joined Wuxi Desheng Silk Plant (無錫市德生綢廠) in September 1996 and was later promoted as an administrator of the human resources and accounts department. He is not a qualified accountant, but due to his role and responsibility as an administrator of the human resources and accounting departments, he has accumulated over 11 years of experience in accounting. Mr. ZHANG joined the Group in January 2001 and was responsible for the Group's financial and accounting management during the Track Record Period before the appointment of Mr. POON Yick Pang, Philip as the chief financial officer of the Company. He is currently the deputy general manager of Ruinian Industry.

Ms. AU-YEUNG Kam Ling Celeste (歐陽錦玲), aged 47, is an executive Director and is responsible for the operations of the Group outside the PRC. Ms. AU-YEUNG joined the Group in October 2004 and has been a director of Tongrui since 2007. Ms. AU-YEUNG was appointed as an executive Director of our Company on March 28, 2008. Ms. AU-YEUNG has approximately 17 years of experience in the health food industry. Ms. AU-YEUNG worked in Sunrider International (Hong Kong) Ltd., an international health food company from 1991 to 2001, where she was promoted to District Operation Manager and gained extensive knowledge and experience in the health food markets in Hong Kong and Southeast Asia. Prior to joining the Group, she worked as Operation Manager in both Ta Shing Indomold from 2001 to 2003 and Majestic Group from 2003 to 2004. Ms. AU-YEUNG completed a study in Journalism from Chu Hai College (珠海書院) in Hong Kong in 1986.

Biography of Directors and Senior Management

Non-executive Director

Mr. IP Tak Chuen, Edmond (葉德銓), aged 57, is a non-executive Director and joined the Group in October 2007. Mr. IP was appointed as a non-executive Director of our Company on March 28, 2008. Mr. IP is and used to be a senior management member at a number of companies. The following chart summarises Mr. IP's positions at such companies:

Company(1)	**Position**
CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences")(2)*	senior vice president and chief investment officer
Cheung Kong (Holdings) Limited(3)*	deputy managing director
Cheung Kong Infrastructure Holdings Limited*	executive director and deputy chairman
TOM Group Limited*	non-executive director
ARA Asset Management Limited*	non-executive director
AVIC International Holding (HK) Limited(4)*	non-executive director
Excel Technology International Holdings Limited*	non-executive director
The Ming An (Holdings) Company Limited(5)*	non-executive director
Shougang Concord International Enterprises Company Limited*	non-executive director
ARA Asset Management (Singapore) Limited, the manager of Fortune Real Estate Investment Trust*	director
ARA Trust Management (Suntec) Limited, the manager of Suntec Real Estate Investment Trust*	director

Notes:

(1) All marked with a * are listed companies or REITs listed in Singapore except for The Ming An (Holdings) Company Limited, which was delisted on November 2, 2009.

(2) CK Life Sciences is a company listed on the Main Board of the Stock Exchange. Mr. IP joined the CK Life Sciences Group in December 1999.

(3) Mr. IP joined the Cheung Kong Group in 1993.

(4) The company was formerly known as CATIC International Holdings Limited.

(5) Mr. IP resigned from the company on November 27, 2009.

Mr. IP obtained a Bachelor of Arts degree in Economics in 1975 and a Master of Science degree in Business Administration in 1977.

Biography of Directors and Senior Management

Independent Non-executive Directors

Mr. WONG Lung Tak Patrick, J.P. (黃龍德), aged 61, is an independent non-executive Director and joined the Group in March 2008. Mr. WONG was appointed as an independent non-executive Director of our Company on March 28, 2008. Mr. WONG is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Association of Certified Accountants, the Association of International Accountants, the Society of Chinese Accountants and Auditors of Hong Kong, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors Ltd. Mr. WONG is the managing director of Wong Lam Leung & Kwok CPA Limited. He has over 30 years' experience in the accountancy profession. Among his qualifications, he was awarded a Badge of Honour in 1993 by the Queen of England and was appointed as a Justice of Peace in 1998. Mr. WONG is involved in many other community services, holding posts in various organisations and committees in government and voluntary agencies. Mr. WONG has not, by himself or through the firm he practices with, provided professional services to the Group in the past. As of the Latest Practicable Date, Mr. WONG had been an independent nonexecutive director of Galaxy Entertainment Group Limited, CC Land Holdings Limited, Water Oasis Group and China Precious Metal Resources Holdings Co., Ltd., all of which are companies whose shares are listed on the Main Board of the Stock Exchange and an independent non-executive director of Vertex Group Limited, a company whose shares are listed on the Growth Enterprise Market Board of the Stock Exchange.

Dr. FONG Chi Wah (方志華), aged 47, is an independent non-executive Director and joined the Group in March 2008. Dr. FONG was appointed as an independent non-executive Director of our Company on March 28, 2008. Dr. FONG is a Chartered Financial Analyst, a member of Hong Kong Institute of CPAs and the Institute of Certified Management Accountants, Australia, and the Hong Kong Institute of Directors. Dr. FONG has over 20 years of experience in various sectors of the financial industry, including direct investment, project and structured finance and capital markets, with a focus on the PRC and Hong Kong. Dr. FONG was a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. He was appointed as an independent non-executive director of Syscan Technology Holdings Limited on December 19, 2003 and as an executive director of National Investments Fund Limited on November 1, 2005, and both companies are listed on the Stock Exchange. Dr. FONG obtained a bachelor's degree in management science (economics) from Lancaster University, United Kingdom, in 1984, a master's degree in business administration from Warwick University, United Kingdom, in 1986, a master's degree in investment management from the Hong Kong University of Science and Technology in 1999, a master's degree in practising accounting from Monash University, Australia, in 2001 and a doctorate in business administration from the Hong Kong Polytechnic University in 2007. Dr. FONG has not, by himself or through the firm in which he practices, provided professional services to the Group in the past.

Biography of Directors and Senior Management

Mr. Bernard Ban-yew YAW (饒萬有), aged 49, is an independent non-executive Director and joined the Group in November 2009. Mr. YAW was appointed as an independent non-executive Director of our Company on November 2, 2009. Mr. YAW has over 20 years of experience in management and investment. He has joined Dubai Ventures Group Sdn Bhd ("DVG") as Senior Vice President in charge of Private Equity since December 1, 2005. Dubai Ventures Group is a wholly owned subsidiary of Dubai Group, whose sole shareholder is HH Sheikh Mohammed bin Rashid Al-Maktoum, the ruler of Dubai and the Prime Minister of the United Arab Emirates. DVG is the regional office for Dubai Investment Group in Kuala Lumpur and its primary investment focus is equity investment in this region including Malaysia, Singapore, Thailand, Indonesia, Vietnam, Philippines, Australasia and North Asia including China. DVG has regional offices in Kuala Lumpur, Hong Kong, London, and New York with its headquarters in Dubai, United Arab Emirates. Prior to joining DVG, Mr. YAW was with Malaysia Venture Capital Management Berhad ("MAVCAP"), a wholly owned subsidiary of the Ministry of Finance Inc., Malaysia, which is the investment arm of the Malaysian government, in various capacities. He was the Senior Vice President of Direct Ventures, in charge of Seed Ventures and Agency Ventures and was in charge of the strategic implementation of the Cradle Investment Programme since MAVCAP's inception in April 2001. Prior to joining MAVCAP, he was the President and CEO of Intelliquis Inc., a NASDAQ listed company in which he was in charge of raising early and later stage capital, strategic corporate and worldwide expansion and ultimately engineering the listing exercise in NASDAQ. Mr. YAW graduated from Oral Roberts University in 1985 with a bachelor of science degree in computer science.

Senior Management

Mr. POON Yick Pang, Philip, aged 40, is our Chief Financial Officer and Company Secretary. He joined the Company in June 2008. Mr. POON has over 15 years of corporate finance and accounting experience. Prior to joining the Company, he was the Director of Finance of China Medical Technologies, Inc., a NASDAQ listed company engaged in the manufacture and sales of advanced medical devices in the PRC from 2007 to 2008, and the Senior Vice President, Qualified Accountant and Company Secretary of Paradise Entertainment Limited, a company listed on the Stock Exchange, from 2002 to 2007. Mr. POON also served various positions in Advent International Corporation, a global private equity firm, and in major listed companies in Hong Kong, including Lenovo Group Limited and Sun Hung Kai Properties Limited. Mr. POON obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. QUAN Guangde (全廣德), aged 60, is the manager of our Production Department and an assistant to our chief executive officer. Mr. QUAN is responsible for supervising the production of our nutritional health products. He joined our Group in October 2004 and was a mechanical engineer and head of the engineering team of our Production Department before being promoted to his current positions. Mr. QUAN has over 28 years of experience in mechanical engineering, and was qualified as an engineer in 1987 and a senior engineer in 1996 in the PRC. Prior to joining our Group, Mr. QUAN worked for various companies in the PRC as a mechanical engineer.

Mr. YUAN Jianjun (袁建軍), aged 39, is the manager of our Sales Auditing Department and an assistant to our chief executive officer. Mr. YUAN is responsible for the auditing and analysis of the sales business and marketing and the daily management of the Group. He graduated from the Jiangxi School of Finance & Economics in July 1994, majoring in Financial Accounting. He joined our Group in August 2006 and has over 14 years of experience in financial accounting and auditing. He was qualified as an Accountant in 2004 in the PRC. Prior to joining our Group, Mr. YUAN served in various companies in the PRC specialising in accounting and auditing.

The Board hereby presents its report and the audited combined financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2009.

Corporate Reorganisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 30, 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a series of the Group Reorganisation procedures, the Company became the holding company of the Group on February 1, 2010.

Details of the Reorganisation are set out in the paragraph headed "Reorganisation" on page 3 to 4 of Appendix VIII (Statutory and General Information) to the prospectus of the Company dated February 8, 2010 (the "Prospectus").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 19, 2010 (the "Listing Date").

Principal Activities

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 34 to the combined financial information of this annual report.

Results and Appropriations

The results of the Group for the year ended December 31, 2009 are set out in the combined statement of comprehensive income on page 50 of this annual report.

The Directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

Property, Plant and Equipment

Additions to property, plant and equipment of the Group for the year ended December 31, 2009 amounted to approximately RMB32.6 million. Details of the movements during the year in the Group's property, plant and equipment are set out in note 13 to the combined financial information.

According to the property valuation report as set out in Appendix V to the Prospectus, the Group's properties (only land use rights with certificates for the use of stated-owned land and buildings with building ownership certificates) were valued at approximately RMB152.1 million (the "Valuation Amount") as at November 30, 2009, whereas the land use rights and buildings of the Group were stated at cost less accumulated depreciation and amortisation in the combined financial information in this annual report with carrying values of approximately RMB72.1 million (only land use rights with certificates for the use of stated-owned land) and RMB72.0 million (only buildings with building ownership certificates) respectively as at December 31, 2009. The additional aggregated depreciation and amortisation that would have been charged against the combined financial information for the year ended December 31, 2009 had the land use rights and buildings been stated at the Valuation Amount as at November 30, 2009 amounted to approximately RMB30,000.

Directors' Report

Share Capital

Details of the movements during the year in the issued share capital of the Company are set out in note 9 to the financial statements of this annual report.

Reserves

Details of the movements during the year in the reserves of the Group are set out in the combined statement of changes in equity on page 52 of this annual report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four years are set out on page 92 of this annual report.

Borrowings

Details of bank loans of the Group as at December 31, 2009 are set out in note 25 to the combined financial information of this annual report.

Major Customers and Suppliers

For the years ended December 31, 2009 and 2008, sales to the Group's five largest customers, in aggregate represented approximately 43.1% and 43.1% of the Group's total sales, respectively. For the years ended December 31, 2009 and 2008, sales to the single largest customers amounted to approximately 11.6% and 11.0% of the Group's total sales, respectively.

For the years ended December 31, 2009 and 2008, purchases of raw materials, packaging materials and merchandise for resale from the Group's five largest suppliers accounted for approximately 63.4% and 74.4%, respectively, of the Group's total purchases. For the years ended December 31, 2009 and 2008, purchases from the single largest supplier amounted to approximately 20.8% and 40.1% of the Group's total purchases, respectively.

For the year ended December 31, 2009, none of the Directors or any of their associates or any shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

Directors

The Directors during the year and up to the date of this annual report are as follows:

Executive Directors

Mr. Wang Fucai (appointed as an executive director on August 30, 2006)
Mr. Yu Yan (appointed as an executive director on August 30, 2006)
Mr. Li Lin (appointed as an executive director on August 30, 2006)
Mr. Yi Lin (appointed as an executive director on August 30, 2006)
Mr. Zhang Yan (appointed as an executive director on August 30, 2006)
Ms Au-yeung Kam Ling Celeste (appointed as an executive director on March 28, 2008)

Non-executive Director

Mr. Ip Tak Chuen, Edmond (appointed as a non-executive director on March 28, 2008)

Independent Non-executive Directors

Mr. Wong Lung Tak Patrick, J.P. (appointed as an independent non-executive director on March 28, 2008)
Dr. Fong Chi Wah (appointed as an independent non-executive director on March 28, 2008)
Mr. Bernard Ban-yew Yaw (appointed as an independent non-executive director on November 2, 2009)

Details of biography of Directors and senior management are set out on page 18 to 22 of this annual report.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of two years commencing from February 19, 2010 subject to termination by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of one year commencing from February 19, 2010 subject to termination by not less than one month's notice in writing served by either party on the other. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles.

Remuneration of the Directors

The remuneration of each Director is approved at general meetings. Other emoluments will be determined by the members of the remuneration committee with reference to the duties, responsibilities, performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in note 10 to the combined financial information of this annual report.

Emoluments Policy

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme for its employees.

Retirement Benefits Scheme

Particulars of the retirement benefits scheme of the Group are set out in note 31 to the combined financial information of this annual report.

Independence of Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent in accordance with Rule 3.13.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at the date of this annual report, the interests and short positions of the Directors and the chief executive of the Company in the share capital, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, are set out below:

Name of Director	Capacity	Number and class of securities	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme[1]	Approximate shareholding percentage (%)
Mr. Wang Fucai[2]	interest of a controlled corporation	399,529,734 Shares (L)		38.23%
	short position	20,000,000 Shares (S)		2.00%
Mr. Yu Yan	beneficial owner		1,500,000 Shares (L)	0.14%
Mr. Li Lin	beneficial owner		1,500,000 Shares (L)	0.14%
Mr. Yi Lin	beneficial owner		1,500,000 Shares (L)	0.14%
Mr. Zhang Yan	beneficial owner		1,500,000 Shares (L)	0.14%
Ms. Au-yeung Kam Ling Celeste	beneficial owner		710,000 Shares (L)	0.07%

Notes:

(1) The letter "L" denotes the Director's long position in such securities and the letter "S" denotes the Director's short position in such securities.

(2) Furui owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 20,000,000 Shares held by Strong Ally Limited and the short position over 20,000,000 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme, and Mr. Wang Fucai owns the entire issued share capital of Furui and will be deemed to be interested in the 399,529,734 Shares held by Furui and Strong Ally Limited and the short position over 20,000,000 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

Save as disclosed herein, as at the date of this annual report, none of the Directors and Chief Executives of the Company, or any of their sponsor, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company, recorded in the register required to be kept under section 352 of SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

The Company has conditionally adopted a Pre-IPO Share Option Scheme on January 29, 2010 and a Share Option Scheme on February 1, 2010.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved by the written resolutions of the sole Shareholder passed on February 1, 2010:

(1) The purpose of the Share Option Scheme

The Share Option Scheme seeks to provide an incentive for the Qualified Participants (as defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of the Shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(2) Who may join

The Board may at its discretion grant options to: (i) any executive Director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity (collectively, "Qualified Participants").

(3) Subscription Price

The subscription price ("Subscription Price") shall, subject to any adjustment, be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant ("Offer Date");

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of the Shares.

Detailed terms of the Share Option Scheme are set out in the paragraph headed "Other Information" on page 25 to 32 of Appendix VIII (Statutory and General Information) to the Prospectus.

As at the date of this annual report, no options have been granted or agreed to be granted under the Share Option Scheme.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme consists of two parts. The first part of the Pre-IPO Share Option Scheme is conditional upon the occurrence of the Listing and is granted by Strong Ally Limited, a wholly-owned subsidiary of Furui incorporated in the BVI. Under the first part of the Pre-IPO Share Option Scheme, selected employees and other individuals may be granted the rights to purchase from Strong Ally Limited an aggregate number of 20,000,000 Shares, representing approximately 2% of our issued share capital as of the Listing Date (assuming that the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or to be granted under the Share Option Scheme are not exercised). Under the second part of the Pre-IPO Option Scheme, our Company will grant rights to selected employees and other individuals to purchase an aggregate number of 20,000,000 Shares, representing approximately 2% of our total issued share capital as of the Listing Date (assuming that the Over-allotment Option, options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme are not exercised), or approximately 1.96% of our issued share capital as of the Listing Date as enlarged by the issue of additional new Shares upon exercise of all options granted by us under the Pre-IPO Share Option Scheme.

The terms of the Pre-IPO Share Option Scheme are substantially the same as the Share Option Scheme except for the following conditions:

(a) the exercise price per Share under the Pre-IPO Share Option Scheme is the offering price HK$3.0 per share;

(b) the grantees shall not, within six months from the Listing Date, exercise any of the options granted under the Pre-IPO Share Option Scheme;

(c) the Pre-IPO Share Option Scheme will only become effective if the following conditions precedent are fulfilled:

  (i) the Listing Committee of the Stock Exchange granting approval on the listing of, and permission to deal in, any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme;

  (i) the Global Offering becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms thereof; and

  (i) the commencement of dealing in the Shares on the Stock Exchange;

(d) option granted under the Pre-IPO Share Option Scheme shall lapse if the conditions precedent are not fulfilled; and

(e) the maximum number of Shares granted under the Pre-IPO Share Option Scheme shall not exceed 40,000,000 Shares in total.

As at February 3, 2010, options to subscribe for an aggregate of 20,000,000 Shares had been granted by the Group, and options to purchase for an aggregate of 20,000,000 Shares had been granted by Strong Ally Limited, to a total of 104 Qualified Participants under the Pre-IPO Share Option Scheme.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme

Grantee		Number of options granted on February 3, 2010	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Options Outstanding up to the date of this Annual Report
(1)	Directors					
	Yu Yan	1,500,000	–	–	–	1,500,000
	Li Lin	1,500,000	–	–	–	1,500,000
	Yi Lin	1,500,000	–	–	–	1,500,000
	Zhang Yan	1,500,000	–	–	–	1,500,000
	Au-yeung Kam Ling Celeste	710,000	–	–	–	710,000
(2)	Employees and others	33,290,000	–	–	–	33,290,000

Notes:

(1) All options under the Pre-IPO Share Option Scheme were granted on February 3, 2010 at an exercise price of HK$3.0 per share.

(2) All holders of options granted under the Pre-IPO Share Option Scheme may only exercise their options in the following manner: During the period between the expiry of six months after the Listing Date and the expiry date of the Pre-IPO Share Option Period, one-third of the options granted under our Pre-IPO Share Option Scheme may be exercised; and 1/36th of the options granted under our Pre-IPO Share Option Scheme will become exercisable at the end of each calendar month beginning 12 months after the Listing Date until the expiry date of the Pre-IPO Share Option Period in 24 tranches. The options granted under the Pre-IPO Share Option Scheme shall lapse on the date when a grantee ceases to be a Qualified Participant.

Rights to Purchase Shares or Debentures of Directors and Chief Executives

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company", and "Share Options", at no time during the Review Period was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

Interests and Short Positions of Substantial Shareholders

So far as is known to the Company, as at the date of this annual report, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following person, other than any Director or the chief executive of the Company, was the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests and short positions in the shares and underlying shares of the Company:

Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Furui[1]	beneficial owner and interest in a controlled corporation	399,529,734	38.23%
	short position	20,000,000	2.00%
Qin Shifeng (秦士豐)[2]	interest of spouse	399,529,734	38.23%
	short position	20,000,000	2.00%
Turrence	beneficial owner	93,222,161	8.92%
Pyrope Assets Limited ("PAL")[3]	interest in a controlled corporation	93,222,161	8.92%
CK Life Sciences[3]	interest in controlled corporations	93,222,161	8.92%
Gold Rainbow Int'l Limited ("GRIL")[4]	interest in controlled corporations	93,222,161	8.92%
Gotak Limited ("GL")[4]	interest in controlled corporations	93,222,161	8.92%
Cheung Kong (Holdings) Limited ("CKHL")[4]	interest in controlled corporations	93,222,161	8.92%
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1")[5]	trustee	93,222,161	8.92%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")[6]	trustee & beneficiary of a trust	93,222,161	8.92%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2")[6]	trustee & beneficiary of a trust	93,222,161	8.92%
LI Ka-Shing ("Mr. LI")[7]	founder of discretionary trusts & interest of controlled corporations	93,222,161	8.92%
Tetrad[8]	beneficial owner	68,578,168	6.56%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd	interest in a controlled corporation	68,578,168	6.56%
Raffles	beneficial owner	54,690,434	5.23%
Raffles Partner[9]	interest in a controlled corporation	54,690,434	5.23%
Tang Tsz Kit[9]	interest in a controlled corporation	54,690,434	5.23%
Win Direct[10]	interest in a controlled corporation	54,690,434	5.23%

Notes:

(1) Furui owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 20,000,000 Shares held by Strong Ally Limited and the short position over 20,000,000 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

(2) Qin Shifeng (秦士豐) is the spouse of Mr. WANG Fucai and will be deemed to be interested in the 399,529,734 Shares which Mr. WANG Fucai is interested in through Furui and Strong Ally Limited and the short position over 20,000,000 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

(3) PAL directly owns the entire issued share capital of Turrence and will be deemed to be interested in the 93,222,161 Shares held by Turrence. CK Life Sciences directly owns the entire issued share capital of PAL and will be deemed to be interested in the 93,222,161 Shares held by PAL.

(4) GRIL holds one third or more of the issued share capital of CK Life Sciences and will be deemed to be interested in the 93,222,161 Shares held by CK Life Sciences. By virtue of the above, GRIL is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which Turrence, PAL or CK Life Sciences is taken as interested as a substantial shareholder of the Company under the SFO. Since GRIL is wholly-owned by GL, GL is deemed to be interested in the same number of Shares in which GRIL is interested under the SFO. Since GL is wholly-owned by CKHL, CKHL is deemed to be interested in the same number of Shares in which GL is interested under the SFO.

(5) TUT1, as trustee of UT1, together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of one third or more of the voting power at their general meetings ("related companies"), hold more than one third of the issued share capital of CKHL. By virtue of the above and the interest of TUT1 as trustee of UT1 and its related companies in the shares in CKHL, TUT1 as trustee of UT1 is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which Turrence, PAL, CK Life Sciences, GRIL, GL or CKHL will be taken as interested as a substantial shareholder of the Company under the SFO.

(6) Each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 holds units in UT1. By virtue of the above and its interest of holding units in UT1, each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which Turrence, PAL, CK Life Sciences, GRIL, GL or CKHL will be taken as interested as a substantial shareholder of the Company under the SFO.

(7) Mr Li is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. Mr Li is also interested in one third of the entire issued share capital of a company owning the entire issued share capital of TUT1, TDT1 and TDT2. By virtue of the above and as a director of CKHL, Mr Li is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which Turrence, PAL, CK Life Sciences, GRIL, GL or CKHL will be taken as interested as a substantial shareholder of the Company under the SFO.

(8) Government of Singapore Investment Corporation (Ventures) Pte. Ltd. owns the entire issued share capital of Tetrad and will be deemed to be interested in the 68,578,168 Shares held by Tetrad.

(9) Raffles Partners owns approximately 35.11% of the entire issued share capital of Raffles and Mr. TANG Tsz Kit owns the entire issued share capital of Raffles Partners and each of them will be deemed to be interested in the 54,690,434 Shares held by Raffles.

(10) Win Direct owns approximately 36.36% of the entire issued share capital of Raffles and will be deemed to be interested in the 54,690,434 Shares held by Raffles.

Management Contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

Contracts of Significance

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

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

Directors' Interests in Competing Business

Save as disclosed in the Prospectus, none of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Mr. Wang Fucai who is the Director of the Company, has provided an annual confirmation in respect of the compliance with the non-competition undertaking given by him (as described in the Prospectus) (the "Non-competition Undertaking") and information regarding his investment and engagement in the pharmaceutical business (as disclosed in the Prospectus) and the nature of such investment and engagement.

The independent non-executive Directors have also reviewed the compliance by Mr. Wang Fucai with the Non-competition Undertaking and the information that they have provided regarding investment and engagement by him in the pharmaceutical business (as disclosed in the Prospectus), and the nature of such investment and engagement. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach of Mr. Wang Fucai of the Non-competition Undertaking given by him.

Connected Transaction

As set out in note 32 to the combined financial information of this annual report, during the year, the turnover to Hubei Kaidi Pharmaceutical Co., Ltd., a related-party controlled by a family member of the chairman and chief executive officer, has beneficial interest, amounted to RMB24.2 million which represented approximately 2.8% of the turnover for the year ended December 31, 2009. As such transaction was discontinued before the date of listing of the Company's shares, the Company was not required to comply with the requirements under Chapter 14A of the Listing Rules.

Audit Committee

The Company established its audit committee on February 1, 2010. The audit committee currently comprises three independent non-executive Directors, namely Mr. Wong Lung Tak Patrick, J.P., Dr. Fong Chi Wah and Mr. Bernard Ban-yew Yaw.

The audit committee has adopted a written terms of references which is in compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. The audit committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the year ended December 31, 2009.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands where the Company is incorporated.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Review Period.

Code of Corporate Governance Practice

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. As the Company's shares were listed on February 19, 2010, the Company was not required to comply with the requirements under the CG Code or the continuing obligations requirements of a listed company pursuant to the Listing Rules for the year ended December 31, 2009. Since the Listing Date and up to the date of this annual report, the Company has complied with all the applicable code provisions as set out in the CG Code, except for deviation of the provision A.2.1 of the CG Code. For details of the Corporate Governance Report, please refer to pages 12 to 17 of this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

The listing of the Company's shares commenced on February 19, 2010. Since the Listing Date and up to the date of this annual report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Use of Net Proceeds from the Company's Initial Public Offering

The shares of the Company were listed on February 19, 2010 on the Main Board of the Stock Exchange. The total net proceeds from the Listing after the issue of the over-allotment shares amounted to approximately HK$806.6 million, which are intended to be applied in accordance with the proposed application set out in the section headed "Use of Proceeds" in the Prospectus.

Sufficiency of Public Float

The shares of the Company were listed on February 19, 2010 on the Main Board of the Stock Exchange. Based on the publicly available information and to the best of the Directors' knowledge, information and belief and at the date of this annual report, the Company has maintained sufficient public float since the listing of the shares of the Company on the Main Board of the Stock Exchange.

Events After the End of the Reporting Period

The details of events after the end of the reporting period of the Group are set out in note 33 to the combined financial information of this annual report.

Auditors

The Company has appointed Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the year ended December 31, 2009. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

Closure of the Register of Members

The register of members will be closed by the Company from Wednesday, May 19, 2010 to Wednesday, May 26, 2010, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m., Tuesday, May 18, 2010.

On behalf of the Board
Wang Fucai
Chairman

Hong Kong, April 21, 2010

Deloitte.
德勤

TO THE SHAREHOLDERS OF RUINIAN INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Ruinian International Limited (the "Company") set out on pages 37 to 47, which comprise the statement of financial position as at December 31, 2009, and the statement of comprehensive income and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at December 31, 2009 and of its loss for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 30, 2010

Statement of Comprehensive Income

For the year ended December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Other income		**2**	39
Administrative expenses		**(561)**	(1,171)
Loss for the year and total comprehensive expense for the year	6 & 7	**(559)**	(1,132)

Statement of Financial Position

At December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Current liabilities			
Other payables		**–**	(23)
Amount due to immediate holding company	8	**(834)**	(564)
Amount due to a fellow subsidiary	8	**(934)**	(575)
Amount due to a director	8	**–**	(47)
Net liabilities		**(1,768)**	(1,209)
Capital and reserve			
Share capital	9	**–**	–
Deficit		**(1,768)**	(1,209)
Total equity		**(1,768)**	(1,209)

The financial statements on pages 37 to 47 were approved and authorised for issue by the Board of Directors on March 30, 2010 and are signed on its behalf by:

WANG, FUCAI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

AU-YEUNG KAM LING CELESTE
EXECUTIVE DIRECTOR

Statement of Changes in Equity

For the year ended December 31, 2009

	Share capital RMB'000	Deficit RMB'000	Total RMB'000
At January 1, 2008	–	(77)	(77)
Loss for the year and total comprehensive expense for the year	–	(1,132)	(1,132)
At December 31, 2008	–	(1,209)	(1,209)
Loss for the year and total comprehensive expense for the year	–	(559)	(559)
At December 31, 2009	–	(1,768)	(1,768)

1. General

The Company was incorporated in the Cayman Islands on August 30, 2006 and registered as an exempted company with limited liability. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since February 19, 2010. Prior to listing, its immediate holding company is Tongrui Holdings Limited ("Tongrui") and ultimate holding company is Furui Investments Limited ("Furui"). Both companies are incorporated in the British Virgin Islands.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company has become the holding company of its subsidiaries on February 1, 2010. Details of the Group Reorganisation are set out in the paragraph headed "Reorganisation" in Appendix VIII to the prospectus dated February 8, 2010 issued by the Company (the "Prospectus") and the section headed "History and Reorganisation" of the Prospectus.

As at the date of issue of the financial statements, the Company acts as an investment holding company while its subsidiaries is principally engaged in the manufacture and sales of health and nutritional supplements and pharmaceutical products. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of principal place of business in Hong Kong is Unit A, 10/F, China Overseas Building, No. 139 Hennessy Road and No. 138 Lockhart Road, Wan Chai, Hong Kong.

No statement of cash flows is presented as the Company has no bank account and cash transactions during the years.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC*)-INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC)-INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[5]

* IFRIC represents the International Financial Reporting Interpretations Committee.

1 Effective for annual periods beginning on or after July 1, 2009.
2 Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.
3 Effective for annual periods beginning on or after January 1, 2010.
4 Effective for annual periods beginning on or after February 1, 2010.
5 Effective for annual periods beginning on or after July 1, 2010.
6 Effective for annual periods beginning on or after January 1, 2011.
7 Effective for annual periods beginning on or after January 1, 2013.

The application of HKFRS 3 (Revised 2008) may affect the accounting for business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Company's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial statements.

3. Significant Accounting Policies

The financial statements have been prepared on the historical cost basis and in accordance with accounting policies set out below which conform with HKFRSs. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Financial instruments

Financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instrument are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liability

Financial liability including other payables, amount due to immediate holding company, amount due to a fellow subsidiary and amount due to a director is subsequently measured at amortised cost, using the effective interest method.

Equity instrument

Equity instrument issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies-continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

The individual financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

4. Capital Risk Management

The Company manages its capital to ensure the Company will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Company consists of equity attributable to owners of the Company, comprising issued share capital and deficit during the year.

The Company actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Company's business and economic conditions through the payment of dividends, new share issues and share buy-back as well as the issue of new debt or the redemption of existing debt.

5. Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial liabilities are disclosed in note 3.

Categories of financial instruments

	2009	2008
	RMB'000	RMB'000
Financial liabilities		
Amortised cost	**1,768**	1,209

Financial risk management objectives and policies

The Company's major financial instruments include other payables, amount due to immediate holding company, amount due to a fellow subsidiary and amount due to a director. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

At the end of the reporting period, the carrying amounts of the Company's monetary liabilities which denominated in Hong Kong dollars amounted to RMB1,768,000 (2008: RMB1,209,000). No sensitivity analysis is presented as the exposure is considered to be immaterial.

5. Financial Instruments-continued

Liquidity risk management

The directors of the Company has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Company's contractual maturity for its financial liabilities:

	2009	2008
	RMB'000	RMB'000
Non-interest bearing financial liabilities		
– on demand	**1,768**	1,209

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial liabilities recorded at amortised cost in the financial statements approximate their fair values at the end of the reporting period.

6. Loss for the year

	2009	2008
	RMB'000	RMB'000
Loss for the year has been arrived at after charging:		
Directors' remuneration	**–**	–

Auditor's remuneration for the year was borne by the immediate holding company of the Company.

7. Taxation

No provision for taxation has been made in the financial statements as the Company had no assessable profit for the year.

8. Amount Due to Immediate Holding Company/a Fellow Subsidiary/a Director

The amounts are unsecured, interest-free and are repayable on demand.

9. Share Capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2008, December 31, 2008 and December 31, 2009	35,000,000	350
Issued and fully paid:		
At January 1, 2008, December 31, 2008 and December 31, 2009	100	–

	RMB'000
Shown in the statement of financial position at January 1, 2008, December 31, 2008 and December 31, 2009 as	–

10. Events after the end of the Reporting Period

The following events took place subsequent to December 31, 2009:

(a) On February 1, 2010, shareholders' written resolutions were passed to approve the matters set out in the paragraph headed "Resolutions in writing of the sole Shareholder passed on February 1, 2010" in Appendix VIII to the prospectus dated February 8, 2010 issued by the Company ("the Prospectus"), which mainly includes the increase of authorised share capital of the Company from HK$350,000 to HK$20,000,000 by the creation of an additional 1,965,000,000 shares of HK$0.01 each.

(b) On February 1, 2010, the Company acquired the entired issued share capital of Tongrui from its then shareholders. In consideration for the aforesaid acquisition, the Company issued and allotted a total of 749,999,900 new shares to the then shareholders of Tongrui, and Tongrui transferred 100 shares of the Company to Furui. Furui then transferred 20,000,000 shares of the Company to Strong Ally Limited, a company which is wholly-owned by Furui for the purpose of the Pre-IPO Share Option Scheme arrangements.

On completion of the Group Reorganisation but immediately prior to the completion of the global offering, the Company had in issue a total of 750,000,000 shares.

(c) Pursuant to the written resolution of the shareholders of the Company on February 1, 2010, the Company has adopted a Pre-IPO Share Option Scheme, details of which have been set out in the sub-section headed "Pre-IPO Share Option Schemes" in Appendix VIII to the Prospectus. Up to the date of issue of the financial statements, 20,000,000 options with fair value of HK$17,340,000 were granted under the Pre-IPO Share Option Scheme to subscribe shares in the Company at HK$3 per share. These options are exercisable over a period of 3 years commencing after the date of listing of the shares of the Company on the Stock Exchange (the "Listing Date"). During the period between the expiry of six months after the Listing Date and the expiry date of the Pre-IPO Share Option Period, one-third of the options granted under the Pre-IPO Share Option Scheme may be exercised; and 1/36th of the options granted under the Pre-IPO Share Option Scheme will become exercisable at the end of each calendar month beginning twelve months after the Listing Date until the expiry date, of the Pre-IPO Share Option in 24 tranches.

(d) On February 19, 2010, 250,000,000 shares of HK$0.01 each of the Company were issued at HK$3 by way of global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange. The net proceeds received from the global offering was approximately HK$676,700,000.

(e) On March 8, 2010, an over-allotment option was exercised and a further 45,000,000 shares of HK$0.01 each of the Company were issued at HK$3 per share. The additional net proceeds received from the over-allotment option was approximately HK$129,900,000.

Deloitte.
德勤

TO THE DIRECTORS OF RUINIAN INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the combined financial information of Ruinian International Limited (the "Company") and Tongrui Holdings Limited and its subsidiaries which now became the subsidiaries of the Company set out on pages 50 to 91, which comprise the combined statement of financial position as at December 31, 2009, and the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the combined financial information

The directors of the Company are responsible for the preparation and presentation of these combined financial information in accordance with the basis of presentation set out in note 2 to the combined financial information and significant accounting policies set out in notes 4 to the combined financial information which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the combined financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on this combined financial information based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the combined financial information is free from material misstatement.

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

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

Opinion

In our opinion, the combined financial information for the year ended December 31, 2009 has been properly prepared, in all material respects, in accordance with the basis of presentation set out in note 2 to the combined financial information and significant accounting policies set out in note 4 to the combined financial information which conform with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 30, 2010

Combined Statement of Comprehensive Income

For the year ended December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover		**850,622**	632,357
Cost of goods sold		**(261,573)**	(206,068)
Gross profit		**589,049**	426,289
Other income		**746**	1,975
Selling and distribution costs		**(216,190)**	(200,833)
Administrative expenses		**(46,602)**	(42,059)
Research and development costs		**(2,000)**	(13,900)
Finance costs	8	**(11,891)**	(14,657)
Profit before taxation	9	**313,112**	156,815
Taxation	11	**(103,410)**	(36,836)
Profit for the year		**209,702**	119,979
Other comprehensive income			
– exchange differences arising on translation of foreign operations		**10**	176
Total comprehensive income for the year		**209,712**	120,155
Earnings per share – Basic	12	**28.0 cents**	16.0 cents

Combined Statement of Financial Position

At December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	13	**299,568**	192,482
Land use rights	14	**166,825**	86,329
Intangible assets	15	**58,012**	16,467
Deposits made on acquisition of property, plant and equipment		**12,380**	–
Deposits made on acquisition of a subsidiary	16	**–**	230,000
Advance payments for acquisition of technical knowhow	17	**26,840**	–
Deferred tax assets	18	**8,198**	11,934
		571,823	537,212
Current assets			
Inventories	19	**22,627**	87,099
Trade and other receivables	20	**417,384**	288,405
Pledged bank deposits	21	**–**	983
Bank balances and cash	21	**215,216**	1,840
		655,227	378,327
Current liabilities			
Trade and other payables	22	**112,853**	77,926
Amount due to ultimate holding company	23	**51,728**	–
Amount due to a director	24	**–**	47
Taxation		**39,043**	20,860
Short-term bank loans	25	**226,000**	201,000
		429,624	299,833
Net current assets		**225,603**	78,494
Total assets less current liabilities		**797,426**	615,706
Non-current liabilities			
Deferred tax liabilities	18	**4,582**	1,910
Net assets		**792,844**	613,796
Capital and reserves			
Share capital	26	**13**	13
Reserves		**792,831**	613,783
Total equity		**792,844**	613,796

The combined financial information on pages 50 to 91 were approved and authorised for issue by the Board of Directors on March 30, 2010 and are signed on its behalf by:

WANG, FUCAI	**AU-YEUNG KAM LING CELESTE**
CHAIRMAN AND CHIEF EXECUTIVE OFFICER	*EXECUTIVE DIRECTOR*

Combined Statement of Changes in Equity

For the year ended December 31, 2009

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Translation reserve RMB'000	Non-distributable reserve RMB'000 (Note b)	Statutory surplus reserve fund RMB'000 (Note c)	(Deficit) retained profits RMB'000	Total RMB'000
At January 1, 2008	12	149,550	134,782	–	7,002	28,557	(8,652)	311,251
Exchange differences arising on translation of foreign operations	–	–	–	176	–	–	–	176
Profit for the year	–	–	–	–	–	–	119,979	119,979
Total comprehensive income for the year	–	–	–	176	–	–	119,979	120,155
Issue of shares	1	181,993	–	–	–	–	–	181,994
Deemed contributions from controlling shareholder	–	–	–	–	1,285	–	–	1,285
Deemed distributions to controlling shareholder	–	–	–	–	(889)	–	–	(889)
Transfers	–	–	–	–	–	18,996	(18,996)	–
	1	181,993	–	–	396	18,996	(18,996)	182,390
At December 31, 2008	13	331,543	134,782	176	7,398	47,553	92,331	613,796
Exchange differences arising on translation of foreign operations	–	–	–	10	–	–	–	10
Profit for the year	–	–	–	–	–	–	209,702	209,702
Total comprehensive income for the year	–	–	–	10	–	–	209,702	209,712
Deemed distributions to controlling shareholder	–	–	–	–	(30,664)	–	–	(30,664)
Transfers	–	–	–	–	–	23,734	(23,734)	–
At December 31, 2009	13	331,543	134,782	186	(23,266)	71,287	278,299	792,844

Notes:

(a) Special reserve represents the aggregate of:

(i) the difference between the consideration paid by Jet Bright International Holdings Limited for the acquisition of the entire interest in 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Company Limited) ("Ruinian Industry") and the nominal value of paid-in capital of Ruinian Industry; and

(ii) the difference between the nominal value of paid-in capital of 無錫瑞年營銷有限公司 (Wuxi Ruinian Sales Co., Ltd.) ("Ruinian Sales") and the distribution of Ruinian Sales' net assets upon its dissolution in October 2007.

(b) Non-distributable reserve represents the aggregate of:

(i) capital contributions from and distributions to the beneficial controlling shareholder of the Company, Mr. Wang Fucai, in respect of the interest on trade finance arrangement with related companies; and

(ii) deemed distributions to the controlling shareholder in respect of the acquisition of a subsidiary (see note 27 to the combined financial information).

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary while the amounts and allocation basis are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

Combined Statement of Cash Flows

For the year ended December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Operating activities			
Profit before taxation		**313,112**	156,815
Adjustments for:			
Interest income		**(430)**	(1,524)
Interest expenses		**11,891**	14,657
Depreciation of property, plant and equipment		**16,285**	5,736
Amortisation of intangible assets		**5,455**	2,675
Operating lease rentals in respect of land use rights		**1,038**	646
Write-off of property, plant and equipment		**4**	–
Allowance for inventories		**–**	256
Allowance for inventories written back		**(141)**	–
Operating cash flows before movements in workingcapital		**347,214**	179,261
Decrease (increase) in inventories		**64,961**	(63,768)
Increase in trade and other receivables		**(126,286)**	(139,288)
Increase (decrease) in trade and other payables		**27,443**	(25,496)
Cash from (used in) operations		**313,332**	(49,291)
Mainland China income tax paid		**(78,819)**	(29,217)
Net cash from (used in) operating activities		**234,513**	(78,508)
Investing activities			
Interest received		**430**	1,524
Acquisition of a subsidiary	27	**2,295**	–
Purchase of property, plant and equipment		**(30,689)**	(66,019)
Purchase of intangible assets		**(1,840)**	–
Purchase of land use rights		**(40,870)**	(55,942)
Deposits paid on acquisition of property, plant and equipment		**(11,123)**	–
Deposits paid on acquisition of a subsidiary		**–**	(57,700)
Advances made to related companies		**–**	(79,452)
Repayment from related companies		**–**	79,452
Decrease in pledged bank deposits		**983**	49,818
Net cash used in investing activities		**(80,814)**	(128,319)
Financing activities			
Interest paid		**(11,891)**	(14,261)
Proceeds from issue of shares		**–**	181,994
Bills payables to related companies raised		**–**	511,363
Repayment of bills payables to related companies		**–**	(575,791)
Borrowings from ultimate holding company		**57,770**	–
Repayment to ultimate holding company		**(6,042)**	(15,011)
Repayment to a director		**(170)**	(392)
Bank loans raised		**344,000**	269,000
Repayment of bank loans		**(324,000)**	(266,021)
Net cash from financing activities		**59,667**	90,881

Combined Statement of Cash Flows

For the year ended December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
Net increase (decrease) in cash and cash equivalents		**213,366**	(115,946)
Cash and cash equivalents at January 1		**1,840**	117,768
Effect of foreign exchange rate changes		**10**	18
Cash and cash equivalents at December 31		**215,216**	1,840
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**215,216**	1,840

1. General

The Company was incorporated in the Cayman Islands on August 30, 2006 and registered as an exempted company with limited liability. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since February 19, 2010. Prior to listing, its immediate and ultimate holding company is Furui Investments Limited ("Furui"), a company which is incorporated in the British Virgin Islands.

The Company acts as an investment holding company while the Group is principally engaged in the manufacture and sales of health and nutritional supplements and pharmaceutical products. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of principal place of business in Hong Kong is Unit A, 10/F, China Overseas Building, No. 139 Hennessy Road and No. 138 Lockhart Road, Wan Chai, Hong Kong.

The combined financial information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Group Reorganisation and Basis of Presentation of the Combined Financial Information

In preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent the group reorganisation (the "Group Reorganisation") which include the following steps:

(a) Prior to August 11, 2006, the businesses of the Group carried out by Ruinian Industry and Ruinian Sales were owned and controlled by the controlling shareholder of the Company, Mr. Wang Fucai ("the Controlling Shareholder"). Subsequent to this date, Tongrui Holdings Limited ("Tongrui") was incorporated in the British Virgin Islands and controlled by the Controlling Shareholder and Jet Bright International Holdings Limited ("Jet Bright") was incorporated in Hong Kong as a subsidiary of Tongrui.

(b) Pursuant to a sales and purchase agreement dated August 22, 2006, Jet Bright acquired the entire interests in Ruinian Industry from companies controlled by the Controlling Shareholder for a cash consideration of RMB20,220,000 and the issue of 1 share of Jet Bright which was subsequently transferred to Tongrui at nil consideration.

(c) Pursuant to a sales and purchase agreement dated February 1, 2010, the Company acquired the entire interests in Tongrui by issuing and allotting 749,999,900 shares of HK$0.01 each to the Controlling Shareholder and other shareholders of Tongrui. Thereafter, the Company has become the holding company of the Group since February 1, 2010.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the combined statements of comprehensive income and cash flows for each of the two years ended December 31, 2009 include the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout each of the two years ended December 31, 2009, or since their respective dates of incorporation/establishment where this is a shorter period.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Combined and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC*)-INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC)-INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[5]

* IFRIC represents the International Financial Reporting Interpretations Committee.

1 Effective for annual periods beginning on or after July 1, 2009.
2 Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.
3 Effective for annual periods beginning on or after January 1, 2010.
4 Effective for annual periods beginning on or after February 1, 2010.
5 Effective for annual periods beginning on or after July 1, 2010.
6 Effective for annual periods beginning on or after January 1, 2011.
7 Effective for annual periods beginning on or after January 1, 2013.

The application of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after January 1, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")-continued

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the combined financial information.

4. Significant Accounting Policies

The combined financial information has been prepared on the historical cost basis and in accordance with accounting policies set out below which conform with HKFRSs. In addition, the combined financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The combined financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Business combination under common control

The combined financial information incorporates the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, value added tax and sales related taxes.

4. Significant Accounting Policies-continued

Revenue recognition-continued

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	5%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	10%

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis.

When the leasehold land is in the course of development for production or for administrative purposes, the leasehold land is classified as land use rights and amortised on a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of construction in progress.

4. Significant Accounting Policies-continued

Leasehold land and building-continued

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the assets is derecognised.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

4. Significant Accounting Policies-continued

Intangible assets-continued

Research and development costs-continued

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Advertising expenses and prepayment for media airtime

Advertising expenses on supply of goods are recognised as and included in selling expenses in the profit or loss in the period in which the Group has a right to access those goods.

Advertising expenses on supply of services are recognised as and included in selling expenses in the profit or loss in the period in which the Group receives the services.

Financial instruments

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

Financial assets

The Group's financial assets are mainly classified into loans and receivables.

4. Significant Accounting Policies-continued

Financial instruments-continued

Financial assets-continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis of debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

4. Significant Accounting Policies-continued

Financial instruments-continued

Impairment of financial assets-continued

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written of are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instrument are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liability

Financial liability including trade and other payables, amount due to ultimate holding company, amount due to a director and short-term bank loans is subsequently measured at amortised cost, using the effective interest method.

4. Significant Accounting Policies-continued

Financial instruments-continued

Financial liabilities and equity-continued

Equity instrument

Equity instrument issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. Significant Accounting Policies-continued

Taxation-continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

4. Significant Accounting Policies-continued

Foreign currencies-continued

For the purposes of presenting the combined financial information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards if ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefits costs

Payments to defined contribution retirement benefit plans, government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF") are charged as an expense when employees have rendered service entitling them to the contributions.

5. Capital Risk Management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank loans, pledged bank deposits, cash and cash equivalents and equity attributable to equity holders of the Company, comprising share capital, reserves and retained profits as disclosed in the combined financial information.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank loans.

6. Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 4.

6. Financial Instruments-continued

Categories of financial instruments

	2009 **RMB'000**	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**592,945**	125,357
Financial liabilities		
Amortised cost	**325,853**	214,631

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amount due to ultimate holding company, amount due to a director and short-term bank loans. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

The Group has no significant concentration of credit risk. Trade receivables consist of a large number of customers which spread across diverse industries and geographical areas.

Foreign currency risk

In 2008, one subsidiary of the Company has foreign currency sales, which expose the Group to foreign currency risk. At December 31, 2008, approximately 4% (2009: Nil) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale. At the end of the reporting period, the carrying amounts of the Group's foreign currency denominated monetary assets amounted to RMB360,000 (2008: RMB776,000).

6. Financial Instruments-continued

Foreign currency risk-continued

The sensitivity analysis below has been determined based on the exposure to exchange rates of RMB against HK$. For a 5% weakening of RMB against HK$ and all other variables were held constant, the Group's profit for the year are as follows:

	2009 **RMB'000**	2008 RMB'000
Increase in profit for the year	**41**	24

There would be an equal and opposite impact on the profit and equity for the years where the RMB strengthens against HK$.

Liquidity risk management

The directors of the Company has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or if variable, based on the prevailing interest rate at the end of each reporting period.

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities						
At December 31, 2009						
Trade and other payables	–	48,125	–	–	48,125	48,125
Amount due to ultimate holding company	–	51,728	–	–	51,728	51,728
Short-term bank loans						
– variable rate	5.2	33,495	25,219	–	58,714	58,000
– fixed rate	5.4	57,809	99,207	15,138	172,154	168,000
		191,157	124,426	15,138	330,721	325,823

6. Financial Instruments-continued

Liquidity risk management-continued

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities						
At December 31, 2008						
Trade and other payables	–	13,584	–	–	13,584	13,584
Amount due to a director	–	47	–	–	47	47
Short-term bank loans						
– variable rate	7.1	76,646	53,748	8,069	138,463	136,000
– fixed rate	7.4	35,822	549	30,325	66,696	65,000
		126,099	54,297	38,394	218,790	214,631

Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances and short-term bank loans at variable interest rates. Bank loans at fixed interest rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing pledged bank deposits, bank balances and variable rate bank loans at the end of the reporting period and assumed that the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates on pledged bank deposits, bank balances and bank loans had been 50 basis points lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2009 RMB'000	2008 RMB'000
(Decrease) increase in profit for the year	**(589)**	583

There would be an equal and opposite impact on the profit for the year where they had been 50 basis periods higher.

6. Financial Instruments-continued

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial information approximate their fair values at the end of the reporting period.

7. Turnover and Segment Information

Segment information has been identified on the basis of internal management reports which are reviewed by the Chief Executive Officer in order to allocate resources to the reportable segments and to assess their performance.

The Group's reportable segments under HKFRS 8 are as follows:

Health and nutritional supplements	–	manufacture and sales of health and nutritional supplements
Health drinks	–	manufacture and sales of health drinks
Pharmaceutical products	–	manufacture and sales of pharmaceutical products

Commencing from the year 2008, the Group has two operating segments in which the Group began to engage in the sales of health drinks. After the acquisition of 南京瑞年百思特製藥有限公司 (Nanjing Ruinian Best Pharmaceutical Co., Ltd.) ("Nanjing Ruinian") in July 2009, the Group has three operating segments in which the Group began to engage in the sales of pharmaceutical products. Each reportable segment derives its turnover from the sales of the products. They are managed separately because each product requires different production and marketing strategies.

Turnover represents the fair value of the consideration received or receivable for goods sold to outside customers during the year.

Segment results represent the gross profits earned by each segment.

7. Turnover and Segment Information-continued

The information of segment results are as follows:

	Health and nutritional supplements RMB'000	Health drinks RMB'000	Pharmaceutical products RMB'000	Total RMB'000
For the year ended December 31, 2009				
Revenue from external customers	**654,565**	**165,381**	**6,455**	**826,401**
Revenue from related parties	**24,221**	**–**	**–**	**24,221**
	678,786	**165,381**	**6,455**	**850,622**
Cost of goods sold	**(165,332)**	**(88,956)**	**(962)**	**(255,250)**
Gross profit	**513,454**	**76,425**	**5,493**	**595,372**
For the year ended December 31, 2008				
Revenue from external customers	481,653	125,674	–	607,327
Revenue from related parties	25,030	–	–	25,030
	506,683	125,674	–	632,357
Cost of goods sold	(108,217)	(88,321)	–	(196,538)
Gross profit	398,466	37,353	–	435,819

	2009 RMB'000	2008 RMB'000
Total turnover per segment reporting and total combined turnover, as reported	**850,622**	632,357
Total cost of goods sold per segment reporting	**(255,250)**	(196,538)
Total gross profit per segment reporting	**595,372**	435,819
Adjustment on value-added tax	**(6,323)**	(9,530)
Total gross profit, as reported	**589,049**	426,289
Advertising and promotional expenses	**(182,208)**	(156,794)
Research and development costs	**(2,000)**	(13,900)
Other operating expenses	**(80,584)**	(86,098)
Other income	**316**	451
Interest income	**430**	1,524
Interest expenses	**(11,891)**	(14,657)
Profit before taxation	**313,112**	156,815

7. Turnover and Segment Information-continued

Information of segment assets and segment liabilities are as follows:

Segment assets represent property, plant and equipment, land use rights, intangible assets, deposits made on acquisition of property, plant and equipment, advance payments for acquisition of technical knowhow, inventories and trade and other receivable which are directly attributable to the relevant reportable segment. Segment liabilities represent trade and other payables which are directly attributable to the relevant reportable segment. These are the measure reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

	2009 **RMB'000**	2008 RMB'000
Assets		
Segment assets		
– health and nutritional supplements	**746,864**	588,299
– health drinks	**47,460**	80,844
– pharmaceutical products	**206,106**	–
	1,000,430	669,143
Deposits made on acquisition of Nanjing Ruinian	**–**	230,000
Deferred tax assets	**8,198**	11,934
Unallocated corporate assets (Note a)	**218,422**	4,462
Combined total assets	**1,227,050**	915,539
Liabilities		
Segment liabilities		
– health and nutritional supplements	**80,646**	60,360
– health drinks	**20,906**	11,350
– pharmaceutical products	**6,835**	–
	108,387	71,710
Taxation	**39,043**	20,860
Deferred tax liabilities	**4,582**	1,910
Unallocated corporate liabilities (Note b)	**282,194**	207,263
Combined total liabilities	**434,206**	301,743

Notes:

(a) Unallocated corporate assets represent pledged bank deposits, bank balances and cash, property rental deposits and other prepayments and deposits.

(b) Unallocated corporate liabilities represent amount due to a director, amount due to ultimate holding company, short-term bank loans, other accruals and other payables.

7. Turnover and Segment Information-continued

Other information

	2009 RMB'000	2008 RMB'000
Amounts included in the measure of segment result or segment assets:		
Additions to non-current assets other than deferred tax assets		
– health and nutritional supplements	**86,618**	122,147
– pharmaceutical products	**206,607**	–
	293,225	122,147
Depreciation of property, plant and equipment		
– health and nutritional supplements	**13,447**	5,736
– pharmaceutical products	**2,838**	–
	16,285	5,736
Amortisation of intangible assets		
– health and nutritional supplements	**2,808**	2,675
– pharmaceutical products	**2,647**	–
	5,455	2,675
Operating lease rentals in respect of land use rights		
– health and nutritional supplements	**646**	646
– pharmaceutical products	**392**	–
	1,038	646

7. Turnover and Segment Information-continued

Other information-continued

Turnover from external customers attributed to the Group by geographical areas, other than the Company's country of domicile, is presented as follows:

	2009 **RMB'000**	2008 RMB'000
Turnover		
– Mainland China (the "PRC")	**850,622**	631,320
– Hong Kong	**–**	1,037
	850,622	632,357

Total non-current assets other than deferred tax assets by geographical areas, other than the Company's country of domicile is presented as follows:

	2009 **RMB'000**	2008 RMB'000
Total non-current assets other than deferred tax assets		
– PRC	**563,363**	524,940
– Hong Kong	**262**	338
	563,625	525,278

Information about major customers

For the year ended December 31, 2009, there was one customer with revenue of RMB98,420,000 which accounted for more than 10% of total turnover related to health and nutritional supplements and health drinks.

For the year ended December 31, 2008, there were two customers with revenues of RMB69,389,000 and RMB69,090,000 respectively which accounted for more than 10% of the total turnover related to health and nutritional supplements and health drinks.

7. Turnover and Segment Information-continued

Information about major customers-continued

Revenues by products are as follows:

	2009 RMB'000	2008 RMB'000
Health and nutritional supplements		
Nutritional supplements		
Ruinian-branded amino acid-based tablets	**260,541**	182,922
Linger-branded amino acid-based tablets	**61,310**	39,520
Liquid amino acid	**159,935**	159,637
Ruinian-branded royal jelly tablets	**52,248**	29,074
Ruinian-branded osteoid sachet powder	**46,181**	28,524
Ruinian-branded blood lipid capsules	**3,512**	1,685
Subtotal	**583,727**	441,362
General Health Food Products		
Ruinian-branded protein powder	**50,726**	34,615
Ruinian-branded collagen tablets	**341**	34
Ruinian-branded Polypeptide tablets	**75**	382
Sane-branded dietary fiber	**52**	82
Others	**43,865**	30,208
Subtotal	**95,059**	65,321
Subtotal of health and nutritional supplements	**678,786**	506,683
Health drinks		
Herbal tea	**165,381**	125,674
Pharmaceutical products		
Ofloxacin Eye Drops	**801**	–
Topotecan Hydrochloride Capsules	**5,654**	–
Subtotal	**6,455**	–
Total	**850,622**	632,357

8. Finance Costs

	2009	2008
	RMB'000	RMB'000
Interest on		
– bank borrowings wholly repayable within five years	**(11,891)**	(14,261)
– financing arrangements with related companies	**–**	(396)
	(11,891)	(14,657)

9. Profit before Taxation

	2009	2008
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 10)	**720**	1,887
Other staff's retirement benefits scheme contributions	**1,221**	1,696
Other staff costs	**7,964**	12,518
	9,905	16,101
Amortisation of intangible assets included in		
– costs of goods sold	**2,808**	2,675
– administrative expenses	**2,647**	–
	5,455	2,675
Operating lease rentals in respect of		
– land use rights	**2,974**	832
Less: capitalised under construction in progress	**(1,936)**	(186)
	1,038	646
– rented premises	**1,010**	766
Advertising and promotional expenses	**182,208**	156,794
Allowance for inventories	**–**	256
Auditor's remuneration	**1,585**	1,587
Cost of inventories recognised as expenses	**258,765**	203,545
Depreciation of property, plant and equipment	**16,285**	5,736
Write-off of property, plant and equipment	**4**	–
Net exchange losses	**73**	3,653
and after crediting:		
Allowance for inventories written back	**141**	–
Interest income	**430**	1,524

10. Directors' and Employees' Emoluments

The emoluments of directors during the year are analysed as follows:

	2009				2008			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	rmb'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors								
– Mr. Wang Fucai	-	32	13	45	–	372	47	419
– Mr. Yu Yan	-	11	4	15	–	225	38	263
– Mr. Li Lin	-	12	5	17	–	226	38	264
– Mr. Yi Lin	-	11	4	15	–	222	38	260
– Mr. Zhang Yan	-	32	12	44	–	226	38	264
– Ms. Au-Yeung Kam Ling, Celeste	-	573	11	584	–	409	8	417
Non-executive directors	-	-	-	-	–	–	–	–
Independent non-executive directors	-	-	-	-	–	–	–	–
	-	671	49	720	–	1,680	207	1,887

At December 31, 2009, the five highest paid individuals included one director (2008: two directors), details of whose emoluments are set out above. The emoluments of the remaining highest paid employee were as follows:

	2009	2008
	RMB'000	RMB'000
Employees		
– basic salaries and allowances	2,514	2,278
– retirement benefits scheme contributions	42	25
	2,556	2,303

The emoluments were within the following bands:

	Number of employees	
	2009	2008
	RMB'000	RMB'000
Up to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	1	1

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office except for an amount of RMB712,000 which was paid by the Group to one of the five highest paid individual, who is not a director of the Company, to settle his early termination of former employment as an inducement to join in 2008. None of the directors has waived any emoluments during the year.

11. Taxation

	2009	2008
	RMB'000	RMB'000
The charge comprises:		
PRC income tax	**(97,002)**	(32,552)
Deferred taxation	**(6,408)**	(4,284)
	(103,410)	(36,836)

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, Ruinian Industry was entitled to exemption from PRC income tax for the two years commencing from its first profit making year of operation in 2004 and thereafter, Ruinian Industry was entitled to a 50% relief from PRC income tax for the following three years. The tax concession to Ruinian Industry expired at the end of 2008, despite the changes to the tax law mentioned below, according to Guo Fa [2007] No. 39.

On March 16, 2007, the Enterprise Income Tax Law (the "new EIT Law") was passed at the Fifth session of the Tenth National People's Congress of the PRC, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from January 1, 2008. Ruinian Industry which was entitled to exemption and reduction from the standard income tax rate from January 1, 2004 would continue to enjoy such treatment until the exemption and reduction period expires, at the end of 2008.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui [2009] No. 1, only the profits earned by foreign-investment enterprise prior to January 1, 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China-HK TA), a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. The immediate holding company of Ruinian Industry, which is incorporated in Hong Kong and has been holding Ruinian Industry for more than a year, should be able to enjoy the preferential tax rate aforementioned. Deferred tax liability on the undistributed profits earned during the year ended December 31, 2008 and December 31, 2009 have been accrued at the tax rate of 5% on the expected dividend stream of 25% which is determined by the directors of the Company.

No provision for Hong Kong Profits Tax has been made in the combined financial information as the Group's operations in Hong Kong had no assessable profit for the year.

11. Taxation-continued

Tax charge for the year is reconciled to profit before taxation as follows:

	2009		2008	
	RMB'000	%	RMB'000	%
Profit before taxation	313,112		156,815	
Tax at the applicable income tax rate	(78,278)	(25.0)	(39,204)	(25.0)
Tax effect of expenses not deductible for tax purposes	(20,384)	(6.4)	(14,343)	(9.1)
Tax effect of income not taxable for tax purposes	805	0.3	285	0.2
Tax effect of 50% tax relief granted to the PRC subsidiary	–	–	24,029	15.3
Tax effect of deductible temporary differences not recognised	(2,881)	(1.0)	(5,693)	(3.7)
Withholding tax on undistributed earnings	(2,672)	(0.9)	(1,910)	(1.2)
Tax charge and effective tax rate for the year	(103,410)	(33.0)	(36,836)	(23.5)

12. Earnings Per Share

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the Company of RMB209,702,000 (2008: RMB119,979,000) and on the weighted average number of 750,000,000 (2008: 749,109,600) shares in issue during the year on the assumption that the Group Reorganisation and the capitalisation issue as detailed in note 33 (b) have been effective on January 1, 2008.

No dilutive earnings per share is presented as there were no potential dilutive shares during the year.

13. Property, Plant and Equipment

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At January 1, 2008	48,419	837	1,997	34,024	65,364	150,641
currency realignment	–	(13)	–	–	–	(13)
Additions	243	545	292	3,481	61,644	66,205
Transfers	56,822	–	–	55,240	(112,062)	–
At December 31, 2008	105,484	1,369	2,289	92,745	14,946	216,833
Acquired on acquisition of a subsidiary	35,100	937	79	54,634	–	90,750
Additions	–	74	–	484	32,067	32,625
Write-off	–	(31)	–	–	–	(31)
Transfers	6,891	–	–	–	(6,891)	–
At December 31, 2009	147,475	2,349	2,368	147,863	40,122	340,177
DEPRECIATION						
At January 1, 2008	6,039	415	1,552	10,612	–	18,618
currency realignment	–	(3)	–	–	–	(3)
Provided for the year	2,179	205	155	3,197	–	5,736
At December 31, 2008	8,218	617	1,707	13,809	–	24,351
Provided for the year	5,401	238	171	10,475	–	16,285
Eliminated on write-off	–	(27)	–	–	–	(27)
At December 31, 2009	13,619	828	1,878	24,284	–	40,609
NET BOOK VALUES						
At December 31, 2009	133,856	1,521	490	123,579	40,122	299,568
At December 31, 2008	97,266	752	582	78,936	14,946	192,482

The Group's buildings are erected on land held under medium-term land use rights in the PRC.

At the end of the reporting period, the Group has pledged certain of its buildings with an aggregate carrying value of RMB37,582,000 (2008: RMB39,753,000) to certain banks to secure the credit facilities granted to the Group.

Also, at the end of the reporting period, there were accumulated operating lease rentals in respect of land use rights amounting to RMB2,122,000 (2008: RMB186,000) capitalised under construction in progress.

14. Land Use Rights

	2009	2008
	RMB'000	RMB'000
CARRYING VALUE		
At January 1	**86,329**	31,219
Additions	**40,870**	55,942
Acquired on acquisition of a subsidiary	**42,600**	–
Opening lease rentals capitalised under construction in progress	**(1,936)**	(186)
Released to profit or loss during the year	**(1,038)**	(646)
At December 31	**166,825**	86,329

The balance represents the prepayment of rentals for medium-term land use rights situated in the PRC for a period of 50 years.

At the end of the reporting period, the Group has pledged certain of its land use rights with a carrying value of RMB1,455,000 (2008: RMB1,493,000) to certain banks to secure the credit facilities granted to the Group.

Also, at the end of the reporting period, there were land use rights with carrying amount of RMB94,690,000 (2008: RMB55,756,000) in connection with the rights to the use of land in the PRC in which the relevant government authorities have not granted formal title. In the opinion of the directors, the lack of formal title for this land use rights does not impair the value of the relevant properties to the Group. The directors also believe that formal title to these land use rights will be granted to the Group in due course.

15. Intangible Assets

	Product development costs	**Technical knowhow**	**GMP* certifications**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
CARRYING VALUE				
At January 1, 2008	11,276	7,866	–	19,142
Charged to profit or loss during the year	(1,575)	(1,100)	–	(2,675)
At December 31, 2008	9,701	6,766	–	16,467
Additions	2,000	–	–	2,000
Acquired on acquisition of a subsidiary	–	38,000	7,000	45,000
Charged to profit or loss during the year	(1,708)	(3,047)	(700)	(5,455)
At December 31, 2009	9,993	41,719	6,300	58,012

* GMP represents Good Manufacturing Practices.

15. Intangible Assets-continued

Product development costs represent the development costs in connection with certain products. Technical knowhow represents the acquired knowhow in connection with certain products. Both product development costs and technical knowhow are amortised on a straight line basis over their estimated useful life of 10 years. GMP certificates are amortised on straight line basis over their estimated useful life of 50 months.

16. Deposits Made on Acquisition of A Subsidiary

On November 14, 2008, the Group entered into a contract with Hong Kong Ruinian International Holdings Limited and 瑞年集團有限公司 (Ruinian Group Company Limited) ("Ruinian Group") (the "vendors") (both companies controlled by the controlling shareholder, under which the Group agreed to acquire the entire equity interest in Nanjing Ruinian for a consideration of RMB255 million (which was subsequently reduced to RMB211 million in September 2009), subject to the PRC government approval which was completed in July 2009. Pursuant to the supplemental agreement, should the profit of Nangjing Ruinian for the next 24 months commencing January 1, 2010 be less than RMB30 million per annum, any shortfall against the actual profit will be subjected to cash compensation by the vendors to the Group.

17. Advance Payments for Acquisition of Technical Knowhow

The balance represents the substantial payments in connection with the acquisition of technical knowhow for certain products of which the completion is subject to the license expected to be granted by the relevant PRC government authorities by the end of 2011.

18. Deferred Taxation

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Product development costs	**Accrued advertising expenses**	**Withholding tax on undistributed earnings**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008	12,793	1,429	–	86	14,308
Charged to profit or loss during the year	(859)	(1,429)	(1,910)	(86)	(4,284)
At December 31, 2008	11,934	–	(1,910)	–	10,024
Charged to profit or loss during the year	(3,736)	–	(2,672)	–	(6,408)
At December 31, 2009	8,198	–	(4,582)	–	3,616

18. Deferred Taxation-continued

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 **RMB'000**	2008 RMB'000
Deferred tax assets	**8,198**	11,934
Deferred tax liabilities	**(4,582)**	(1,910)
	3,616	10,024

At the end of the reporting period, the Group has unrecognised deferred tax liability of RMB13,746,000 (2008: RMB5,730,000) in relation to withholding tax on undistributed earnings of RMB274,920,000 (2008: RMB114,600,000) due to the retention of undistributed earnings by the subsidiary in the PRC determined by the directors of the Company.

Also, at the end of the reporting period, the Group has deductible temporary differences of RMB34,246,000 (2008: RMB22,772,000) not recognised as deferred tax asset as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

19. Inventories

	2009 **RMB'000**	2008 RMB'000
Raw materials	**6,804**	13,130
Work in progress	**5,597**	2,802
Finished goods	**6,078**	13,868
Merchandise for resale	**871**	49,111
Packaging materials	**3,277**	8,188
	22,627	87,099

20. Trade and other receivables

	2009 RMB'000	2008 RMB'000
Trade receivables		
– a related company *	**15,523**	1,890
– others	**362,206**	120,618
Bills receivables	**–**	26
	377,729	122,534
Deposits paid to suppliers	**2,610**	70,120
Property rental deposits	**270**	339
Prepayments for research and development	**5,700**	9,700
Prepayments for media airtime	**28,139**	84,412
Other prepayments and deposits	**2,936**	1,300
	417,384	288,405

* The related company is a company controlled by the brother of the Controlling Shareholder.

Payment terms with customers are mainly on credit. Invoices are normally payable 90 days from date of issuance. The following is an aged analysis of trade and bills receivables based on invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
Age		
0-90 days	**368,224**	49,976
91-180 days	**9,503**	60,638
181 to 365 days	**2**	11,920
	377,729	122,534

The Group does not hold any collateral over these balances. The average age of these receivables at the end of the reporting period is 62 days (2008: 118 days).

At the end of the reporting period, included in the Group's trade receivable balances are trade debtors with aggregate carrying amount of RMB9,505,000 (2008: RMB72,558,000), which are past due at the reporting date for which the Group has not provided for impairment loss as 100% of these past due debts was subsequently collected as of the date of this report.

20. Trade and other receivables-continued

Aging of trade receivables which are past due but not impaired is as follows:

	2009 RMB'000	2008 RMB'000
Age		
91-180 days	**9,503**	60,638
181 to 365 days	**2**	11,920
	9,505	72,558

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors considered that the concentration of credit risk is limited due to the customer base being large and unrelated.

No interest is charged on trade receivables. Allowances on trade receivables are made based on estimated irrecoverable amounts from the sales of goods by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate.

Included in trade and other receivables are the following amounts denominated in currency other than the functional currency of the relevant group companies:

	2009 RMB'000	2008 RMB'000
Hong Kong dollars	**–**	305

21. Pledged Bank Deposits and Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged bank deposits carry at the prevailing market interest rate ranging from 3.2% to 3.5% per annum at the end of the reporting period (2008: 3.2% to 3.5%).

Included in pledged bank deposits and bank balances and cash is an amount of RMB360,000 (2008: RMB471,000) denominated in Hong Kong dollars other than the functional currency of the relevant group companies.

22. Trade and other Payables

	2009 **RMB'000**	2008 RMB'000
Trade payables	**39,036**	3,794
Bills payables	**–**	5,655
	39,036	9,449
Customers' deposits	**259**	45
Payroll and welfare payables	**11,123**	12,375
Other tax payables	**31,470**	9,939
Construction payables	**6,655**	–
Other payables	**2,434**	4,135
Advertising accruals	**19,844**	34,685
Sales volume rebate	**–**	5,217
Other accruals	**2,032**	2,081
	112,853	77,926

The Group normally receives credit terms of 90 days from its suppliers. The following is an aged analysis of trade and bills payables at the end of the reporting period:

	2009 **RMB'000**	2008 RMB'000
Age		
0 to 90 days	**37,652**	7,393
91 to 180 days	**507**	1,407
181 days to 365 days	**712**	502
Over 1 year	**165**	147
	39,036	9,449

23. Amount due to Ultimate Holding Company

The amount was unsecured, interest-free and was fully repaid in February 2010.

24. Amount due to a Director

The amount due to a director of the Company, Mr. Wang Fucai, was unsecured, interest-free and was fully repaid in December 2009.

25. Short-Term Bank Loans

	2009	2008
	RMB'000	RMB'000
Variable rate bank loans	**58,000**	136,000
Fixed rate bank loans	**168,000**	65,000
	226,000	201,000
Analysed as		
– secured	**18,000**	18,000
– unsecured	**208,000**	183,000
	226,000	201,000

All the variable rate bank loans carry interests at the prime rate offered by the People's Bank of China which were repriced monthly to every three months. At the end of the reporting period, the Group has variable rate bank loans carrying interest at 4.9% to 7.6% (2008: 6.4% to 7.5%) per annum.

In addition, at the end of the reporting period, the Group has fixed rate bank loans carrying interest at 4.4% to 8.2% (2008: 6.1% to 8.2%) per annum.

Also, at the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB317,000,000 (2008: RMB289,685,000).

All the short-term bank loans are denominated in RMB.

26. Share Capital

The balance at the end of the reporting period represents the share capital of Tongrui.

	Authorised	**Issued and fully paid**
	US$	US$
Ordinary shares of US$0.10 each		
– at January 1, 2008	50,000	1,509
– issue of shares	–	183
– at December 31, 2008 and December 31, 2009	50,000	1,692

	RMB'000
Shown in the combined statement of financial position at January 1, 2008, December 31, 2008 and December 31, 2009 as	13

27. Acquisition of a Subsidiary

In July 2009, the Group acquired the entire equity interest in Nanjing Ruinian for a consideration of RMB255 million (which was subsequently reduced to RMB211 million in September 2009). Pursuant to the supplemental agreement, should the profit of Nanjing Ruinian for the next 24 months commencing January 1, 2010 be less than RMB30 million per annum, any shortfall against the actual profit will be subjected to cash compensation by the vendors to the Group. The principal assets of Nanjing Ruinian comprises property, plant and equipment, land use rights and intangible assets situated in the PRC. This acquisition of a subsidiary has been accounted for as acquisition of assets as Nanjing Ruinian has not commenced full operations as at the acquisition date. The net assets acquired are as follows:

	RMB'000
Property, plant and equipment	90,750
Land use rights	42,600
Intangible assets	45,000
Deposits made on acquisition of property, plant and equipment	1,257
Advance payments for acquisition of technical knowhow	27,000
Inventories	348
Trade and other receivables	2,693
Bank balances and cash	213
Trade and other payables	(7,484)
Amount due to a related company	(16,918)
Amount due to a director	(123)
Short-term bank loans	(5,000)
	180,336
Deemed distribution to Controlling Shareholder	30,664
	211,000
Satisfied by:	
Cash consideration included in deposits made on acquisition of a subsidiary	211,000
Cash inflow arising on acquisition:	
Deposits made on acquisition of a subsidiary refunded (see note 28)	2,082
Bank balances and cash acquired	213
	2,295

28. Major Non-Cash Transactions

In fourth quarter 2008, upon further negotiation with certain independent advertising agencies on the terms of the advertising plan in view of the slowdown of the economy, an amount of RMB172,300,000 was refunded to the Group and were instructed to settle directly with Ruinian Group as deposits for acquisition of a subsidiary as disclosed in note 16.

28. Major Non-Cash Transactions-continued

In 2009, the deposits made on acquisition of a subsidiary amounted to RMB19,000,000 was refunded to the Group of which an amount of RMB16,918,000 was refunded by directly off-setting the amount due to a related company, Ruinian Group by Nanjing Ruinian.

29. Operating Lease Commitments

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2009	2008
	RMB'000	RMB'000
Within one year	**272**	1,011
In the second to fifth year inclusive	**–**	280
	272	1,291

Leases are negotiated and rentals are fixed for lease terms of three years.

30. Capital Commitments

	2009	2008
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the combined financial information in respect of acquisition of:		
– property, plant and equipment	**71,368**	84,749
– technical knowhow	**2,000**	–
	73,368	84,749

31. Retirement Benefits Scheme

The Group's qualifying employees in Hong Kong participate in the MPF in Hong Kong. The assets of the MPF are held separately from those of the Group in fund under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF Scheme.

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

32. Related Party Transactions

(a) Other than the transactions and balances with related parties disclosed in respective notes in these combined financial information, during the year, the Group has sold goods totalling RMB24,221,000 (2008: RMB25,030,000) to a company controlled by the brother of the Controlling Shareholder.

(b) During the period up to March 31, 2008, certain subsidiaries of the Group obtained bank finance through related companies by bills financing arrangements. In addition, the Group's related parties obtained bank finance through the Group by similar arrangements.

During the period up to March 31, 2008, the bank bills issued by Ruinian Industry and discounted by the related companies carry interest at rates ranging from 6.7% to 8.6% per annum. The related interest expenses of RMB1,285,000 was paid by the related companies without charging the Group. Accordingly, it is recognised as deemed contributions from the Controlling Shareholder.

Also, during the period up to March 31, 2008, the bank bills issued by the related companies and discounted by the Group carry interest at the rate of 5.2% per annum. The related interest expenses of RMB889,000 was paid by the Group and recorded as deemed distributions to the Controlling Shareholder.

The Group has ceased these financing arrangements effective from March 31, 2008 when all the related bank loans were settled.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and other benefits	**2,977**	3,534
Retirement benefits scheme contributions	**81**	229
	3,058	3,763

33. Events after the end of the Reporting Period

The following events took place subsequent to December 31, 2009:

(a) On February 1, 2010, shareholders' written resolutions were passed to approve the matters set out in the paragraph headed "Resolutions in writing of the sole Shareholder passed on February 1, 2010" in Appendix VIII to the prospectus dated February 8, 2010 issued by the Company ("the Prospectus"), which mainly includes the increase of authorised share capital of the Company from HK$350,000 to HK$20,000,000 by the creation of an additional 1,965,000,000 shares of HK$0.01 each.

(b) On February 1, 2010, the Company acquired the entired issued share capital of Tongrui from its then shareholders. In consideration for the aforesaid acquisition, the Company issued and allotted a total of 749,999,900 new shares to the then shareholders of Tongrui, and Tongrui transferred 100 shares of the Company to Furui. Furui then transferred 20,000,000 shares of the Company to Strong Ally Limited, a company which is wholly-owned by Furui for the purpose of the Pre-IPO Share Option Scheme arrangements.

On completion of the Group Reorganisation but immediately prior to the completion of the global offering, the Company had in issue a total of 750,000,000 shares.

(c) Pursuant to the written resolution of the shareholders of the Company on February 1, 2010, the Company has adopted a Pre-IPO Share Option Scheme, details of which have been set out in the sub-section headed "Pre-IPO Share Option Schemes" in Appendix VIII to the Prospectus. Up to the date of issue of combined financial information, 20,000,000 options with fair value of HK$17,340,000 were granted under the Pre-IPO Share Option Scheme to subscribe shares in the Company at HK$3 per share. These options are exercisable over a period of 3 years commencing after the date of listing of the shares of the Company on the Stock Exchange (the "Listing Date"). During the period between the expiry of six months after the Listing Date and the expiry date of the Pre-IPO Share Option Period, one-third of the options granted under the Pre-IPO Share Option Scheme may be exercised; and 1/36th of the options granted under the Pre-IPO Share Option Scheme will become exercisable at the end of each calendar month beginning twelve months after the Listing Date until the expiry date, of the Pre-IPO Share Option in 24 tranches.

(d) On February 19, 2010, 250,000,000 shares of HK$0.01 each of the Company were issued at HK$3 by way of global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange. The net proceeds received from the global offering was approximately HK$676,700,000.

(e) On March 8, 2010, an over-allotment option was exercised and a further 45,000,000 shares of HK$0.01 each of the Company were issued at HK$3 per share. The additional net proceeds received from the over-allotment option was approximately HK$129,900,000.

34. Principal Subsidiaries

Details of Tongrui's principal subsidiaries prior to the Group Reorganisation, all of which are wholly-owned by the Company, at the end of the reporting period are as follows:

Name of subsidiary	Country of establishment/ operations	Fully paid registered capital	Principal activities
Ruinian Industry	PRC as a wholly foreign owned enterprise for a term until June 9, 2036 commencing August 22, 2006	RMB380,000,000	Manufacture and sales of health and nutritional supplements
Nanjing Ruinian	PRC as a sino-foreign equity joint venture for a term of 20 years commencing January 5, 2004	US$20,000,000	Manufacture and sales of pharmaceutical products

The above table lists the principal subsidiaries of Tongrui which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the combined net assets. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Financial Summary

	Year ended December 31,			
	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS				
Turnover	196,747	405,523	623,357	**850,622**
Profit before taxation	37,371	154,529	156,815	**313,112**
Taxation	(12,856)	(19,321)	(36,836)	**(103,410)**
Profit for the year	24,515	135,208	119,979	**209,702**

	As at December 31,			
	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES				
Total assets	812,301	789,556	915,539	**1,227,050**
Total liabilities	(638,122)	(478,305)	(301,743)	**(434,206)**
Net assets	174,179	311,251	613,796	**792,844**

The results and summary of assets and liabilities for each of the three years ended December 31, 2008 which were extracted from the Company's prospectus dated February 8, 2010 have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout those years.