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

Interim Report ***2010***

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
Mr. Tsang Sze Wai, Claudius

Independent Non-executive Directors

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

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
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REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wan Chai, Hong Kong

Financial Highlights

	For the six months ended 30 June		
	2010	2009	Change
	RMB'000	RMB'000	%
Turnover	**612,762**	263,943	132.2%
Gross profit	**449,967**	158,488	183.9%
Profit attributable to owners of the Company	**177,597**	41,775	325.1%
Basic earnings per share (cents)	**18.5**	5.6	230.4%
Declared interim dividend (HK$ cents)	**2.0**	Nil	NA

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF RUINIAN INTERNATIONAL LIMITED
瑞年國際有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 32, which comprises the condensed consolidated statement of financial position of Ruinian International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

Report on Review of Interim Financial Information

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30 June 2009 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		Six months ended 30 June	
	Notes	**2010**	2009
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Turnover		**612,762**	263,943
Cost of goods sold		**(162,795)**	(105,455)
Gross profit		**449,967**	158,488
Other income		**1,322**	307
Selling and distribution costs		**(140,984)**	(70,891)
Administrative expenses		**(30,245)**	(5,656)
Corporate exercise expenses		**(4,641)**	(7,131)
Equity-settled share based payments		**(11,877)**	–
Research and development costs		**(1,000)**	(1,600)
Finance costs		**(5,687)**	(5,951)
Profit before taxation	*5*	**256,855**	67,566
Taxation	*6*	**(79,258)**	(25,791)
Profit for the period		**177,597**	41,775
Other comprehensive income			
– exchange differences arising on translation of foreign operations		**141**	3
Total comprehensive income for the period		**177,738**	41,778
Earnings per share	*8*		
– Basic		**18.5 cents**	5.6 cents
– Diluted		**18.4 cents**	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**359,587**	299,568
Land use rights		**165,064**	166,825
Intangible assets		**53,398**	58,012
Deposits made on acquisition of property, plant and equipment		**28,115**	12,380
Advance payments for acquisition of technical knowhow		**28,840**	26,840
Deferred tax assets		**6,305**	8,198
		641,309	571,823
Current assets			
Inventories		**20,178**	22,627
Trade and other receivables	*10*	**468,298**	417,384
Pledged bank deposits		**3,932**	–
Bank balances and cash		**834,383**	215,216
		1,326,791	655,227

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	**30.6.2010 RMB'000 (unaudited)**	31.12.2009 RMB'000 (audited)
Current liabilities			
Trade and other payables	*11*	**107,102**	112,853
Amount due to former ultimate holding company		**–**	51,728
Taxation		**35,417**	39,043
Short-term bank loans		**88,000**	226,000
Bank overdrafts		**42,847**	–
		273,366	429,624
Net current assets		**1,053,425**	225,603
Total assets less current liabilities		**1,694,734**	797,426
Non-current liabilities			
Deferred tax liabilities		**7,296**	4,582
Net assets		**1,687,438**	792,844
Capital and reserves			
Share capital	*12*	**9,186**	13
Reserves		**1,678,252**	792,831
Total equity		**1,687,438**	792,844

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Share options reserve RMB'000	Translation reserve RMB'000	Non-distributable reserve RMB'000 (Note b)	Statutory surplus reserve fund RMB'000 (Note c)	Retained profits RMB'000	Total RMB'000
At 1 January 2010	13	331,543	134,782	–	186	(23,266)	71,287	278,299	792,844
Total comprehensive income for the period	–	–	–	–	141	–	–	177,597	177,738
Arising on group reorganisation	6,580	(331,543)	324,963	–	–	–	–	–	–
Issue of shares	2,593	775,494	–	–	–	–	–	–	778,087
Deemed distributions to shareholders	–	–	–	–	–	(11,440)	–	–	(11,440)
Expenses incurred in connection with the issue of shares	–	(61,668)	–	–	–	–	–	–	(61,668)
Recognition of equity-settled share based payments	–	–	–	5,973	–	5,904	–	–	11,877
	9,173	382,283	324,963	5,973	–	(5,536)	–	–	716,856
At 30 June 2010 (unaudited)	9,186	713,826	459,745	5,973	327	(28,802)	71,287	455,896	1,687,438
At 1 January 2009	13	331,543	134,782	–	176	7,398	47,553	92,331	613,796
Total comprehensive income for the period	–	–	–	–	3	–	–	41,775	41,778
At 30 June 2009 (unaudited)	13	331,543	134,782	–	179	7,398	47,553	134,106	655,574

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

Notes:

(a) Special reserve represents the aggregate of:

(i) the difference between the considerations 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;

(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; and

(iii) the difference between the nominal amount of the shares issued by the Company and the aggregate amount of share capital and share premium of the Group's former holding company, Tongrui Holdings Limited, acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares in 2010.

(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;

(ii) deemed distributions to the controlling shareholder in respect of the acquisition of a subsidiary in 2009;

(iii) deemed distributions to the shareholders in respect of the corporate exercise expenses borne by the Company; and

(iv) capital contributions from Strong Ally Limited ("Strong Ally"), a wholly-owned subsidiary of the former ultimate holding company, in relation to share options granted by Strong Ally to qualifying participants.

(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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**139,136**	190,488
Investing activities		
Purchase of property, plant and equipment	**(75,816)**	(11,281)
Purchase of land use rights	**–**	(40,870)
Purchase of intangible assets	**–**	(2,000)
Deposits paid on acquisition of property, plant and equipment	**(15,735)**	–
Advances to related companies	**–**	(10,004)
Other investing activities	**(4,909)**	34
Net cash used in investing activities	**(96,460)**	(64,121)
Financing activities		
Proceeds from issue of shares	**778,087**	–
Expenses paid in connection with the sales of shares held by certain shareholders	**(11,440)**	–
Expenses paid in connection with the issue of shares	**(37,732)**	–
Repayment to former ultimate holding company	**(51,728)**	–
Bank loans raised	**128,000**	211,000
Repayment of bank loans	**(266,000)**	(201,000)
Other financing activities	**(5,687)**	(5,926)
Net cash from financing activities	**533,500**	4,074
Net increase in cash and cash equivalents	**576,176**	130,441
Cash and cash equivalents at 1 January	**215,216**	1,840
Effect on foreign exchange rate changes	**144**	3
Cash and cash equivalents at 30 June	**791,536**	132,284
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**834,383**	132,284
Bank overdrafts	**(42,847)**	–
	791,536	132,284

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2010

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 February 2010 (the "Listing date").

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Group's interim 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 CONSOLIDATED 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 11 August 2006, the businesses of the Group carried out by 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Company Limited) ("Ruinian Industry") and 無錫瑞年營銷有限公司 (Wuxi Ruinian Sales Co., Ltd.) 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.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

(b) Pursuant to a sales and purchase agreement dated 22 August 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 1 February 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 1 February 2010.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated statements of comprehensive income and cash flows for each of the six months ended 30 June 2009 and 30 June 2010 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 six months ended 30 June 2009 and 30 June 2010, or since their respective dates of incorporation/establishment where this is a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis.

The principal accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Company's combined financial information for the year ended 31 December 2009, except as described below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions

Equity-settled share based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

In the current interim period, the Company and its subsidiaries (collectively referred as the "Group") applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2010.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 9	Financial instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 January 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 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.

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

4. 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

4. SEGMENT INFORMATION (CONTINUED)

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 period.

Segment results represent the gross profits earned by each segment.

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 six months ended 30 June 2010				
Revenue from external customers	**434,859**	**137,539**	**40,364**	**612,762**
Cost of goods sold	**(79,490)**	**(79,804)**	**(3,501)**	**(162,795)**
Gross profit	**355,369**	**57,735**	**36,863**	**449,967**
For the six months ended 30 June 2009				
Revenue from external customers	211,541	51,461	–	263,002
Revenue from related parties	941	–	–	941
	212,482	51,461	–	263,943
Cost of goods sold	(71,000)	(27,361)	–	(98,361)
Gross profit	141,482	24,100	–	165,582

4. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Total turnover per segment reporting and total consolidated turnover, as reported	**612,762**	263,943
Total cost of goods sold per segment reporting	**(162,795)**	(98,361)
Total gross profit per segment reporting	**449,967**	165,582
Adjustment on value-added tax	**–**	(7,094)
Total gross profit, as reported	**449,967**	158,488
Advertising and promotional expenses	**(122,234)**	(59,859)
Corporate exercise expenses	**(4,641)**	(7,131)
Equity-settled share based payments	**(11,877)**	–
Research and development costs	**(1,000)**	(1,600)
Other operating expenses	**(48,995)**	(16,688)
Other income	**299**	273
Interest income	**1,023**	34
Interest expenses	**(5,687)**	(5,951)
Profit before taxation	**256,855**	67,566

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.

4. SEGMENT INFORMATION (CONTINUED)

	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
Assets		
Segment assets		
– health and nutritional supplements	**701,851**	746,864
– health drinks	**201,379**	47,460
– pharmaceutical products	**216,564**	206,106
	1,119,794	1,000,430
Deferred tax assets	**6,305**	8,198
Unallocated corporate assets (Note a)	**842,001**	218,422
Total assets	**1,968,100**	1,227,050
Liabilities		
Segment liabilities		
– health and nutritional supplements	**38,546**	80,646
– health drinks	**33,396**	20,906
– pharmaceutical products	**7,410**	6,835
	79,352	108,387
Taxation	**35,417**	39,043
Deferred tax liabilities	**7,296**	4,582
Unallocated corporate liabilities (Note b)	**158,597**	282,194
Total liabilities	**280,662**	434,206

4. SEGMENT INFORMATION (CONTINUED)

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 bank overdrafts, amount due to former ultimate holding company, short-term bank loans, other accruals and other payables.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets included in		
– costs of goods sold	**1,438**	1,371
– administrative expenses	**3,176**	–
	4,614	1,371
Advertising and promotional expenses	**122,234**	59,859
Depreciation of property, plant and equipment	**10,277**	6,730

6. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
Mainland China (the "PRC") income tax	**(74,651)**	(23,373)
Deferred taxation	**(4,607)**	(2,418)
	(79,258)	(25,791)

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

According to a joint circular of Ministry of Finance and the State Administration of Taxation, CaiShui [2009] No.1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the distributable profits 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 Detailed 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 for the six months ended 30 June 2009 and 30 June 2010 have been accrued at the tax rate of 5% on the expected dividend stream of 25% and 30% which is determined by the directors of the Company.

6. TAXATION (CONTINUED)

Nanjing Ruinian is wholly-owned by the same Hong Kong company, though 75% of which is held indirectly via Ruinian Industry. According to Article 26 of the EIT Law, dividend income receives by Ruinian Industry should be exempted from EIT. However, if Ruinian Industry pays the dividend receives from Nanjing Ruinian to its holding company, it will be subjected to the 5% withholding tax as mentioned above. For the direct interest of 25% held by the Hong Kong company, the preferential tax rate of 5% on dividend also applies as the Hong Kong company has been holding Nanjing Ruinian for more than a year. Deferred tax liability on the undistributed profits earned for the six months ended 30 June 2010 have been accrued at the tax rate of 5% on the expected dividend stream of 30% which is determined by the directors of the Company after setting off the deficit incurred in the prior periods.

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

7. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Dividend proposed		
– 2010 interim dividend of HK$2 cents (2009: Nil) per share	**18,233**	–

An interim dividend of HK$2 cents (2009: Nil) per share has been proposed by the directors for the reporting period to the shareholders of the Company whose names appear on the register of members on 9 September 2010.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**177,597**	41,775

	2010	2009
	(in '000)	(in '000)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**960,444**	750,000
Effect of dilutive potential ordinary shares on share options	**6,465**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**966,909**	

8. EARNINGS PER SHARE (CONTINUED)

The calculation of the basic earnings for the periods were based on the consolidated profit attributable to owners of the Company and on the weighted average number of 960,444,000 (2009: 750,000,000) shares in issue during the period on the assumption that the Group Reorganisation has been effective on 1 January 2009.

There was no dilutive potential ordinary shares outstanding for the six months ended 30 June 2009.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB480,000 (2009: RMB104,000) on machinery and equipment and RMB69,819,000 (2009: RMB12,705,000) on construction in progress for the expansion of production facilities.

10. TRADE AND OTHER RECEIVABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Trade receivables		
– a related company *	**–**	15,523
– others	**397,580**	362,206
Bills receivables	**73**	–
	397,653	377,729
Deposits paid to suppliers	**15,959**	2,610
Property rental deposits	**268**	270
Prepayments for research and development	**10,200**	5,700
Prepayments for media airtime	**41,800**	28,139
Other prepayments and deposits	**2,418**	2,936
	468,298	417,384

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

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
0-90 days	**326,679**	368,224
91-180 days	**70,971**	9,503
181-365 days	**3**	2
	397,653	377,729

11. TRADE AND OTHER PAYABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Trade payables	**4,482**	39,036
Bills payables	**4,432**	–
	8,914	39,036
Customers' deposits	**1,132**	259
Payroll and welfare payables	**11,491**	11,123
Other tax payables	**33,083**	31,470
Construction payables	**170**	6,655
Other payables	**2,837**	2,434
Advertising accruals	**24,562**	19,844
Other accruals	**24,913**	2,032
	107,102	112,853

11. TRADE AND OTHER PAYABLES (CONTINUED)

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:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
0-90 days	**5,669**	37,652
91-180 days	**3,012**	507
181-365 days	**233**	712
Over 1 year	**–**	165
	8,914	39,036

12. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount HK$'000	Number of share	Amount HK$'000
Ordinary shares of HK$0.01 each				
– at 1 January 2009, 30 June 2009 and 31 December 2009	35,000,000	350	100	–
– increase in authorised share capital	1,965,000,000	19,650	–	–
– issue pursuant to Group Reorganisation	–	–	749,999,900	7,500
– issue of shares on offering	–	–	250,000,000	2,500
– exercise of over-allotment option	–	–	45,000,000	450
– at 30 June 2010	2,000,000,000	20,000	1,045,000,000	10,450

12. SHARE CAPITAL (CONTINUED)

	RMB'000
Shown in the condensed consolidated statement of financial position	
– at 30 June 2010 as	9,186
– at 1 January 2009 and 30 June 2009 as	13

The share capital at 1 January 2009 and 30 June 2009 represents the then issued and fully paid share capital of Tongrui.

On 1 February 2010, shareholders' written resolutions were passed to approve 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.

On the same date, 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 Investments Limited ("Furui"), the former ultimate holding company. 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 19 February 2010, 250,000,000 shares of HK$0.01 each of the Company were issued at HK$3 per share by way of global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

12. SHARE CAPITAL (CONTINUED)

On 8 March 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.

All the shares issued during the period rank pari passu with the then existing shares in all respects.

13. SHARE OPTION SCHEMES

(a) *Pre-IPO Share Option Schemes*

According to an ordinary resolution passed on 29 January 2010, the Company adopted two share option schemes (the "Pre-IPO Share Option Schemes"), which will expire on 18 February 2013. Options to subscribe for an aggregate of 20,000,000 shares of the Company, and options to purchase for an aggregate of 20,000,000 shares had been granted by Strong Ally Limited, a wholly-owned subsidiary of the former ultimate holding company. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Schemes may not exceed 4% of the issued number of share capital of the Company at the Listing date.

On 3 February 2010, a total of 40,000,000 share options were granted to 104 qualified participants, including the directors of the Company, at an exercise price of HK$3 per share option under the terms of the Pre-IPO Share Option Schemes. Total consideration received from the participants for taking up the options granted by the Company was insignificant.

At 30 June 2010, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Schemes was 40,000,000 (2009: Nil), representing approximately 3.8% (2009: Nil) of the shares of the Company in issue at that date.

13. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Share Option Schemes (Continued)

A summary of the movements of the outstanding options during the period ended 30 June 2010 under the Pre-IPO Share Option Schemes is as follows:

Type of participants	Date of grant	Vesting period	Exercisable period*	Exercisable price per share HK$	Number of share options: Outstanding at 1.1.2010	Granted during the period	Outstanding at 30.6.2010
Directors	3.2.2010	3.2.2010-19.8.2010	20.8.2010-18.2.2013	3	–	2,236,667	2,236,667
	3.2.2010	3.2.2010-31.1.2013	1.3.2011-18.2.2013	3	–	4,473,333	4,473,333
Employees	3.2.2010	3.2.2010-19.8.2010	20.8.2010-18.2.2013	3	–	4,209,667	4,209,667
	3.2.2010	3.2.2010-31.1.2013	1.3.2011-18.2.2013	3	–	8,419,333	8,419,333
Others#	3.2.2010	3.2.2010-19.8.2010	20.8.2010-18.2.2013	3	–	6,887,000	6,887,000
	3.2.2010	3.2.2010-31.1.2013	1.3.2011-18.2.2013	3	–	13,774,000	13,774,000
					–	40,000,000	40,000,000

* One-third of the options granted are exercisable six months after the Listing date and 1/36th of the options are exercisable at one year after the Listing date in 24 tranches until the expiry date.

The Company's share options granted to other participants are measured by reference to the fair value of options granted to directors/employees of the Group since the fair value of the services provided by such other participants to the Group cannot be estimated accurately.

All share options at the end of the reporting period are yet to be exercisable.

13. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Share Option Schemes (Continued)

The total fair value of the options determined at the dates of grant using the Binomial model was HK$34,550,000.

The following assumptions were used to calculate the fair values of share options:

	At 3 February 2010
Number of share options	40,000,000
Vesting period	Based on the terms stipulated in the Pre-IPO Share Option Schemes
Spot price	HK$3.0
Exercise price	HK$3.0
Expected life	3 years
Expected volatility	45.50 %
Dividend yield	1.55 %
Risk-free interest rate	1.058 %
Suboptimal exercise factor	2.2
Exercise period	20 August 2010 to 18 February 2013

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

As the Company's shares were newly listed since February 2010, there were no sufficient trading records to make reference of its share price volatility. Based on the historical volatility of comparable companies in similar industries over the past 3 years, a volatility of 45.50% was assumed.

The Group recognised the total expenses of RMB11,877,000 for the six months ended 30 June 2010 (2009: Nil) in relation to the Pre-IPO Share Option Schemes.

13. SHARE OPTION SCHEMES (CONTINUED)

(b) Share Option Scheme

Pursuant to the written resolutions passed by the then sole shareholder on 1 February 2010, the Company adopted the share option scheme (the "Share Option Scheme") to provide incentive for qualified participants as defined in the Share Option Scheme to subscribe the shares in the Company. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued number of share capital of the Company at the Listing date. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

During the period, no options have been granted or agreed to be granted under the Share Option Scheme.

14. CAPITAL COMMITMENTS

	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
Capital expenditure contracted for but not provided in the financial information in respect of the acquisition of		
– property, plant and equipment	**227,488**	71,368
– technical knowhow	**9,500**	2,000
	236,988	73,368

15. RELATED PARTY TRANSACTIONS

During the period, professional expenses of RMB11,440,000 attributable to the sales of shares of the Company held by certain shareholders was paid by the Company and was considered as deemed distributions.

Compensation of key management personnel

During the period, the remuneration of directors and other members of key management was as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	**5,002**	1,222
Equity-settled share based payments	**3,670**	–
Retirement benefits scheme contributions	**47**	21
	8,719	1,243

BUSINESS REVIEW

The China consumer market was very strong during the first half of 2010, leading to our strong growth in turnover of 132.2% and in profit of 325.1% compared to that of the corresponding period in 2009. We expect the purchase momentum will continue for the rest of the year. Amino acids health supplements have been gaining popularity amongst Chinese consumers. Although competition remained keen in the health supplement industry, we continued to be the number one player in the amino acids health supplement market with a market share of 32.9% in 2009, according to the market survey conducted by Euromonitor International Plc. ("Euromonitor").

During the first half of 2010, we strengthened our brand on a national level through multi-faceted marketing including TV commercials in national and provincial TV channels and in major events like the Shanghai Expo where we sponsored an art exhibition. To penetrate the markets at local level, we conducted a series of promotional activities to extend our reach to more cities. These include advertisements on outdoor billboards, in local train and bus stations, as well as TV and radio commercials narrated in local dialects which have a strong marketing appeal to local communities. Our products were being sold to over 44,000 retail outlets in China as at the end of June 2010, increased from approximately 42,000 as at the end of December 2009. We target to expand our distribution outlets to over 50,000 by the end of 2010.

Our amino acids tablets continued to be the official gift for the PRC National Assemblies (“兩會”禮品) in 2010. This was the fifth consecutive year since 2006 that our flagship product was awarded this prestigious status. Our product had gone through rigorous safety and efficacy tests in order to be approved as the only official gift for the oral consumption by the participants of the PRC National Assemblies. In March 2010, 6,000 gift packs of Ruinian amino acids tablets were given out during the PRC National Assemblies in Beijing.

BUSINESS REVIEW (CONTINUED)

During the first half of 2010, sales of our health and nutritional supplement products achieved robust growth of 104.7% to RMB434.9 million. Amino acids tablets and liquid products are the major contributors to the growth in this category. Other health supplements products also reported very good sales growth. Sales of Osteoid Sachet Powder reached RMB29.9 million with growth of 273.0% for the period. We see strong growth potential for this bone density enhancement supplement with the growing elderly population in China. Sales of Royal Jelly Tablets was RMB18.4 million with growth of 149.0% for the period. This sweet anti-aging supplement has a strong appeal to office ladies in cities.

Health drinks posted a sales of RMB137.5 million, with growth of 167.3% and exceeded our sales target for the period. Since 2008, we have been developing the distribution channels and marketing team for our health drinks business with an underlying objective to launch amino acids beverage in the second half of 2010. We believe the introduction of our amino acids beverage will popularize the consumption of amino acids on a daily basis and further reinforce Ruinian as the leading amino acids brand in the fast consumer market.

Our pharmaceutical products reported sales of RMB40.4 million in the period, which is in line with our sales target. Our pharmaceutical products are being sold to over 50 hospitals in China.

FINANCIAL REVIEW

Turnover

The turnover of the Group for the six months ended 30 June 2010 was RMB612.8 million, representing an increase of approximately 132.2% from turnover of RMB263.9 million for the six months ended 30 June 2009. Profit attributable to owners of the Company increased by approximately 325.1% to RMB177.6 million for the six months ended 30 June 2010 from RMB41.8 million for the six months ended 30 June 2009. The Company's basic earnings per share reached RMB18.5 cents per share (2009: RMB5.6 cents per share) based on the weighted average number of 960 million (2009: 750 million) shares in issue during the period. The increase in financial results for the six months ended 30 June 2010 was mainly attributable to the increase in sales volume and improvement of the gross profit margin.

Sales of nutritional supplements and general health food products increased by approximately 104.7% from RMB212.5 million for the six months ended 30 June 2009 to RMB434.9 million for the six months ended 30 June 2010, which was primarily due to the increase in sales of the Group's liquid amino acids and amino acids tablets for the six months ended 30 June 2010.

Sales of health drinks increased by approximately 167.3% from RMB51.5 million for the six months ended 30 June 2009 to RMB137.5 million for the six months ended 30 June 2010.

Turnover from sales of pharmaceutical products amounted to RMB40.4 million for the six months ended 30 June 2010.

FINANCIAL REVIEW (CONTINUED)

Gross profit and margin

The Group's gross profit increased from RMB158.5 million for the six months ended 30 June 2009 to RMB450.0 million for the six months ended 30 June 2010. The Group's average gross profit margin increased from 60.0% for the six months ended 30 June 2009 to 73.4% for the six months ended 30 June 2010. Such increase in gross profit margin was mainly due to the increase in sales of health and nutritional supplements which have comparatively high gross profit margin.

Selling and distribution costs

The Group's selling and distribution costs increased by approximately 98.9% from RMB70.9 million (which represents approximately 26.9% of the Group's turnover) for the six months ended 30 June 2009 to RMB141.0 million (which represents approximately 23.0% of the Group's turnover) for the six months ended 30 June 2010. Such increase was primarily due to the increase in advertising and promotional expenses for the Group's products from RMB59.9 million for the six months ended 30 June 2009 to RMB122.2 million for the six months ended 30 June 2010.

Administrative, corporate exercise and equity-settled share based payments expenses

The Group's administrative expenses increased by approximately 434.7% from RMB5.7 million (which represents approximately 2.1% of the Group's turnover) for the six months ended 30 June 2009 to RMB30.2 million (which represents approximately 4.9% of the Group's turnover) for the six months ended 30 June 2010. Corporate exercise expenses were primarily the legal and professional fee incurred for the Global Offering. Corporate exercise expenses decreased by approximately 34.9% from RMB7.1 million for the six months ended 30 June 2009 to RMB4.6 million for the six months ended 30 June 2010. Equity-settled share based payments RMB11.9 million were the expenses in relation to the employee share options granted under the Pre-IPO Share Option Schemes.

FINANCIAL REVIEW (CONTINUED)

Finance costs

The Group's finance costs only slightly decreased by approximately 4.4% from RMB6.0 million for the six months ended 30 June 2009 to RMB5.7 million for the six months ended 30 June 2010.

Liquidity and capital resources

For the six months ended 30 June 2010, net cash increased by RMB576.2 million. Operating activities and financing activities generated cash inflow of RMB139.2 million and RMB533.5 million respectively, while RMB96.5 million was spent on investing activities. Net cash outflows from investing activities were primarily related to the construction of health drink production facility and a warehouse.

As at 30 June 2010, the Group had short-term bank loans in the amount of RMB88.0 million. Certain buildings and land use rights with aggregate carrying value of RMB36.5 million and RMB1.4 million respectively have been pledged to certain banks to secure the credit facilities granted to the Group.

Capital commitments

As at 30 June 2010, the Group's capital commitments were approximately RMB237.0 million (31 December 2009: RMB73.4 million), all of which were related to property, plant and equipment and technical knowhow.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

Shares of the Company were listed on 19 February 2010 (the "Listing Date") on the Main Board of the Stock Exchange. As at 30 June 2010, net proceeds of approximately RMB247.8 million has been applied on market expansion, capital expenditures, product development and other working capital, and the remaining of the net proceeds has been deposited into banks and qualified financial institution, which are intended to be applied in accordance with the proposed application set out in the "Use of proceeds" section in the Prospectus.

Management Discussion and Analysis

PROSPECTS

We are well-positioned to capture the huge market opportunities in China and overseas after our company's listing early this year. With the listed company platform, we will leverage on the increasing support from investors, bankers, business associates and the government to expand our business in an accelerated manner.

In the second half of 2010, we will increase our promotion and marketing efforts for the peak seasons. We will continue to strengthen Ruinian brand at a national level while increasing penetration in local markets. A new series of TV commercials will be launched to introduce more robust image of the Ruinian brand, promoting the concept that consumers of all ages can enjoy the benefits of our premium amino acids products. For promotion at local level, we target to build up to 50 Ruinian Health Stores in key cities in China in which 20 stores and counters will be set up in Nanjing, Shanghai, Ningbo, Changzhou, Suzhou, Dongguan, Shenzhen and Guangzhou for the first stage. These stores will play a pivotal role in reinforcing Ruinian brand in local communities. Consumers can enjoy a wide range of services at these stores including health supplement counseling, after sales service, health seminars and basic body check. Each store will be coupled with a Ruinian Health Van which serves both as a mobile advertising board and health service unit to expand the reach of each store.

For over a decade, our well recognized brand has been attracting a solid recurring consumer base. We are developing a more comprehensive membership programme, the Ruinian Health Club, to better serve our consumers. As a club member, one can enjoy a wide range of membership service and incentives. Through members' survey, we will derive valuable intelligence to enhance our marketing and promotion programme as well as new product development. A B2C ("Business to Consumer") website will be launched in the second half of 2010 to provide Ruinian health supplement products information, healthcare tips, online general health counseling service as well as consumer forums for different target user groups like office ladies, parents, students, the elderly, online café goers, patients with chronic diseases and people on diet. The website will also support our club's service as well as online purchase by club members.

PROSPECTS (CONTINUED)

Product safety and quality are always our top priority. We conduct regular tests on our raw materials and end products in accordance with the Good Manufacturing Practice required by the State Food and Drug Administration ("SFDA"). Samples of our products will also be sent to SFDA designated laboratories for periodic tests. To further assure consumers of our quality control system, samples of our products will be sent to reputable independent laboratories in Hong Kong for content analysis and safety tests and the results will be posted on our corporate website for public review. In addition, it is the Company's policy to shift the production of our core health supplement products in–house in medium term whereby we can exercise full control on quality assurance. Following the expected launch of our amino acid liquid production line in the third quarter of 2010, all of our amino acids products will be produced in-house. We will continue to expand our production capacities to cope with our growth while maintaining stringent standards for product quality control. We are expanding part of the production facilities for health supplement products by phases. The construction of our health drinks production line is also on schedule for launch in first half of 2011.

For overseas market, we expect to conclude the arrangement with short-listed overseas distributors in the second half of the year for the launch of Ruinian products in Singapore, Malaysia and Taiwan. We will launch a new series of high end amino acids health supplement products in health chain stores in Hong Kong. A market campaign with a famous TV actress as spokesperson will be held for the launch of this new series of products in Hong Kong in the second half of 2010.

We are making good progress in new products development. We expect SFDA approval for our new products E-jiao Gelatin with Heme Iron Capsules and Collagen Complex Tablets will be granted before the end of 2010. We have developed prototypes for a

PROSPECTS (CONTINUED)

number of user-group-focused health products and are preparing for the submission to SFDA. We target to submit the application to SFDA by batches, with the first batch in the fourth quarter of 2010. These product candidates include:

Students Amino – students' nutritional supplement in class breaks
Kids Amino – enhancing memory
Amino Honey – blending amino acid with honey for sucking by infants
Amino Online – energy supplement for online games or application users
Chew Amino – energy supplement for white collars
Meno Amino – relieving menopause symptoms

Meanwhile, we are also developing new product prototypes for the overseas market, for instance, silk amino acids, amino acid coffee with colostrum and high grade honey blended with amino acid and colostrum.

In July 2010, we received the approval certificates for Proparacaine Hydrochloride Eye Drops by the SFDA. This product is a local anesthetic for eye test and surgery. This new eye drop further enriches our product portfolio of high-end eye medicine products for hospital use and is expected to be launched in 2011.

Our long term goal is to become one of the leading players in China's health supplement market and to popularize the use of amino acids products in the country. To this end, we need to continue to promote our brand awareness and enrich our product portfolio so that we can provide a one-stop health supplement total solution to Ruinian products' consumers.

HUMAN RESOURCES

As at 30 June 2010, the Group employed a work force of 655. The total salaries and related costs for the six months ended 30 June 2010 amounted to approximately RMB9.4 million (2009: RMB3.6 million). The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees in Hong Kong and the PRC. Share options have been granted to the Directors and general staff under the Pre-IPO Share Option Schemes in recognition of their contributions to the Group and as an incentive for their greater future commitment.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK$2 cents per share for the six months ended 30 June 2010 (2009: nil) to the shareholders whose names appear on the register of members of the Company on Thursday, 9 September 2010. The interim dividend will be payable on Friday, 17 September 2010.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Monday, 6 September 2010 to Thursday, 9 September 2010, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, 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 4:30p.m. on Friday, 3 September 2010.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the date of this 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)		1.91%
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%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (CONTINUED)

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 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

Each of the Company and Strong Ally Limited has conditionally adopted a Pre-IPO Share Option Scheme on 29 January 2010 and the Company has conditionally adopted a Share Option Scheme on 1 February 2010.

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

As at 3 February 2010, options to subscribe for an aggregate of 20,000,000 Shares had been granted by the Company, and options to purchase for an aggregate of 20,000,000 Shares had been granted by Strong Ally Limited, a wholly-owned subsidiary of Furui incorporated in the BVI, to a total of 104 Qualified Participants under the Pre-IPO Share Option Schemes.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (CONTINUED)

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

Grantee		Number of options granted on 3 February 2010	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of Options Outstanding up to the date of this Interim 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 Schemes were granted on 3 February 2010 at an exercise price of HK$3.0 per share.

(2) All holders of options granted under the Pre-IPO Share Option Schemes 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 Schemes may be exercised; and 1/36th of the options granted under our Pre-IPO Share Option Schemes 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 Schemes 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 period from the Listing Date to the date of this report 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 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	1.91%
Qin Shifeng (秦士豐)(2)	interest of spouse	399,529,734	38.23%
	short position	20,000,000	1.91%
Turrence Limited ("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 Int'l., (Holdings) Inc. ("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%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
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 Ventures Pte. Ltd. ("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 International Investment Limited ("Raffles")	beneficial owner	54,690,434	5.23%
Raffles Partners Asset Management (Hong Kong) Limited ("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 Investments Limited ("Win Direct")[(10)]	interest in a controlled corporation	54,690,434	5.23%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes: (Continued)

(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.

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS (CONTINUED)

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.

AUDIT COMMITTEE

The Company established its audit committee on 1 February 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 is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles and practices adopted by the Company and the unaudited financial results of the Group for the six months ended 30 June 2010. The Company's external auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2010 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of 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 since the Listing Date.

Other Information

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. Since the Listing Date, the Company has complied with all the applicable code provisions as set out in the Code, except for deviation of the provision A.2.1 of the Code as mention below.

Provision A.2.1 of the 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 Company 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 Company will nevertheless review the structure from time to time in light of the prevailing circumstances.

SUFFICIENCY OF PUBLIC FLOAT

The shares of the Company were listed on 19 February 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 interim 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.

On behalf of the Board
Wang Fucai
Chairman

Hong Kong, 17 August 2010