The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

8 February 2010

The Directors
Ruinian International Limited
The Hongkong and Shanghai Banking Corporation Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Ruinian International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008 and nine months ended 30 September 2009 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 8 February 2010 (the "Prospectus").

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 30 August 2006. Through a group reorganisation as more fully explained in the paragraph headed "Reorganisation" in Appendix VIII to the Prospectus and the section headed "History and Reorganisation" of the Prospectus (the "Group Reorganisation"), the Company has since 1 February 2010 become the holding company of the Group.

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activity
Jet Bright International Holdings Limited ("Jet Bright")	Hong Kong 8 August 2006	Ordinary shares -HK$2	100%	Investment holding
Jierui Holdings Limited	British Virgin Islands 11 August 2006	Share -US$1	100%	Investment holding
Tongrui Holdings Limited ("Tongrui")*	British Virgin Islands 11 August 2006	Shares -US$1,692	100%	Investment holding
Win Success Hong Kong Development Limited	Hong Kong 20 November 2007	Ordinary share -HK$1	100%	Inactive

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activity
無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Co., Ltd.) ("Ruinian Industry")	Mainland China (the "PRC") 22 August 2006 for a term until 9 June 2036 as a wholly foreign owned enterprise	Registered capital -RMB380,000,000	100%	Manufacture and sales of health and nutritional supplements
南京瑞年百思特製葯有限公司 (Nanjing Ruinian Best Pharmaceutical Co., Ltd.) ("Nanjing Ruinian")**	PRC 5 January 2004 for a term of 20 years as a sino-foreign equity joint venture	Registered capital -US$20,000,000	100%	Manufacture and sales of pharmaceutical products

* Directly held by the Company.

** Acquired on 23 July 2009.

Ruinian Industry, formerly known as 無錫三才實業有限公司 (Wuxi Sancai Industrial Co., Ltd.) till March 1999, was established on 2 December 1997 as a PRC domestic enterprise. In 2003, pursuant to the approval from the relevant PRC authorities, Ruinian Industry was converted into a sino-foreign equity joint venture. Pursuant to a sales and purchase agreement in August 2006, the then owners of Ruinian Industry transferred the entire equity interest in Ruinian Industry to Jet Bright International Holdings Limited. Also in August 2006, pursuant to the approval from the relevant PRC authorities, Ruinian Industry was converted into a wholly foreign owned enterprise.

The PRC statutory financial statements of the following subsidiaries for each of the three years ended 31 December 2008 were prepared in accordance with relevant accounting principles and financial regulations applicable to PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiary	Financial period	PRC auditor
Ruinian Industry	Year ended 31 December 2006	無錫東林會計師事務所有限公司 (Wuxi Donglin Certified Public Accountants Co., Ltd.)
	Year ended 31 December 2007	南京中元聯合會計師事務所 (Nanjing Zhongyuan United Certified Public Accountants)
	Year ended 31 December 2008	無錫大明會計師事務所 (Wuxi Daming Public Accountants)
Nanjing Ruinian	Year ended 31 December 2006	江蘇蘇港會計師事務所有限公司 (Jiangsu Sukong Certified Public Accountants Co., Ltd.)
	Each of the two years ended 31 December 2008	南京永寧會計師事務所有限公司 (Nanjing YungNing CPAs Co., Ltd.)

We have acted as the auditor of the Company since its date of incorporation. No statutory audited financial statements have been prepared for those subsidiaries which were incorporated in the British Virgin Islands as they were incorporated in a jurisdiction where there are no statutory audit requirements.

The statutory financial statements of Win Success Hong Kong Development Limited for the period from 20 November 2007 (date of incorporation) to 31 December 2008 and the statutory financial statements of Jet Bright International Holdings Limited for the period from 8 August 2006 (date of incorporation) to 31 December 2006 and the year ended 31 December 2007 were audited by Lam & Chui CPA Limited, certified public accountants registered in Hong Kong while the statutory financial statements of Jet Bright International Holdings Limited for the year ended 31 December 2008 were audited by HLM & Co., certified public accountants registered in Hong Kong.

無錫瑞年營銷有限公司 (Wuxi Ruinian Sales Company Limited) ("Ruinian Sales") which was established on 10 October 2001 as a PRC domestic enterprise was under common control by the Company's controlling shareholder, Mr. Wang Fucai (the "Controlling Shareholder"). It was engaged in the sales of health and nutritional supplements during the Relevant Periods prior to its voluntary dissolution in 2007. Its operations ceased in December 2006. The PRC statutory financial statements of Ruinian Sales for the year ended 31 December 2006 and the subsequent period until its dissolution were audited by 無錫東林會計師事務所有限公司 (Wuxi Donglin Certified Public Accountants Co., Ltd.). The financial information of Ruinian Sales was included in the Financial Information of the Group during the Relevant Periods until it was dissolved in 2007.

We have audited the consolidated financial statements of Tongrui for the Relevant Periods prepared under Hong Kong Financial Reporting Standards ("HKFRSs") (the "Underlying Financial Statements") in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" as recommended by the HKICPA.

The combined statements of financial position of the Group as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009 and the combined statements of comprehensive income and cash flows of the Group for the Relevant Periods have been prepared from the Underlying Financial Statements, on the basis set out in note 1 to section E below, for the purpose of preparing our report for inclusion in the Prospectus. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Tongrui who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 to section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009 and of the combined profit and cash flows of the Group for the Relevant Periods.

The comparative combined statements of comprehensive income, cash flows and changes in equity of the Group for the nine months ended 30 September 2008 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "30 September 2008 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 September 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 30 September 2008 Financial Information consisted of making enquires, 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 on the 30 September 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

A. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section E Notes	Year ended 31 December			Nine months ended 30 September	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover		196,747	405,523	632,357	586,729	523,672
Cost of goods sold		(24,253)	(86,915)	(206,068)	(182,931)	(175,873)
Gross profit		172,494	318,608	426,289	403,798	347,799
Other income		4,119	6,594	1,975	1,568	718
Selling and distribution costs		(91,271)	(114,675)	(200,833)	(197,989)	(123,750)
Administrative expenses		(19,852)	(22,731)	(42,059)	(31,025)	(21,151)
Research and development costs		(11,375)	(13,000)	(13,900)	(11,300)	(1,600)
Finance costs	7	(16,744)	(20,267)	(14,657)	(11,170)	(8,772)
Profit before taxation	8	37,371	154,529	156,815	153,882	193,244
Taxation	10	(12,856)	(19,321)	(36,836)	(35,282)	(60,878)
Profit for the year/period		24,515	135,208	119,979	118,600	132,366
Other comprehensive income						
Exchange differences arising on translation of foreign operations		—	—	176	—	3
Total comprehensive income for the year/period		24,515	135,208	120,155	118,600	132,369
Earnings per share — Basic	12	5.5 cents	26.5 cents	16.0 cents	15.8 cents	17.6 cents

B. COMBINED STATEMENTS OF FINANCIAL POSITION

	Section E Notes	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 September 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	13	125,795	132,023	192,482	297,166
Land use rights	14	31,866	31,219	86,329	167,705
Intangible assets	15	21,817	19,142	16,467	60,319
Deposits made on acquisition of property, plant and equipment		—	—	—	16,461
Advance payments for acquisition of technical know-how	16	—	—	—	27,000
Deposits made on acquisition of Nanjing Ruinian	17	—	—	230,000	—
Deferred tax assets	18	11,959	14,308	11,934	9,172
		191,437	196,692	537,212	577,823
Current assets					
Inventories	19	53,591	24,101	87,099	23,558
Trade and other receivables	20	83,516	320,742	288,405	383,056
Amount due from ultimate holding company	21	8	—	—	—
Amounts due from related companies	22	171,154	79,452	—	—
Amount due from a director	23	1,065	—	—	—
Pledged bank deposits	24	289,183	50,801	983	246
Bank balances and cash	24	22,347	117,768	1,840	75,159
		620,864	592,864	378,327	482,019
Current liabilities					
Trade and other payables	25	46,985	103,429	77,926	79,070
Bills payables to related companies	26	249,080	107,580	—	—
Amount due to ultimate holding company	27	—	15,011	—	—
Amounts due to related companies	28	29,051	—	—	—
Amount due to a director	29	—	439	47	156
Taxation		265	17,525	20,860	35,337
Other loans	30	15,000	—	—	—
Borrowings related to bills discounted with recourse	26	—	36,300	—	—
Current portion of long-term bank loans	31	70	21	—	—
Short-term bank loans	32	297,650	198,000	201,000	226,000
		638,101	478,305	299,833	340,563
Net current (liabilities) assets		(17,237)	114,559	78,494	141,456
Total assets less current liabilities		174,200	311,251	615,706	719,279
Non-current liabilities					
Deferred tax liabilities	18	—	—	1,910	3,778
Long-term bank loans	31	21	—	—	—
		21	—	1,910	3,778
Net assets		174,179	311,251	613,796	715,501
Capital and reserves					
Paid-in capital/share capital	33	15,508	12	13	13
Reserves		158,671	311,239	613,783	715,488
Total equity		174,179	311,251	613,796	715,501

C. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital/ share capital	Share premium	Special reserve	Translation reserve	Non-distributable reserve	Statutory surplus reserve fund	Retained profits (deficit)	Total
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000
At 1 January 2006	119,120	—	—	—	2,417	—	33,215	154,752
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	24,515	24,515
Capital contributions to Ruinian Industry	11,960	—	—	—	—	—	—	11,960
Issue of shares	8	—	—	—	—	—	—	8
Capitalisation issue in Ruinian Industry	34,420	—	—	—	—	—	(34,420)	—
Transfer upon the Group Reorganisation	(150,000)	—	129,780	—	—	—	—	(20,220)
Deemed contributions from Controlling Shareholder	—	—	—	—	3,545	—	—	3,545
Deemed distributions to Controlling Shareholder	—	—	—	—	(381)	—	—	(381)
Transfers	—	—	—	—	—	13,490	(13,490)	—
At 31 December 2006	15,508	—	129,780	—	5,581	13,490	9,820	174,179
Profit for the year and total comprehensive income for the year	—	—	—	—	—	—	135,208	135,208
Issue of shares	4	149,550	—	—	—	—	—	149,554
Deemed contributions from Controlling Shareholder	—	—	—	—	3,414	—	—	3,414
Deemed distributions to Controlling Shareholder	—	—	—	—	(1,993)	—	—	(1,993)
Transfers	—	—	—	—	—	15,067	(15,067)	—
Distribution to owner upon dissolution of Ruinian Sales	(15,500)	—	5,002	—	—	—	—	(10,498)
Dividends paid	—	—	—	—	—	—	(138,613)	(138,613)
At 31 December 2007	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

C. COMBINED STATEMENTS OF CHANGES IN EQUITY — continued

	Paid-in capital/ share capital	Share premium	Special reserve	Translation reserve	Non-distributable reserve	Statutory surplus reserve fund	Retained profits (deficit)	Total
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000
At 31 December 2008	13	331,543	134,782	176	7,398	47,553	92,331	613,796
Exchange differences arising on translation of foreign operations	—	—	—	3	—	—	—	3
Profit for the period	—	—	—	—	—	—	132,366	132,366
Total comprehensive income for the period	—	—	—	3	—	—	132,366	132,369
Deemed distributions to Controlling Shareholder	—	—	—	—	(30,664)	—	—	(30,664)
At 30 September 2009	13	331,543	134,782	179	(23,266)	47,553	224,697	715,501
At 1 January 2008	12	149,550	134,782	—	7,002	28,557	(8,652)	311,251
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	118,600	118,600
Issue of shares	1	181,993	—	—	—	—	—	181,994
Deemed contributions from Controlling Shareholder	—	—	—	—	1,285	—	—	1,285
Deemed distributions to Controlling Shareholder	—	—	—	—	(889)	—	—	(889)
At 30 September 2008 (unaudited)	13	331,543	134,782	—	7,398	28,557	109,948	612,241

Notes:

(a) Special reserve represents the aggregate of:

(i) the difference between the consideration paid by Jet Bright for the acquisition of the entire interests in 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 Ruinian Sales and the distribution of Ruinian Sales' net assets upon the dissolution in October 2007.

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

(i) capital contributions from and distributions to the Controlling Shareholder in respect of the interest on financing arrangements with related companies (see note 26 to section E); and

(ii) deemed distributions to the Controlling Shareholder in respect of the acquisition of a subsidiary (see note 34 to section E).

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in 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.

D. COMBINED STATEMENTS OF CASH FLOWS

	Section E Note	Year ended 31 December			Nine months ended 30 September	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Profit before taxation		37,371	154,529	156,815	153,882	193,244
Adjustments for:						
Interest income		(3,789)	(5,326)	(1,524)	(1,303)	(258)
Interest expenses		16,744	20,267	14,657	11,170	8,772
Depreciation of property, plant and equipment		5,657	5,731	5,736	4,637	11,225
Amortisation of intangible assets		2,195	2,675	2,675	2,007	3,148
Operating lease rentals in respect of land use rights		189	647	646	485	642
Loss on disposal of property, plant and equipment		287	—	—	—	—
Allowance for inventories		—	—	256	—	—
Allowance for doubtful debts		355	—	—	—	—
Allowance for inventories written back		—	—	—	—	(111)
Operating cash flows before movements in working capital		59,009	178,523	179,261	170,878	216,662
(Increase) decrease in inventories		(12,587)	29,490	(63,768)	(74,330)	64,000
Decrease (increase) in trade and other receivables		46,258	(249,453)	(139,288)	(199,323)	(91,958)
(Decrease) increase in trade and other payables		(32,746)	58,173	(25,496)	(30,864)	(6,340)
Cash from (used in) operations		59,934	16,733	(49,291)	(133,639)	182,364
PRC income tax paid		(2,932)	(4,410)	(29,217)	(29,207)	(41,771)
Net cash from (used in) operating activities		57,002	12,323	(78,508)	(162,846)	140,593
Investing activities						
Interest received		3,789	5,326	1,524	1,303	258
Acquisition of a subsidiary	34	—	—	—	—	2,295
Purchase of property, plant and equipment		(53,737)	(12,036)	(66,019)	(17,260)	(23,707)
Proceeds from disposal of property, plant and equipment		92	77	—	—	—
Purchase of land use rights		(30,451)	—	(55,942)	(43,862)	(40,870)
Purchase of intangible assets		(5,250)	—	—	—	(2,000)
Deposits paid on acquisition a subsidiary		—	—	(57,700)	—	—
Deposits made on acquisition of property, plant and equipment		—	—	—	—	(15,204)
(Advance made to) repayment from ultimate holding company		(8)	8	—	—	—
Advances made to related companies		(184,364)	(150,562)	(79,452)	(79,452)	—
Repayment from related companies		143,705	171,154	79,452	79,452	—
(Advance made to) repayment from a director		(1,065)	1,065	—	—	—
(Increase) decrease in pledged bank deposits		(147,550)	238,382	49,818	40,221	737
Net cash (used in) from investing activities		(274,839)	253,414	(128,319)	(19,598)	(78,491)

D. COMBINED STATEMENTS OF CASH FLOWS — continued

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Financing activities					
Interest paid	(13,580)	(18,846)	(14,261)	(10,774)	(8,772)
Dividends paid	—	(138,613)	—	—	—
Payment for exchange in capital of Ruinian Industry upon Group Reorganisation	(20,220)	—	—	—	—
Capital contributions to Ruinian Industry	11,960	—	—	—	—
Proceeds from issue of shares	8	149,554	181,994	181,994	—
Bills payables to related parties raised	1,443,469	1,065,684	511,363	511,363	—
Repayment of bills payables to related parties	(1,301,700)	(1,099,774)	(575,791)	(575,791)	
Borrowings from (repayment to) ultimate holding company	—	15,011	(15,011)	(15,011)	—
Borrowings from (repayment to) related companies	26,226	(29,051)	—	—	—
(Repayment to) borrowings from a director	(12,248)	439	(392)	(388)	(14)
Other loans raised	15,000	19,785	—	—	—
Repayment of other loans	—	(34,785)	—	—	—
Bank loans raised	342,500	282,500	269,000	269,000	256,000
Repayment of bank loans	(262,149)	(382,220)	(266,021)	(266,021)	(236,000)
Net cash from (used in) financing activities	229,266	(170,316)	90,881	94,372	11,214
Net increase (decrease) in cash and cash equivalents	11,429	95,421	(115,946)	(88,072)	73,316
Cash and cash equivalents at 1 January	10,918	22,347	117,768	117,768	1,840
Effect of foreign exchange rate changes	—	—	18	—	3
Cash and cash equivalents at the end of the year/period	22,347	117,768	1,840	29,696	75,159
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	22,347	117,768	1,840	29,696	75,159

E. NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

a) Prior to 11 August 2006, the businesses of the Group carried out by Ruinian Industry and Ruinian Sales were owned and controlled by the Controlling Shareholder. Subsequent to this date, Tongrui was incorporated in the British Virgin Islands and controlled by the Controlling Shareholder and Jet Bright was incorporated in Hong Kong as a subsidiary of Tongrui.

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 by cash consideration of RMB20,220,000 and 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 combined statements of comprehensive income and cash flows for the Relevant Periods 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 the Relevant Periods, or since their respective dates of incorporation/establishment where this is a shorter period.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA issued a number of new Hong Kong Accounting Standards ("HKAS"s) and HKFRSs, Amendments and Interpretations ("INT"s) (hereinafter collectively referred to as the "new HKFRSs") which are effective for the Group's accounting periods beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group and the Company have adopted all these new HKFRSs consistently throughout the Relevant Periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised 2008)	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[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised 2008)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK (IFRIC*) — INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK (IFRIC) — INT 17	Distributions of non-cash assets to owners[1]
HK (IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments[7]

* IFRIC represents the International Financial Reporting Interpretations Committee.

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2011.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 January 2010.

6 Effective for annual periods beginning on or after 1 January 2013.

7 Effective for annual periods beginning on or after 1 July 2010.

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

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs. In addition, the 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 Financial Information incorporates the financial information 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 statements 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.

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.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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 accumulated impairment losses, if any. 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%

Land use rights

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.

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.

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, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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 and loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired separately

On initial recognition, 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 the profit or loss when the asset 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 expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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.

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 statements 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.

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.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from ultimate holding company, amounts due from related companies, amount due from a director, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each 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 estimate 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.

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 off 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 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, bills payables to related companies, amount due to ultimate holding company, amounts due to related companies, amount due to a director, other loans, borrowings related to bills discounted with recourse and bank loans is subsequently measured at amortised cost, using the effective interest method.

Equity instrument

Equity instrument issued by the Company and the group entity 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 is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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 each 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 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/period. 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/periods, and it further excludes income or expense 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 each reporting period.

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition 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 arising on investments in subsidiaries, except where the Group 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantially 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 and loss, except when it related 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 each 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 year/period in which they arise.

For the purposes of presenting the 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 each reporting period, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/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). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Operating leases

Rentals payable under operating leases are charged to 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 retirement benefits plans, government-managed retirement benefits schemes and the Mandatory Provident Fund Scheme ("MPF") are charged as an expense when employees have rendered service entitling them to the contributions.

4. 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, net of bank deposits and cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital/share capital, reserves and retained profits/deficit as disclosed in the 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.

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 assets and financial liabilities are disclosed in note 3 to section E.

Categories of financial instruments

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	548,880	410,214	125,357	371,099
Financial liabilities				
Amortised cost	614,754	387,262	214,631	245,265

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from ultimate holding company, amounts due from related companies, amount due from a director, pledged bank deposits, bank balances and cash, trade and other payables, bills payables to related companies, amount due to ultimate holding company, amounts due to related companies, amount due to a director, other loans, borrowings related to bills discounted with recourse and bank loans. Details of these 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 each 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 each 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.

Currency risk

One subsidiary of the Company has foreign currency sales, which expose the Group to foreign currency risk. During the years ended 31 December 2006, 31 December 2007 and 31 December 2008 and nine months ended 30 September 2008 and 30 September 2009, approximately nil, 1%, 4%, 4% and nil of the Group's sales respectively are denominated in currency other than the functional currency of the group entity making the sale. The carrying amounts of the Group's foreign currency denominated monetary assets amounted to RMB136,000, RMB1,864,000, RMB776,000 and RMB360,000 at 31 December 2006, 31 December 2007 and 31 December 2008 and 30 September 2009 respectively.

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 being held constant, the Group's profit for the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Increase in profit for the year/period	7	93	24	18

There would be an equal and opposite impact on the profit and equity for the year/period 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 market rate at the end of each reporting period.

	Weighted average interest rate	Less than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	More than 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities							
At 31 December 2006							
Trade and other payables	—	23,882	—	—	—	23,882	23,882
Bills payables to related companies	—	249,080	—	—	—	249,080	249,080
Amounts due to related companies	—	29,051	—	—	—	29,051	29,051
Other loans	5.9	—	—	15,437	—	15,437	15,000
Short-term bank loans							
— variable rate	5.9	35,949	38,479	102,356	—	176,784	172,650
— fixed rate	5.2	21,469	41,149	65,332	—	127,950	125,000
Long-term bank loans							
— fixed rate	6.0	72	—	—	22	94	91
		359,503	79,628	183,125	22	622,278	614,754
At 31 December 2007							
Trade and other payables	—	29,911	—	—	—	29,911	29,911
Bills payables to related companies	—	107,580	—	—	—	107,580	107,580
Amount due to ultimate holding company	—	15,011	—	—	—	15,011	15,011
Amount due to a director	—	439	—	—	—	439	439
Borrowings related to bills discounted with recourse	—	36,300	—	—	—	36,300	36,300
Short-term bank loans							
— variable rate	6.8	19,308	40,764	30,145	—	90,217	88,000
— fixed rate	5.9	41,170	30,797	40,377	—	112,344	110,000
Long-term bank loans							
— fixed rate	6.0	21	—	—	—	21	21
		249,740	71,561	70,522	—	391,823	387,262
At 31 December 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
At 30 September 2009							
Trade and other payables	—	19,109	—	—	—	19,109	19,109
Amount due to a director	—	156	—	—	—	156	156
Short-term bank loans							
— variable rate	5.8	11,094	58,477	15,178	—	84,749	83,000
— fixed rate	5.5	54,826	55,825	35,412	—	146,063	143,000
		85,185	114,302	50,590	—	250,077	245,265

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 bank pledged deposits, bank balances and variable rate bank loans at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year/period.

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/period is as follows:

	Year ended 31 December			Nine months ended 30 September
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
(Decrease) increase in profit for the year/period	(542)	(352)	583	33

There would be an equal and opposite impact on the profit for the year/period where there had been 50 basis points higher.

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transaction as input.

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

6. TURNOVER AND SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies that conform with HKFRSs, that are regularly 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

During each of the two years ended 31 December 2007, the Group has one single operating segment which is principally engaged in the manufacture and sales of health and nutritional supplements. 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 Nanjing Ruinian, 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/period.

Segment results represent the gross profits earned by each segment.

The information of segment results are as follows:

For the year ended 31 December 2006	**Health and nutritional supplements**	**Health drinks**	**Pharmaceutical products**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue from external customers	191,749	—	—	191,749
Revenue from related parties	4,998	—	—	4,998
	196,747	—	—	196,747
Cost of goods sold	(24,253)	—	—	(24,253)
Gross profit	172,494	—	—	172,494

For the year ended 31 December 2007	**Health and nutritional supplements**	**Health drinks**	**Pharmaceutical products**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue from external customers	375,848	—	—	375,848
Revenue from related parties	29,675	—	—	29,675
	405,523	—	—	405,523
Cost of goods sold	(86,915)	—	—	(86,915)
Gross profit	318,608	—	—	318,608

For the year ended 31 December 2008	**Health and nutritional supplements**	**Health drinks**	**Pharmaceutical products**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
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

For the nine months ended 30 September 2008 (unaudited)	Health and nutritional supplements	Health drinks	Pharmaceutical products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	456,460	106,920	—	563,380
Revenue from related parties	23,349	—	—	23,349
	479,809	106,920	—	586,729
Cost of goods sold	(101,611)	(76,940)	—	(178,551)
Gross profit	378,198	29,980	—	408,178

For the nine months ended 30 September 2009	Health and nutritional supplements	Health drinks	Pharmaceutical products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	398,929	113,453	38	512,420
Revenue from related parties	11,252	—	—	11,252
	410,181	113,453	38	523,672
Cost of goods sold	(109,516)	(60,021)	(13)	(169,550)
Gross profit	300,665	53,432	25	354,122

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Total turnover per segment reporting and total combined turnover, as reported	196,747	405,523	632,357	586,729	523,672
Total cost of goods sold per segment reporting	(24,253)	(86,915)	(196,538)	(178,551)	(169,550)
Total gross profit per segment reporting	172,494	318,608	435,819	408,178	354,122
Adjustment on value-added tax	—	—	(9,530)	(4,380)	(6,323)
Total gross profit, as reported	172,494	318,608	426,289	403,798	347,799
Advertising and promotional expenses	(67,014)	(106,950)	(156,794)	(165,530)	(100,814)
Research and development costs	(11,375)	(13,000)	(13,900)	(11,300)	(1,600)
Other operating expenses	(44,109)	(30,456)	(86,098)	(63,484)	(44,087)
Other income	330	1,268	451	265	460
Interest income	3,789	5,326	1,524	1,303	258
Interest expenses	(16,744)	(20,267)	(14,657)	(11,170)	(8,772)
Profit before taxation	37,371	154,529	156,815	153,882	193,244

Information of segment assets and segment liabilities are as follows:

Segment assets represent property, plant and equipment, land use rights, intangible assets, advance payments for acquisition of technical know-how, deposits made on acquisition of property, plant and equipment, 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.

	As at 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Segment assets				
— health and nutritional supplements	314,371	527,209	588,299	698,370
— health drinks	—	—	80,844	68,606
— pharmaceutical products	—	—	—	204,632
	314,371	527,209	669,143	971,608
Deposits made on acquisition of Nanjing Ruinian	—	—	230,000	—
Deferred tax assets	11,959	14,308	11,934	9,172
Unallocated corporate assets (Note a)	485,971	248,039	4,462	79,062
Combined total assets	812,301	789,556	915,539	1,059,842
Liabilities				
Segment liabilities				
— health and nutritional supplements	45,335	102,853	60,360	52,807
— health drinks	—	—	11,350	9,560
— pharmaceutical products	—	—	—	5,485
	45,335	102,853	71,710	67,852
Taxation	265	17,525	20,860	35,337
Deferred tax liabilities	—	—	1,910	3,778
Unallocated corporate liabilities (Note b)	592,522	357,927	207,263	237,374
Combined total liabilities	638,122	478,305	301,743	344,341

Notes:

(a) Unallocated corporate assets represent amount due from ultimate holding company amounts due from related companies, amount due from a director, bank balances and cash, pledged bank deposits and other prepayments and deposits.

(b) Unallocated corporate liabilities represent bills payables to related companies, amount due to ultimate holding company, amounts due to related companies, amount due to a director, other loans, borrowings related to bills discounted with recourse, short-term bank loans, other accruals and other payables.

Other information

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Additions to non-current assets other than deferred tax assets					
— health and nutritional supplements	89,438	12,036	122,147	61,122	84,490
— pharmaceutical products	—	—	—	—	205,350
	89,438	12,036	122,147	61,122	289,840
Depreciation of property, plant and equipment					
— health and nutritional supplements	5,657	5,731	5,736	4,637	10,089
— pharmaceutical products	—	—	—	—	1,136
	5,657	5,731	5,736	4,637	11,225
Amortisation of intangible assets					
— health and nutritional supplements	2,195	2,675	2,675	2,007	2,090
— pharmaceutical products	—	—	—	—	1,058
	2,195	2,675	2,675	2,007	3,148
Operating lease rentals in respect of land use rights charged to profit or loss					
— health and nutritional supplements	189	647	646	485	485
— pharmaceutical products	—	—	—	—	157
	189	647	646	485	642

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

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover					
— PRC	196,747	405,523	631,320	585,728	523,672
— Hong Kong	—	—	1,037	1,001	—
	196,747	405,523	632,357	586,729	523,672

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

	Year ended 31 December			Nine months ended 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets other than deferred tax assets				
— PRC	179,478	182,384	524,940	568,369
— Hong Kong	—	—	338	282
	179,478	182,384	525,278	568,651

Information about major customers

For the year ended 31 December 2006, there were two customers with revenues of RMB35,588,000 and RMB20,240,000 respectively which accounted for more than 10% of the total turnover related to health and nutritional supplements.

For the year ended 31 December 2007, there was one customer with revenue of RMB44,120,000 which accounted for more than 10% of the total turnover related to health and nutritional supplements.

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

For the nine months ended 30 September 2008, there were two customers with revenues of RMB61,568,000 and RMB61,052,000 which accounted for more than 10% of total turnover related to health and nutritional supplements and health drinks.

For the nine months ended 30 September 2009, there was one customer with revenue of RMB67,967,000 which accounted for more than 10% of total turnover related to health and nutritional supplements and health drinks.

Revenues by products are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Health and Nutritional Supplements					
Nutritional Supplements					
Ruinian-branded amino acid-based tablets	132,365	195,268	182,922	173,586	192,876
Linger-branded amino acid-based tablets	37,232	22,946	39,520	37,028	43,144
Liquid amino acids	—	116,556	159,637	154,011	32,264
Ruinian-branded royal jelly tablets	474	3,243	29,074	28,974	35,235
Ruinian-branded osteoid sachet powder	21,441	28,977	28,524	25,784	26,420
Ruinian-branded blood lipid capsules	2,546	1,144	1,685	1,659	1,851
Subtotal	194,058	368,134	441,362	421,042	331,790
General Health Food Products					
Ruinian-branded protein powder	113	29,262	34,615	32,953	34,103
Ruinian-branded collagen tablets	23	89	34	34	338
Ruinian-branded Polypeptide tablets	44	365	382	382	73
Sane-branded dietary fibre	4	275	82	82	52
Other	2,505	7,398	30,208	25,316	43,825
Subtotal	2,689	37,389	65,321	58,767	78,391
Subtotal of health and nutritional supplements	196,747	405,523	506,683	479,809	410,181
Health Drinks					
Herbal tea	—	—	125,674	106,920	113,453
Pharmaceutical Products					
Ofloxacin Eye Drops	—	—	—	—	2
Topotecan Hydrochloride Capsules	—	—	—	—	36
Subtotal	—	—	—	—	38
Total	196,747	405,523	632,357	586,729	523,672

7. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on					
— bank and other borrowings wholly repayable within five years	(13,527)	(18,846)	(14,261)	(10,774)	(8,772)
— amounts due to related companies	(53)	—	—	—	—
— financing arrangements with related companies	(3,164)	(1,421)	(396)	(396)	—
	(16,744)	(20,267)	(14,657)	(11,170)	(8,772)

8. PROFIT BEFORE TAXATION

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation has been arrived at after charging:					
Directors' remuneration (note 9 to section E)	187	336	1,887	1,391	502
Other staff's retirement benefits scheme contributions	331	412	1,696	1,122	961
Other staff costs	23,961	13,666	12,518	9,684	5,891
	24,479	14,414	16,101	12,197	7,354
Amortisation of intangible assets included in					
— costs of goods sold	2,195	2,675	2,675	2,007	2,090
— administrative expenses	—	—	—	—	1,058
	2,195	2,675	2,675	2,007	3,148
Operating lease rentals in respect of					
— land use rights	189	647	832	485	2,094
Less: Capitalised under construction in progress	—	—	(186)	—	(1,452)
	189	647	646	485	642
— rented premises	—	—	766	469	691
Advertising and promotional expenses	67,014	106,950	156,794	165,530	100,814
Allowance for doubtful debts	355	—	—	—	—
Allowance for inventories	—	—	256	—	—
Cost of inventories recognised as expenses	22,058	84,240	203,545	180,924	173,783
Depreciation of property, plant and equipment	5,657	5,731	5,736	4,637	11,225
Loss on disposal of property, plant and equipment	287	—	—	—	—
Net exchange losses	227	—	3,653	3,472	—
and after crediting:					
Allowance for inventories written back	—	—	—	—	111
Interest income	3,789	5,326	1,524	1,303	258
Net exchange gain	—	821	—	—	158

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors' fees	—	—	—	—	—
Other emoluments to non-executive directors and independent non-executive directors	—	—	—	—	—
Other emoluments to executive directors					
— basic salaries and allowances	168	259	1,680	1,208	465
— retirement benefits scheme contributions	19	77	207	183	37
	187	336	1,887	1,391	502

Details of emoluments paid by the Group to the directors are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Mr. Wang Fucai					
— basic salaries and allowances	38	82	372	274	24
— retirement benefits scheme contributions	4	25	47	44	10
	42	107	419	318	34
Mr. Yu Yan					
— basic salaries and allowances	35	44	225	166	7
— retirement benefits scheme contributions	4	13	38	35	3
	39	57	263	201	10
Mr. Li Lin					
— basic salaries and allowances	35	45	226	165	8
— retirement benefits scheme contributions	4	13	38	29	4
	39	58	264	194	12
Mr. Yi Lin					
— basic salaries and allowances	31	44	222	164	7
— retirement benefits scheme contributions	3	13	38	35	3
	34	57	260	199	10
Mr. Zhang Yan					
— basic salaries and allowances	29	44	226	167	22
— retirement benefits scheme contributions	4	13	38	35	9
	33	57	264	202	31
Ms. Au-Yeung Kam Ling, Celeste					
— basic salaries and allowances	—	—	409	272	397
— retirement benefits scheme contributions	—	—	8	5	8
	—	—	417	277	405
Total	187	336	1,887	1,391	502

The five highest paid individuals for each of the two years ended 31 December 2007 were all directors while the five highest paid individuals included two directors for the year ended 31 December 2008 and nine months ended 30 September 2008 and one director for the nine months ended 30 September 2009, details of whose emoluments are set out above. The emoluments of the remaining individuals for the Relevant Periods were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employees					
— basic salaries and allowances	—	—	2,278	1,842	1,813
— retirement benefits scheme contributions	—	—	25	14	31
	—	—	2,303	1,856	1,844

The emoluments of the employees were within the following bands:

	Number of employees				
	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
				(unaudited)	
Up to HK$1,000,000	—	—	2	2	4
HK$1,000,001 to HK$1,500,000	—	—	1	1	—

During the Relevant Periods, 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 Relevant Periods.

10. TAXATION

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The charge comprises:					
PRC income tax	(2,742)	(21,670)	(32,552)	(33,134)	(56,248)
Deferred taxation					
— current year/period	(10,114)	2,414	(4,284)	(2,148)	(4,630)
— attributable to a change in tax rate	—	(65)	—	—	—
	(12,856)	(19,321)	(36,836)	(35,282)	(60,878)

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 16 March 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 would be unified at 25% effective from 1 January 2008 (Order of the President [2007] No. 63). Ruinian Industry which was entitled to exemption and reduction from the standard income tax rate from 1 January 2004 would continue to enjoy such treatment until the exemption and reduction period expired, at the end of 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui [2008] 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 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 31 December 2008 and nine months ended 30 September 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 as the Group's operations in Hong Kong had no assessable profit during the Relevant Periods.

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

	Year ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Profit before taxation	37,371		154,529		156,815		153,882		193,244	
Tax at the applicable income tax rate	(12,332)	(33.0)	(50,995)	(33.0)	(39,204)	(25.0)	(38,471)	(25.0)	(48,311)	(25.0)
Tax effect of expenses not deductible for tax purposes	(886)	(2.4)	(933)	(0.6)	(14,343)	(9.1)	(15,840)	(10.3)	(8,023)	(4.2)
Tax effect of income not taxable for tax purposes	—	—	—	—	285	0.2	37	—	86	0.1
Tax effect of 50% tax relief granted to Ruinian Industry	1,006	2.7	32,728	21.2	24,029	15.3	22,910	14.9	—	—
Decrease in opening deferred tax asset resulting from a decrease in applicable tax rate	—	—	(65)	(0.1)	—	—	—	—	—	—
Tax loss not recognised	(644)	(1.7)	(56)	—	—	—	—	—	—	—
Tax effect of deductible temporary differences not recognised	—	—	—	—	(5,693)	(3.7)	(3,918)	(2.5)	(2,762)	(1.4)
Withholding tax on undistributed earnings	—	—	—	—	(1,910)	(1.2)	—	—	(1,868)	(1.0)
Tax charge and effective tax rate for the year/period	(12,856)	(34.4)	(19,321)	(12.5)	(36,836)	(23.5)	(35,282)	(22.9)	(60,878)	(31.5)

11. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. However, during the Relevant Periods, Ruinian Industry distributed dividends amounting to RMB138,613,000 to its then owners in 2007 prior to the Group Reorganisation.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the following data and on the assumption that the Group Reorganisation has been effective on 1 January 2006:

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	24,515	135,208	119,979	118,600	132,366

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
Number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings per share	443,257,172	510,480,194	749,109,600	748,809,538	750,000,000

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

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 1 January 2006	48,419	1,021	2,822	33,837	—	86,099
Additions	—	181	—	164	53,392	53,737
Disposals	—	(257)	(825)	(24)	—	(1,106)
At 31 December 2006	48,419	945	1,997	33,977	53,392	138,730
Additions	—	17	—	47	11,972	12,036
Disposals	—	(125)	—	—	—	(125)
At 31 December 2007	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 31 December 2008	105,484	1,369	2,289	92,745	14,946	216,833
Additions	—	66	—	81	25,012	25,159
Acquired on acquisition of a subsidiary	35,100	937	79	54,634	—	90,750
At 30 September 2009	140,584	2,372	2,368	147,460	39,958	332,742
DEPRECIATION						
At 1 January 2006	1,966	431	1,392	4,216	—	8,005
Provided for the year	1,895	20	488	3,254	—	5,657
Eliminated on disposals	—	(107)	(615)	(5)	—	(727)
At 31 December 2006	3,861	344	1,265	7,465	—	12,935
Provided for the year	2,178	119	287	3,147	—	5,731
Eliminated on disposals	—	(48)	—	—	—	(48)
At 31 December 2007	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 31 December 2008	8,218	617	1,707	13,809	—	24,351
Provided for the period	3,715	266	129	7,115	—	11,225
At 30 September 2009	11,933	883	1,836	20,924	—	35,576
NET BOOK VALUES						
At 31 December 2006	44,558	601	732	26,512	53,392	125,795
At 31 December 2007	42,380	422	445	23,412	65,364	132,023
At 31 December 2008	97,266	752	582	78,936	14,946	192,482
At 30 September 2009	128,651	1,489	532	126,536	39,958	297,166

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

At 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the Group has pledged certain of its buildings with an aggregate carrying value of RMB44,005,000, RMB41,864,000, RMB39,753,000 and RMB38,117,000 respectively to certain banks to secure the credit facilities granted to the Group.

At 31 December 2008 and 30 September 2009, there were accumulated operating lease rentals in respect of land use rights amounting to RMB186,000 and RMB1,638,000 respectively capitalised under construction in progress.

14. LAND USE RIGHTS

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying value				
At 1 January	1,604	31,866	31,219	86,329
Additions during the year/period	30,451	—	55,942	40,870
Acquired on acquisition of a subsidiary	—	—	—	42,600
Operating lease rentals capitalised under construction in progress	—	—	(186)	(1,452)
Charged to profit or loss during the year/period	(189)	(647)	(646)	(642)
At the end of the year/period	31,866	31,219	86,329	167,705

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

At 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the Group has pledged certain of its land use rights with an aggregate carrying value of RMB1,567,000, RMB1,530,000, RMB1,493,000 and RMB1,465,000 respectively to certain banks to secure the credit facilities granted to the Group.

At 31 December 2007, the Group has also pledged certain of its land use rights with a carrying value of RMB29,689,000 to certain banks to secure the credit facilities granted to a related company. This security was released in February 2008.

At 31 December 2008 and 30 September 2009, there were land use rights with carrying amount of RMB55,756,000 and RMB95,174,000 respectively 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 know-how	GMP* certifications	Total
	RMB'000	RMB'000	RMB'000	RMB'000
CARRYING VALUE				
At 1 January 2006	8,696	10,066	—	18,762
Additions	5,250	—	—	5,250
Charged to profit or loss during the year	(1,095)	(1,100)	—	(2,195)
At 31 December 2006	12,851	8,966	—	21,817
Charged to profit or loss during the year	(1,575)	(1,100)	—	(2,675)
At 31 December 2007	11,276	7,866	—	19,142
Charged to profit or loss during the year	(1,575)	(1,100)	—	(2,675)
At 31 December 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 period	(1,266)	(1,602)	(280)	(3,148)
At 30 September 2009	10,435	43,164	6,720	60,319

* GMP represents Good Manufacturing Practices.

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

16. ADVANCE PAYMENTS FOR ACQUISITION OF TECHNICAL KNOW-HOW

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

17. DEPOSITS MADE ON ACQUISITION OF NANJING RUINIAN

On 14 November 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 Mr. Wang Fucai), 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 on 23 July 2009. Pursuant to the supplemental agreement, should the profit of Nanjing Ruinian for the next 24 months commencing 1 January 2010 be less than RMB30 million per annum, any shortfall against the actual profit will be subject to cash compensation by the vendors to the Group.

18. DEFERRED TAXATION

The following is the deferred taxation recognised and movements thereon during the Relevant Periods:

	Product development costs	Accrued advertising expenses	Unrealised gain on inventories	Withholding tax on undistributed earnings	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	8,134	274	13,664	—	1	22,073
Credited (charged) to profit or loss during the year	2,120	547	(12,858)	—	77	(10,114)
At 31 December 2006	10,254	821	806	—	78	11,959
Credited (charged) to profit or loss during the year	2,604	608	(806)	—	8	2,414
Effect of change in tax rate	(65)	—	—	—	—	(65)
At 31 December 2007	12,793	1,429	—	—	86	14,308
Charged to profit or loss during the year	(859)	(1,429)	—	(1,910)	(86)	(4,284)
At 31 December 2008	11,934	—	—	(1,910)	—	10,024
Charged to profit or loss during the period	(2,762)	—	—	(1,868)	—	(4,630)
At 30 September 2009	9,172	—	—	(3,778)	—	5,394

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

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	11,959	14,308	11,934	9,172
Deferred tax liabilities	—	—	(1,910)	(3,778)
	11,959	14,308	10,024	5,394

At 31 December 2008 and 30 September 2009, the Group has unrecognised deferred tax liability of RMB5,730,000 and RMB11,334,000 in relation to withholding tax on undistributed earnings of RMB114,600,000 and RMB226,680,000 due to the retention of undistributed earnings by the subsidiary in the PRC determined by the directors of the Company.

Also, at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the Group has accumulated deductible temporary differences of Nil, Nil, RMB22,772,000 and RMB33,820,000 and tax losses of RMB1,952,000, RMB2,122,000, Nil and Nil respectively which has 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

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	3,415	4,505	13,130	6,340
Work in progress	9,832	4,141	2,802	7,377
Finished goods	24,588	10,717	13,868	617
Merchandise for resale	—	1,091	49,111	3,370
Packaging materials	15,756	3,647	8,188	5,854
	53,591	24,101	87,099	23,558

20. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— a related company*	5,738	10,069	1,890	10,155
— others	59,385	139,099	120,618	284,510
Bills receivables	—	13,025	26	1,029
	65,123	162,193	122,534	295,694
Deposits paid to suppliers	1,103	83,674	70,120	31,945
Property rental deposits	—	—	339	271
Prepayments for research and development	—	14,000	9,700	6,100
Prepayments for media airtime	15,076	60,857	84,412	45,492
Value-added tax receivables	—	—	—	168
Other prepayments and deposits	2,214	18	1,300	3,386
	83,516	320,742	288,405	383,056

* The related company is a company controlled by the brother of Mr. Wang Fucai.

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

Age	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 September 2009
	RMB'000	RMB'000	RMB'000	RMB'000
0 - 90 days	60,928	144,594	49,976	263,497
91 - 180 days	1,069	8,261	60,638	32,086
181 to 365 days	2,016	8,299	11,920	111
Over 1 year	1,110	1,039	—	—
	65,123	162,193	122,534	295,694

The Group does not hold any collateral over these balances. The average age of these receivables at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009 are 76 days, 78 days, 118 days and 68 days respectively.

At 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, included in the Group's trade receivable balances are trade receivables with aggregate carrying amount of RMB6,648,000, RMB23,579,000, RMB72,558,000 and RMB32,197,000 respectively which are past due at the reporting date for which the Group has not provided for impairment loss as 100%, 100%, 100% and 97% respectively of these past due debts were subsequently collected as of the date of this report.

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

Age	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 September 2009
	RMB'000	RMB'000	RMB'000	RMB'000
0 - 90 days	3,152	12,302	—	—
91 - 180 days	1,075	4,351	60,638	32,086
181 - 365 days	1,809	6,246	11,920	111
Over 1 year	612	680	—	—
	6,648	23,579	72,558	32,197

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.

Movements in the allowance for doubtful debts are as follows:

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	12	355	—	—
Allowances recognised on receivables	355	—	—	—
Amounts written-off as uncollectible	(12)	(355)	—	—
At the end of reporting year/period	355	—	—	—

At 31 December 2006, the allowance for doubtful debts represented individually impaired trade receivables which have been placed under liquidation or in severe financial difficulties. The Group did not hold any collateral over these balances.

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

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong dollars	—	—	305	—

21. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company, Furui Investments Limited ("Furui"), was unsecured, interest-free, repayable on demand and was fully settled in 2007.

22. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from related companies which are controlled by Mr. Wang Fucai, are as follows:

	At 31 December			At 30 September
Name of related company	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Ruinian Group	155,785	79,452	—	—
瑞年（無錫）生物科技有限公司 (Wuxi Ruinian Biotechnology Co., Ltd.) ("Ruinian Biotechnology")	15,369	—	—	—
	171,154	79,452	—	—

	Maximum amount outstanding during the year/period			
	Year ended 31 December			Nine months ended 30 September
Name of related company	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Ruinian Group	184,032	155,785	79,452	—
Ruinian Biotechnology	15,369	15,369	—	—

The above balances included the net results of the financing arrangements with related companies as detailed in note 26 to section E.

At 31 December 2007, included in the above amounts due from related companies were bills receivables of RMB36,300,000 which were discounted to banks.

23. AMOUNT DUE FROM A DIRECTOR

The amount due from a director of the Company, Mr. Wang Fucai, was unsecured, interest-free, repayable on demand and was fully settled in 2007. The maximum amount outstanding for each of the two years ended of 31 December 2007 was RMB1,065,000.

24. 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 1.7% to 2.1%, 2.6% to 3.8%, 3.2% to 3.5% and 3.2% to 3.5% per annum at 31 December 2006, 31 December 2007 and 31 December 2008 and 30 September 2009 respectively.

Included in pledged bank deposits and bank balances and cash are the following amounts denominated in currency other than the functional currency of the relevant group companies.

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000 equivalent	RMB'000 equivalent	RMB'000 equivalent	RMB'000 equivalent
Hong Kong dollars	136	1,864	471	360

25. TRADE AND OTHER PAYABLES

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	12,637	10,608	3,794	7,290
Bills payables	10,599	19,303	5,655	3,646
	23,236	29,911	9,449	10,936
Customers' deposits	4,017	17,788	45	2,088
Payroll and welfare payables	5,110	11,810	12,375	11,005
Other tax payables	6,134	26,544	9,939	28,389
Other payables	646	—	4,135	2,688
Construction payables	—	—	—	5,485
Advertising accruals	6,838	11,583	34,685	4,732
Sales volume rebate	—	5,217	5,217	5,217
Other accruals	1,004	576	2,081	8,530
	46,985	103,429	77,926	79,070

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 each reporting period:

Age	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 September 2009
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	18,018	24,268	7,393	9,179
91 to 180 days	3,533	4,614	1,407	896
181 to 365 days	1,485	63	502	800
Over 1 year	200	966	147	61
	23,236	29,911	9,449	10,936

26. BILLS PAYABLES TO RELATED COMPANIES/BORROWINGS RELATED TO BILLS DISCOUNTED WITH RECOURSE

(a) Bills payables to related companies

Details of the bills payables to related companies which are controlled by Mr. Wang Fucai, are as follows:

Name of related company	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 September 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Ruinian Group	15,000	6,000	—	—
江蘇瑞年前進製藥有限公司 (Jiangsu Ruinian Qianjin Pharmaceutical Co., Ltd.) ("Qianjin Pharmaceutical")	178,080	72,580	—	—
Ruinian Biotechnology	56,000	29,000	—	—
	249,080	107,580	—	—

During the Relevant Periods up to March 2008, the Group and its related companies controlled by the Controlling Shareholder entered into financing arrangements with certain PRC commercial banks. Under these arrangements, Ruinian Industry issued bank bills to the related companies at certain face amounts with pledged bank deposits ranged from 25% to 100% of the face amount of the bank bills. These bank bills were used by the related companies to present to other PRC commercial banks for discounting and then remitted back the proceeds from bills discounting to Ruinian Industry. At the same time, there were similar financing arrangements in which the related companies issued bank bills to Ruinian Industry (see note 26(b) to section E below) and Ruinian Industry remitted back the proceeds from bills discounting to the related companies. At 31 December 2006 and 31 December 2007, there were bank deposits of RMB193,584,000 and RMB32,584,000 respectively that were pledged to these PRC commercial banks for these financing arrangements.

During each of the two years ended 31 December 2007 and the period from 1 January 2008 to 31 March 2008, the bank bills issued by Ruinian Industry and discounted by the related companies carry interest at rates ranging from 1.9% to 4.0%, 3.1% to 4.8% and 6.7% to 8.6% per annum respectively. These related interest expenses were incurred and recognised as finance costs by the Group (see note 7 to section E) but the related payments were made by the related companies without charging the Group. Accordingly, it is recognised as deemed contributions from the Controlling Shareholder.

(b) Borrowings related to bills discounted with recourse

Also, during each of the two years ended 31 December 2007 and the period from 1 January 2008 to 31 March 2008, the bank bills issued by the related companies and discounted by the Group carry interest at rates ranging from 1.9% to 3.6%, 3.2% to 4.8% and 5.2% per annum respectively. The related interests were paid by the Group and recognised as finance costs by the Group (see note 7 to section E) but the related payments were not charged back to the relevant related companies. Accordingly, it is recognised as deemed distributions to the Controlling Shareholder in which the relevant interest income was credited to interest on financing arrangements with related companies (see note 7 to section E).

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

27. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount was unsecured, interest-free, repayable on demand and was fully repaid in 2008.

28. AMOUNTS DUE TO RELATED COMPANIES

Details of the amounts due to related companies which are controlled by the Controlling Shareholder, are as follows:

Name of related companies	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Qianjin Pharmaceutical	8,367	—	—	—
Hong Kong Jierui International Trading Ltd. ("Hong Kong Jierui")	20,684	—	—	—
	29,051	—	—	—

The amounts due to related companies were unsecured, repayable on demand and interest-free except for an amount of RMB20,684,000 due from Hong Kong Jierui which carried interest at 5.5% per annum. All these balances were fully repaid in 2007.

29. AMOUNT DUE TO A DIRECTOR

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

30. OTHER LOANS

Other loans represented loan from a third party, 太湖度假區工業管理站 (Wuxi Taibu National Holiday Resort Industrial Management Station) which was unsecured, carried interest at 5.9% per annum and was fully repaid in 2007.

31. LONG-TERM BANK LOANS

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
The bank loans are repayable as follows:				
Within one year	70	21	—	—
Between one to two years	21	—	—	—
	91	21	—	—
Less: Amounts due within one year shown under current liabilities	70	21	—	—
Amounts due after one year	21	—	—	—

At 31 December 2006 and 31 December 2007, the Group has fixed rate long-term bank loans carrying fixed rate interest at 5.4% per annum.

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

32. SHORT-TERM BANK LOANS

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Variable rate bank loans	172,650	88,000	136,000	83,000
Fixed rate bank loans	125,000	110,000	65,000	143,000
	297,650	198,000	201,000	226,000
Analysed as				
— secured	36,000	48,000	18,000	18,000
— unsecured	261,650	150,000	183,000	208,000
	297,650	198,000	201,000	226,000

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 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the Group has variable rate bank loans carrying interest at 5.3% to 6.1% per annum, 6.1% to 8.3% per annum, 6.4% to 7.5% per annum and 5.3% to 7.6% per annum respectively.

At 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the Group has fixed rate bank loans carrying interest at 4.9% to 5.9% per annum, 5.3% to 7.7% per annum 6.1% to 8.2% per annum and 4.4% to 8.2% per annum respectively.

At 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the following unsecured bank loans are guaranteed by:

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
A related company controlled by Mr. Wang Fucai	30,000	30,000	—	5,000
A related company controlled by Mr. Wang Fucai and a third party	109,720	40,000	—	—
A third party	55,000	55,000	—	—
	194,720	125,000	—	5,000

At 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009, the Group has unutilised available credit facilities amounting to RMB131,500,000, RMB181,000,000, RMB289,685,000 and RMB337,000,000 respectively.

All the above guarantees were released in December 2009.

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

33. PAID-IN CAPITAL/SHARE CAPITAL

The paid-in capital at 1 January 2006 represented the fully paid registered capital of Ruinian Industry and Ruinian Sales while the paid-in capital at 31 December 2006 represented the then issued and fully paid share capital of Tongrui and fully paid registered capital of Ruinian Sales.

The share capital at 31 December 2007, 31 December 2008 and 30 September 2009 represented the then issued and fully paid share capital of Tongrui.

The movements of the paid-in capital/share capital during the Relevant Periods are as follows.

(a) In 2006, Ruinian Industry increased its paid-in capital to RMB150,000,000 through capital contributions of RMB11,960,000 and capitalisation of retained profits of RMB34,420,000.

(b) During the years ended 31 December 2006, 31 December 2007 and 31 December 2008, Tongrui allotted 10,000, 5,088 and 1,833 new shares respectively at par of US$0.10 each to the shareholders.

34. ACQUISITION OF A SUBSIDIARY

At 23 July 2009, the Group acquired the entire equity interest in Nanjing Ruinian for a consideration of RMB255,000,000 (which was subsequently reduced to RMB211,000,000 in September 2009). Pursuant to the supplemental agreement, should the profit of Nanjing Ruinian for the next 24 months commencing 1 January 2010 be less than RMB30 million per annum, any shortfall against the actual profit will be subject 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 know-how	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 Nanjing Ruinian	211,000
Net cash inflow arising on acquisition:	
Deposits made on acquisition of Nanjing Ruinian refunded (see note 35 to section E)	2,082
Bank balances and cash acquired	213
	2,295

35. MAJOR NON-CASH TRANSACTIONS

During the Relevant Periods, the interest expenses on financing arrangements with related companies were paid by the related companies with corresponding capital contributions as detailed in note 26 to section E.

In 2006, Ruinian Industry increased its capital contributions by means of capitalisation of its profits available for distribution of RMB34,420,000 to its then owners.

In October 2007, the net assets of Ruinian Sales, including trade and other receivables of RMB12,227,000 and other payables of RMB1,729,000, which amounted to RMB10,498,000 were distributed to its owner upon dissolution.

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 Nanjing Ruinian as disclosed in note 17 to section E.

In 2009, the deposits made on acquisition of Nanjing Ruinian 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.

36. OPERATING LEASE COMMITMENTS

At the end of each 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:

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	—	1,011	505
In the second to fifth year inclusive	—	—	280	—
	—	—	1,291	505

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

37. CAPITAL COMMITMENTS

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of:-				
— property, plant and equipment	29,186	17,512	84,749	73,968
— technical know-how	—	—	—	2,000
	29,186	17,512	84,749	75,968

38. CONTINGENT LIABILITIES AND GUARANTEES

	At 31 December			At 30 September
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in respect of credit facilities granted to				
— related company controlled by Mr. Wang Fucai	20,000	5,000	—	—
— third parties	61,900	37,000	—	—
	81,900	42,000	—	—

All the above guarantees were released in June 2008.

39. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate in 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 subsidiaries are 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.

40. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed in respective notes to section E in this Financial Information, during the Relevant Periods, the Group has the following significant transactions with related parties:

Relationship and name of related company	Nature of transactions	Year ended 31 December 2006	2007	2008	Nine months ended 30 September 2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Company controlled by the brother of Mr. Wang Fucai — 湖北凱迪藥業有限公司 (Hubei Kaidi Pharmaceutical Co., Ltd.)	Sales of goods	4,998	29,675	25,030	23,349	11,252
Company formerly controlled by Mr. Wang Fucai — 杭州千島湖瑞年實業有限公司 (Hangzhou Qiandaohu Ruinian Industry Co., Ltd.)*	Purchases of goods	2,070	—	—	—	—

* Mr. Wang Fucai had disposed of his equity interests in this company to third parties in June 2006.

The directors represented to us that the above transactions were carried out with pricing policies equivalent to transactions carried out with independent third parties and they consider the above transactions were carried out in the Group's ordinary and usual course of business. All the above transactions will be discontinued after listing of the shares of the Company on the Stock Exchange.

The details of remuneration of key management personnel, represents emoluments of directors of the Company paid during the Relevant Periods are set out in note 9 to section E.

41. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2006	2007	2008	At 30 September 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Other payables	(27)	—	(23)	—
Amount due to intermediate holding company	—	—	(564)	(589)
Amount due to immediate holding company	—	(22)	(575)	(626)
Amount due to a director	—	(55)	(47)	—
Total liabilities	(27)	(77)	(1,209)	(1,215)
Capital and reserve				
Share capital (note)	—	—	—	—
Deficit	(27)	(77)	(1,209)	(1,215)
Total equity	(27)	(77)	(1,209)	(1,215)

Note: Share capital of the Company

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
On 30 August 2006 (date of incorporation), 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009	35,000,000	350
Issued and fully paid:		
On 30 August 2006 (date of incorporation)	1	—
Issue of shares	99	—
At 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009	100	—
		RMB'000
Shown in the statement of financial position of the Company at 31 December 2006, 31 December 2007, 31 December 2008 and 30 September 2009 as		—

The movements in the Company's issued share capital during the period from 30 August 2006 (date of incorporation) to 30 September 2009 are as follows:

(a) The Company was incorporated in the Cayman Islands on 30 August 2006 with an authorised share capital of HK$350,000 divided into 35,000,000 ordinary shares of HK$0.01 each. On the same date, one ordinary share of HK$0.01 each was issued and allotted as fully paid.

(b) Also, on the same date, another 99 new ordinary shares of HK$0.01 each of the Company were allotted and issued at par.

All the shares issued by the Company during the period subsequent to the date of incorporation rank pari passu with the then existing shares in all respects.

F. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Furui, a company which is incorporated in the British Virgin Islands.

G. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ended 31 December 2009 is approximately RMB0.7 million.

H. SUBSEQUENT EVENTS

The following events took place subsequent to 30 September 2009:

(a) In November 2009, Tongrui, Furui and the Company entered into an agreement, pursuant to which Furui lent an interest-free loan of US$8.5 million to Tongrui. As confirmed by the directors of the Company, the loan will be fully repaid by the Group prior to the listing of the shares of the Company on the Stock Exchange on 19 February 2010.

(b) On 1 February 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 1 February 2010" in Appendix VIII to 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.

(c) On 1 February 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 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.

I. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 30 September 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong