RUINIAN INTERNATIONAL LIMITED
瑞年國際有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2010)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

HIGHLIGHTS

- Turnover increased by 59.6% to RMB1,357.2 million.
- Profit attributable to owners of the Company increased by 68.0% to RMB352.3 million.
- Basic earnings per share increased by 23.9% to RMB34.7 cents.
- Declared final dividend HK$2.0 cents per share, full year dividend of HK$4.0 cents per share.

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Ruinian International Limited (the "Company") is pleased to announce its audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

	NOTES	**2010**	2009
		RMB'000	*RMB'000*
Turnover		**1,357,246**	850,622
Cost of goods sold		**(371,398)**	(261,573)
Gross profit		**985,848**	589,049
Other income		**3,499**	746
Selling and distribution costs		**(368,235)**	(216,190)
Administrative expenses		**(58,091)**	(35,884)
Listing expenses		**(4,641)**	(12,718)
Equity-settled share based payments		**(19,731)**	–
Interest on bank borrowings wholly repayable within five years		**(10,582)**	(11,891)
Profit before taxation	*5*	**528,067**	313,112
Taxation	*6*	**(175,802)**	(103,410)
Profit for the year		**352,265**	209,702
Other comprehensive income			
– exchange differences arising on translation of foreign operations		**612**	10
Total comprehensive income for the year		**352,877**	209,712
Earnings per share	*8*		
– Basic		**34.7 cents**	28.0 cents
– Diluted		**34.4 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		496,052	299,568
Land use rights		171,601	166,825
Intangible assets		49,859	58,012
Deposits made on acquisition of property, plant and equipment		31,442	12,380
Advance payments for acquisition of technical knowhow		66,059	26,840
Deferred tax assets		4,363	8,198
		819,376	571,823
Current assets			
Inventories		18,819	22,627
Trade and other receivables	9	383,089	417,384
Pledged bank deposits		1,500	–
Bank balances and cash		1,462,045	215,216
		1,865,453	655,227
Current liabilities			
Trade and other payables	10	173,962	112,853
Amount due to former ultimate holding company		–	51,728
Taxation		54,869	39,043
Short-term bank loans		65,000	226,000
		293,831	429,624
Net current assets		1,571,622	225,603
Total assets less current liabilities		2,390,998	797,426
Non-current liabilities			
Deferred tax liabilities		10,039	4,582
Net assets		2,380,959	792,844
Capital and reserves			
Share capital		9,929	13
Reserves		2,371,030	792,831
Total equity		2,380,959	792,844

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 19, 2010. Prior to the listing, its immediate and ultimate holding company was Furui Investments Limited ("Furui"), a company which is incorporated in the British Virgin Islands and was owned and controlled by the controlling shareholder of the Company, Mr. Wang Fucai (the "Controlling Shareholder").

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Prior to August 11, 2006, the businesses of the Group carried out by 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Co., Ltd.) ("Ruinian Industry") and 無錫瑞年營銷有限公司 (Wuxi Ruinian Sales Company Limited) were owned and controlled by the Controlling Shareholder. Subsequent to this date, Tongrui Holdings Limited ("Tongrui") was incorporated in the British Virgin Islands and controlled by the Controlling Shareholder and Jet Bright International Holdings Limited ("Jet Bright") was incorporated in Hong Kong as a subsidiary of Tongrui.

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

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

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated statements of comprehensive income and cash flows for each of the two years ended December 31, 2010 include the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout each of the two years ended December 31, 2010, or since their respective dates of incorporation/establishment where this is a shorter period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for 2010 financial year ends.

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures-Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK (IFRIC)-INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK (IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate.
2 Effective for annual periods beginning on or after July 1, 2010.
3 Effective for annual periods beginning on or after January 1, 2011.
4 Effective for annual periods beginning on or after January 1, 2013.
5 Effective for annual periods beginning on or after January 1, 2012.
6 Effective for annual periods beginning on or after January 1, 2011.
7 Effective for annual periods beginning on or after February 1, 2010.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

4. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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

Segment results represent the gross profits earned by each segment.

The information of segment results are as follows:

	Health and nutritional supplements *RMB'000*	Health drinks *RMB'000*	Pharmaceutical products *RMB'000*	Total *RMB'000*
For the year ended December 31, 2010				
Segment revenue from external customers	**982,329**	**293,519**	**81,398**	**1,357,246**
Cost of goods sold	**(184,781)**	**(175,136)**	**(11,481)**	**(371,398)**
Gross profit	**797,548**	**118,383**	**69,917**	**985,848**
For the year ended December 31, 2009				
Segment revenue from external customers	654,565	165,381	6,455	826,401
Segment revenue from related parties	24,221	–	–	24,221
	678,786	165,381	6,455	850,622
Cost of goods sold	(165,332)	(88,956)	(962)	(255,250)
Gross profit	513,454	76,425	5,493	595,372

	2010 *RMB'000*	2009 *RMB'000*
Total turnover per segment reporting and total consolidated turnover, as reported	**1,357,246**	850,622
Total cost of goods sold per segment reporting	**(371,398)**	(255,250)
Total gross profit per segment reporting	**985,848**	595,372
Adjustment on value-added tax	**–**	(6,323)
Total gross profit, as reported	**985,848**	589,049
Advertising and promotional expenses	**(317,463)**	(182,208)
Other operating expenses	**(133,235)**	(82,584)
Other income	**461**	316
Interest income	**3,038**	430
Interest expenses	**(10,582)**	(11,891)
Profit before taxation	**528,067**	313,112

Information of segment assets and segment liabilities are as follows:

Segment assets represent property, plant and equipment, land use rights, intangible assets, deposits made on acquisition of property, plant and equipment, advance payments for acquisition of technical knowhow, inventories and trade and other receivables 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 measures reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

	2010	2009
	RMB'000	*RMB'000*
Assets		
Segment assets		
– health and nutritional supplements	**796,372**	746,864
– health drinks	**199,240**	47,460
– pharmaceutical products	**212,878**	206,106
	1,208,490	1,000,430
Deferred tax assets	**4,363**	8,198
Unallocated corporate assets	**1,471,976**	218,422
Consolidated total assets	**2,684,829**	1,227,050
Liabilities		
Segment liabilities		
– health and nutritional supplements	**125,295**	80,646
– health drinks	**38,175**	20,906
– pharmaceutical products	**8,035**	6,835
	171,505	108,387
Taxation	**54,869**	39,043
Deferred tax liabilities	**10,039**	4,582
Unallocated corporate liabilities	**67,457**	282,194
Consolidated total liabilities	**303,870**	434,206

5. PROFIT BEFORE TAXATION

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets included in		
– costs of goods sold	**6,668**	2,808
– administrative expenses	**2,615**	2,647
	9,283	5,455
Advertising and promotional expenses	**317,463**	182,208
Depreciation of property, plant and equipment	**21,432**	16,285

6. TAXATION

	2010	2009
	RMB'000	*RMB'000*
The charge comprises:		
PRC income tax	**(166,510)**	(97,002)
Deferred taxation	**(9,292)**	(6,408)
	(175,802)	(103,410)

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

Pursuant to the PRC Enterprise Income Tax ("EIT") Law and regulations, prevailed when Nanjing Ruinian was set up, it could be entitled to a tax holiday starting from its first profit-making year, which consisted of full tax exemption for the first two years and a 50% relief for the three years thereafter. On March 16, 2007, the new EIT Law was passed by the National People's Congress of the PRC. Though Nanjing Ruinian did not commence its operations since its establishment and no profit were yet generated, the tax holiday aforementioned was deemed to be triggered off on January 1, 2008, according to Guo Fa [2007] No. 39. In addition, the income tax rate for both domestic and foreign investment enterprise was unified at 25% effective from January 1, 2008 (Order of the President [2007] No. 63).

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui [2009] No. 1, only the profits earned by foreign-investment enterprise prior to January 1, 2008, when distributed to foreign investors, can be grandfathered and exempted from PRC withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China-HK TA), a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. The immediate holding company of Ruinian Industry, which is incorporated in Hong Kong and has been holding Ruinian Industry for more than a year, should be able to enjoy the preferential tax rate aforementioned. Deferred tax liability on the undistributed profits earned during the year ended December 31, 2010 have been accrued at the tax rate of 5% (2009: 5%) on the expected dividend stream of 30% (2009: 25%) which is determined by the directors of the Company.

Nanjing Ruinian is wholly-owned by the same Hong Kong company, though 75% of which is held indirectly via Ruinian Industry. According to Article 26 of the EIT Law, dividend income receives by Ruinian Industry should be exempted from EIT. However, if Ruinian Industry pays the dividend received from Nanjing Ruinian to its holding company, it will be subject to the 5% withholding tax as mentioned above. For the direct interest of 25% held by the Hong Kong company, the preferential tax rate of 5% on dividend also applies as the Hong Kong company has been holding Nanjing Ruinian for more than a year. Deferred tax liability on the undistributed profits earned for the year ended December 31, 2010 have been accrued at the tax rate of 5% on the expected dividend stream of 30% which is determined by the directors of the Company after setting off the deficit incurred in prior periods.

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

7. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year		
– 2010 interim dividend of HK$2.0 cents (2009: Nil) per share	**18,233**	–
Final dividends proposed	**19,077**	–

The final dividend of HK$2.0 cents per share (2009: Nil) which was proposed by the directors of the Company for the year is subject to approval by the shareholders of the Company at the annual general meeting and is calculated on the basis of 1,131,587,000 shares in issue as at the date of this announcement.

8. EARNINGS PER SHARE

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

	2010	2009
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**352,265**	209,702

	2010	2009
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share on the assumption that the Group Reorganisation has been effective on January 1, 2009	**1,015,680**	750,000
Effect of dilutive potential ordinary shares on share options	**9,085**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,024,765**	

There were no dilutive potential ordinary shares outstanding during the year ended December 31, 2009.

9. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables		
– a related company *	**–**	15,523
– others	**322,959**	362,206
Bills receivables	**136**	–
	323,095	377,729
Deposits paid to suppliers	**15,122**	2,610
Property rental deposits	**6,303**	270
Prepayments for research and development	**3,700**	5,700
Prepayments for media airtime	**18,082**	28,139
Other prepayments and deposits	**16,787**	2,936
	383,089	417,384

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

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

	2010	2009
	RMB'000	*RMB'000*
Age		
0-90 days	316,704	368,224
91-180 days	3,752	9,503
181 to 365 days	2,639	2
	323,095	377,729

10. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	75,277	39,036
Bills payables	2,028	–
	77,305	39,036
Customers' deposits	6,894	259
Payroll and welfare payables	11,863	11,123
Other tax payables	38,416	31,470
Construction payables	5,177	6,655
Other payables	3,204	2,434
Advertising accruals	26,088	19,844
Other accruals	5,015	2,032
	173,962	112,853

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

Age	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	74,974	37,652
91 to 180 days	1,293	507
181 days to 365 days	1,022	712
Over 1 year	16	165
	77,305	39,036

FINAL DIVIDEND

The Board has resolved to declare the payment of a final dividend of HK$2.0 cents per share for the year ended December 31, 2010 (2009: nil) to the shareholders whose names appear on the register of members of the Company on Thursday, May 5, 2011. The final dividend will be payable on Friday, May 20, 2011.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Tuesday, May 3, 2011 to Thursday, May 5, 2011, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend and determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30p.m. on Friday, April 29, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China's health supplement market achieved strong growth in 2010. Through nationwide, systematic and in-depth promotional efforts, the Group reported a strong year-over-year growth of 59.6% and 68.0% in turnover and profit respectively for the year ended December 31, 2010. Meanwhile, amino acids health supplement market has entered into a new phase of robust growth. According to a market survey conducted by Euromonitor International Plc. ("Euromonitor"), the Group continued to maintain the leading position in the amino acids health supplement market in China with a market share of 43% in 2010. For six consecutive years from 2006 to 2011, the Group's amino acids tablets have been the only official gift prepared for delegates of The National People's Congress of the People's Republic of China (NPC) and National Committee of the Chinese People's Political Consultative Conference (CPPCC)（"兩會"禮品）, which represents a great affirmation of the Group's reputation and product quality.

In 2010, sales of health and nutritional supplement products grew sharply by 44.7% to RMB982.3 million, mainly due to the surge in sales of amino acids tablets and liquid amino acids driven by the sales channel expansion. Sales of children product Linger amino acids tablets reached about RMB100.0 million with a growth of 63.1%, reflecting the promising market potential of premium health supplement products for children in China. The Group has developed a new series of amino acids health supplement products for children of different ages. Other health supplement products also reported satisfactory sales growth. Sales of Osteoid Sachet Powder reached RMB75.9 million, with a year-over-year growth of 64.4%. The Group sees strong potential for this bone density enhancing supplement given the increasing elderly population in China. Health drinks posted sales of RMB293.5 million, with a year-over-year growth of 77.5% which exceeded the Group's sales target for the year. Since 2008, the Group has been expanding the distribution channels and marketing team for the health drinks business. In the fourth quarter of 2010, amino acids beverage was launched with the expectation that the amino acids beverage will help to popularize the consumption of amino acids on a daily basis, which will further reinforce Ruinian as the leading amino acids brand in the fast moving consumer market. In line with the Group's sales target, the pharmaceutical products reported sales of RMB81.4 million during the year. Meanwhile, the pharmaceutical products have been sold to over 60 hospitals all over China as at the end of 2010.

During the year, the Group strengthened the national brand position through multifaceted promotion, including the broadcast of a new series of TV commercials in national and provincial TV channels with famous television actor Mr. Chen Baoguo as the spokesperson. The Group also participated in a series of major events like sponsoring an art exhibition in Shanghai Expo, attending major trade fairs including China (Suzhou) International SME Fair, The Fifth International Retailers' Sourcing Fair in Jiangsu, Jiangsu Commodities Trade Fair Changsha, China International Small and Medium Enterprises Fair in Guangzhou, Guangzhou International Beauty Expo, Zhangshu 41st National Medicinal Materials & Pharmaceuticals and The 7th China International Patent & Brand Expo. To increase market penetration at local level, the Group carried out a series of in-depth regional promotional activities to extend the Group's reach to more cities which include setting up outdoor advertising billboards, advertisements in local train and bus stations, regional TV and radio commercials, internet advertisements, as well as retail point advertisements in the key national chain stores and supermarkets. As at December 31, 2010, the Group's products were being sold to over 50,000 retail outlets in China (2009: approximately 42,000), including those newly developed retail points in large chain stores of Nepstar Chain Drugstore, Shenzhen Naber Medicine and China Resources Vanguard supermarket.

The sustainable development of a health supplement enterprise and its products hinges on a solid consumer base which continually consumes the enterprise's products. Therefore, the Group puts strong emphasis on establishing and fostering the loyal consumer base of Ruinian products. During the year, the Group established Ruinian Health Club which provides members with a wide range of membership services and points reward program. Meanwhile, operational tests of the healthy lifestyle website which focuses on membership services and the internet direct sales were completed and the ancillary computer system, membership database and call centers have also been put into operation, with the aim to speed up the internet direct sales business expansion in 2011.

During the year, the Group set up a number of health supplement products stores under the brand of Ruinian Health Stores (「瑞年康健」健康店) to strengthen Ruinian's reputation in the local communities, and to provide high quality services to the club members and consumers. As at December 31, 2010, the Group has set up over 30 Ruinian Health Stores in major cities in China including Shanghai, Nanjing, Ningbo, Changzhou, Suzhou, Wuxi, Guangzhou, Haerbin, Changchun, as well as Taizhou and Wenling in Zhejiang Province. The business of Ruinian Health Stores made good progress and received overwhelming responses during the new store openings when consumers rushed in for membership registration, free body checks, health consulting services as well as health supplement products.

Leveraging on the remarkable benefits of the health supplement products and the abundant supply of premium quality raw materials, the Group's products possess great potential for overseas market. Hong Kong is regarded as a gateway to build up the Group's brand awareness outside the Mainland China. In the second half of 2010, a series of high end amino acids health supplement products was launched in Hong Kong including Amino Instant 18 which helps to improve sleep quality and replenish body strength, Beauty 18 which helps to improve skin quality, and DrunkBye 18 which helps to relieve hangover symptoms. Miss Kwan Wing Ho, Esther, a famous elegant Hong Kong TV actress, was appointed as the spokesperson of Beauty 18 in Hong Kong. The Group also conducted a wide range of promotional activities for this product. Beauty 18 is now being sold exclusively in the Mannings health chain stores all over Hong Kong, and has been well received by the market just after its launch. It is also highly regarded amongst popular beauty discussion forums and columnists' blogs on the internet.

Product safety and quality assurance are top priorities for the Group. The Group conducts regular tests on the raw materials and end products in accordance with the Good Manufacturing Practice ("GMP") stipulated by the State Food and Drug Administration ("SFDA"). Samples of the Group's products are sent to SFDA designated laboratories for periodic tests. To further assure consumers of the quality control system, sample products produced by the Group or the sub-contract manufacturers (makers of herbal tea and certain small categories of health food) are sent to reputable independent laboratories in Hong Kong for content analysis and safety tests. In addition, according to the Group's medium term policy, the production of the core health supplement products shall be conducted in-house whereby the Group can exercise full control over product quality. The liquid amino acids production line has began operation in the second half of 2010 and all of the Group's amino acids products are now being produced in-house. During the year, the Group launched a series of new products such as Ginkgo Capsules which help to improve memory, Natto Kinase Capsules which help to lower the blood pressure, Lectithin Capsules which help to dissolve cholesterol and amino acid beverage which helps to replenish amino acids and energy on a daily basis.

Investor Relations

The Group attaches great importance to investor relations. During the year, the Group participated in more than 10 major investment conferences, hosted 11 factory tours in Wuxi, held more than 300 investor meetings and communicated with over 800 fund managers and analysts through meetings and conference calls. The Group will continue to actively participate in various investment conferences organized by major securities firms and keep close contact with investors, thus letting more investors understand the Group's development strategies and advantage, and allowing market to gain insight into the Group's superb intrinsic value. In addition, the Company's shares were added to Hang Seng Composite Index, Hang Seng Composite Industry Index (Consumer Goods) and Hang Seng HK SmallCap Index since 6 September 2010. The Company had also been included in the China Mid-Cap Consumer (Sticky Growth) Basket by J.P. Morgan.

Corporate Social Responsibility

While actively promoting premium amino acid health supplements to consumers in China, the Group also puts emphasis on corporate social responsibility. To further establish Ruinian as a trustworthy enterprise with social responsibility, the Group participated in various social charity events during the year, including the donation of relief medicines to the Red Cross branches in Shangrao of Jiangxi province and Wuxi of Jiangsu province respectively, the donation of HK$1 million to The Community Chest of Hong Kong, the establishment of the Ruinian International Child Development Club in Wuxi Youth Cultural Palace, the donation of amino acids health supplement products to nursing homes in Wuxi and the ambassadors of Wuxi Traffic Radio Station. The Group also promoted healthy lifestyle by hosting Ruinian New Year Music Night with Wuxi Broadcasting Union and sponsoring Mashan Driving Tour and the 2010 Tour of Taihu Lake International Cycling Race. In addition, the Group encouraged and organized staff to participate in charitable and social activities in their spare time.

FINANCIAL REVIEW

Results

The turnover of the Group in 2010 was RMB1,357.2 million, representing an increase of approximately 59.6% from RMB850.6 million in 2009. Profit attributable to owners of the Company increased by approximately 68.0% to RMB352.3 million in 2010 from RMB209.7 million in 2009. The Company's basic earnings per share ("Share") reached RMB34.7 cents (2009: RMB28.0 cents) based on the weighted average number of 1,015.7 million (2009: 750.0 million) Shares in issue during the year. The increase in financial results in 2010 was mainly attributable to the increase in sales volume and improvement of the gross profit margin.

Turnover

The turnover of the Group increased by approximately 59.6% from RMB850.6 million in 2009 to RMB1,357.2 million in 2010. Sales of health and nutritional supplements increased by approximately 44.7% from RMB678.8 million in 2009 to RMB982.3 million in 2010, which was primarily due to the increase in sales of the Group's amino acids tablets and liquid amino acid in 2010. Sales of health drinks increased by approximately 77.5% from RMB165.4 million in 2009 to RMB293.5 million in 2010. Turnover from sales of pharmaceutical products increased by approximately 1,161.0% from RMB6.5 million in 2009 to RMB81.4 million in 2010.

Gross profit

The Group's gross profit increased from RMB589.0 million in 2009 to RMB985.8 million in 2010. The Group's average gross profit margin increased from 69.2% in 2009 to 72.6% in 2010. Such increase in gross profit margin was mainly due to the increase in sales of health and nutritional supplements which have comparatively high gross profit margin.

Other income

The Group's other income increased from RMB0.7 million in 2009 to RMB3.5 million in 2010, which was mainly due to the increase in interest income from bank deposits.

Selling and distribution costs

The Group's selling and distribution costs increased by approximately 70.3% from RMB216.2 million in 2009 to RMB368.2 million in 2010, represented approximately 25.4% in 2009 and 27.1% in 2010 of the Group's turnover. Such increase was primarily due to the increase in advertising and promotional expenses for the Group's products from RMB182.2 million in 2009 to RMB317.5 million in 2010.

Administrative, listing and equity-settled share based payments expenses

The Group's administrative expenses increased by approximately 61.9% from RMB35.9 million in 2009 to RMB58.1 million in 2010, represented approximately 4.2% in 2009 and 4.3% in 2010 of the Group's turnover. Such increase was primarily due to the increase in directors' remuneration and staff costs (excluded the equity-settled share base payments) from RMB9.9 million in 2009 to RMB20.0 million in 2010. Listing expenses were primarily the legal and professional fees incurred for the Global Offering. Listing expenses decreased by approximately 63.5% from RMB12.7 million in 2009 to RMB4.6 million in 2010. Such decrease was primarily due to the capitalization of some legal and profession fees after the Global Offering in February 2010. Equity-settled share based payments RMB19.7 million were the expenses in relation to the employee share options granted under the Pre-IPO Share Option Schemes.

Interest on bank borrowings

The Group's interest on bank borrowings decreased by approximately 11.0% from RMB11.9 million in 2009 to RMB10.6 million in 2010, which was primarily due to the decrease in interest rates for bank loans in 2010. The interest rates of the Group's variable-rate bank loans ranged from 4.8% to 5.8% in 2010, compared to 4.9% to 7.6% in 2009.

Taxation

Tax charge increased by approximately 70.0% from RMB103.4 million in 2009 to RMB175.8 million in 2010 primarily due to the increase in profit before taxation. The Group's effective tax rates in 2009 and 2010 were 33.0% and 33.3%, respectively.

Profit attributable to owners of the Company

As a result of the foregoing, the Group's profit for the year increased from RMB209.7 million in 2009 to RMB352.3 million in 2010. The Group's profit margin increased from approximately 24.7% in 2009 to approximately 26.0% in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2010, net cash increased by RMB1,246.2 million. RMB536.2 million and RMB992.2 million were generated from operating activities and financing activities respectively, while RMB282.2 million was spent on investing activities. Net cash outflows from investing activities were primarily for the payment for purchase of property, plant and equipment, land use rights and intangible assets.

Inventories

The Group's inventories decreased to RMB18.8 million (2009: RMB22.6 million) as at December 31, 2010 primarily due to decreases in work in progress. The Group's inventories comprise raw materials, packaging materials, work in progress, finished goods and merchandise for resale. During the year, inventory turnover was approximately 20 days (2009: 77 days). The shorter inventory turnover period during the year was primarily the result of faster sale of products.

Trade receivables

The Group's trade and bills receivables amounted to RMB323.1 million (2009: RMB377.7 million) as at December 31, 2010. During the year, the distributors were generally granted a credit term of 90 days. Turnover days for trade and bills receivables decreased to 94 days (2009: 107 days), primarily due to the increased effort to collect funds from the distributors.

Trade Payables

The Group's trade and bills payables amounted to RMB77.3 million (2009: RMB39.0 million) as at December 31, 2010. During the year, the credit term provided by the suppliers generally was 90 days. Turnover days for trade and bills payables increased to 62 days (2009: 50 days), which was primarily due to the re-negotiated credit terms with reduction of prepayment to the third-party manufacturers of health drinks.

Borrowings

As at December 31, 2010, the Group had short-term bank loans in the amount of RMB65.0 million (2009: RMB226.0 million). As at December 31, 2010, the Group had unutilised available credit facilities amounting to RMB388.0 million (2009: RMB317.0 million).

Pledge of assets

As at December 31, 2010, the Group has not pledged any assets (2009: RMB39.1 million).

Capital expenditure

During the year, the Group invested approximately RMB283.7 million (2009: RMB86.6 million) for purchase of property, plant and equipment, land use rights and intangible assets.

Capital commitments

As at December 31, 2010, the Group's capital commitments were approximately RMB233.4 million (2009: RMB73.4 million), all of which were related to acquisition of property, plant and equipment and technical knowhow.

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

The total net proceeds from the Listing after the issue of the over-allotment shares amounted to approximately HK$806.6 million (RMB692.6 million) and the total net proceeds from placing in October 2010 amounted to approximately HK$597.2 million (RMB517.1 million). As at December 31, 2010, net proceeds of approximately RMB602.2 million has been applied on market expansion, capital expenditures, product development and other working capital, and the remaining of the net proceeds has been deposited into banks and qualified financial institutions, which are intended to be applied in accordance with the proposed application set out in the "Use of proceeds" section in the prospectus dated February 8, 2010 issued by the Company (the "Prospectus") and in the announcement dated October 28, 2010.

PROSPECTS

Enhancement of the people's health is a national matter. As the Chinese economy continues to prosper, the rising purchasing power of the nationals will create a strong demand for high quality health supplements, especially the amino acids health supplement products. The Group will fully utilize Ruinian's position as a reputable and nationally well-known leading amino acids enterprise to promote the benefits of amino acids health supplement products to domestic consumers, thus contributing to the enhancement of overall national health.

The Group will promote its sales growth by reinforcing the retail outlets penetration in eastern and southern China, while expanding sales channels and retail outlets in other new regions and cities. The existing sales network composed of distributors, supermarkets and retail pharmacies will remain as the Group's major sales channels, and new alternate sales channels will be opened at the same time to cope with the Group's fast expansion. The Group plans to increase the number of Ruinian Health Stores to 100 across the country by the end of 2011. Furthermore, for the Ruinian Health Club membership program, the Group targets to enroll at least 100,000 members by the end of 2011 in order to build a solid foundation for the internet direct sales.

Through internal research and development and the acquisition of new health supplement products knowhow, the Group will short-list and introduce a variety of quality health supplement products to provide a comprehensive range of health supplement products for customers from the internet direct sales platform and Ruinian Health Stores. Regarding the core amino acid products, the Group will continue to adopt customer focus and market segmentation as the direction for new products development. The Group also values the market potential of health supplement products targeting children, people who pursue beauty and the elderly, and will develop quality amino acids health supplement products serving the specific needs of different user groups by addressing to their respective strata, ages and physical conditions. The Group plans to launch 2 to 3 new health supplement products and 1 to 2 new medicine products each year. The Group targets to launch Spirulina Capsules, Children Chewable Multi-Vitamins Tablets, Iron, Zinc and Calcuim Supplement Liquid and American Ginseng Amino Acid Tablets for the new health supplement products in 2011, together with new medicine products including proparacaine hydrochloride eye drops and letrozole tablets for breast cancer treatment.

The Group has achieved considerable success in developing the Hong Kong market and established high reputation for Ruinian products in Hong Kong. The Group will continue to expand overseas business with priority on Taiwan and Southeast Asian markets in 2011. To align with the robust sales growth in the future, the Group will invest at least RMB150 million each year in 2011 and 2012 to expand the production capacity for health supplement and beverage products in 2 to 3 years' time. The Group also plans to install new equipments in the pharmaceutical plant in Nanjing in preparation for launch of new medicine products in the future. The Group's goal is to establish the largest and the most advanced nutriceutical products production base in China in 3 to 5 years' time, forging a solid foundation for the Group's successful route to be one of the leading enterprises in China's nutriceutical industry.

HUMAN RESOURCES MANAGEMENT

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

As at December 31, 2010, the Group employed a work force of 736. The total salaries and related costs for the year ended December 31, 2010 amounted to approximately RMB20.0 million (2009: RMB9.9 million).

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

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 19, 2010 (the "Listing Date"). Since the Listing Date up to December 31, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiries to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code from the Listing Date up to December 31, 2010.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. Since the Listing Date up to December 31, 2010, the Company has complied with all the applicable code provisions as set out in the Code, except for deviation of the provision A.2.1 of the Code as mention below.

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

AUDIT COMMITTEE

The Company established its audit committee on February1, 2010. The audit committee currently comprises three independent non-executive Directors, namely Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah and Mr. Bernard Ban-yew Yaw.

The audit committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles and practices adopted by the Company and the audited final results of the Group for the year ended December 31, 2010.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2010 annual report containing all information about the Company set out in this announcement including the financial results for the year ended December 31, 2010 will be posted on the Company's website (www.ruinian.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) in due course.

On behalf of the Board
Ruinian International Limited
Wang Fucai
Chairman

Hong Kong, March 15, 2011

As of the date of this announcement, the executive Directors are Mr. Wang Fucai, Mr. Yu Yan, Mr. Li Lin, Mr. Yi Lin, Mr.Zhang Yan and Ms. Au-Yeung Kam Ling, Celeste; the non-executive Directors are Mr. Ip Tak Chuen Edmond and Mr. Tsang Tse Wai, Claudius, and the independent non-executive Directors are Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah, Mr. Bernard Ban-yew Yaw and Mr. Chan Kee Ming.