瑞年國際
Ruinian International

瑞年國際有限公司
RUINIAN INTERNATIONAL LIMITED

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

Stock code: 2010

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

Non-executive Directors
Mr. Ip Tak Chuen, Edmond
Mr. Tsang Sze Wai, Claudius

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Poon Yick Pang, Philip

AUTHORISED REPRESENTATIVES

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

AUDITOR

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

COMPLIANCE ADVISOR

SinoPac Securities (Asia) Limited
21/F One Peking
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Kowloon, Hong Kong

REGISTERED OFFICE

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

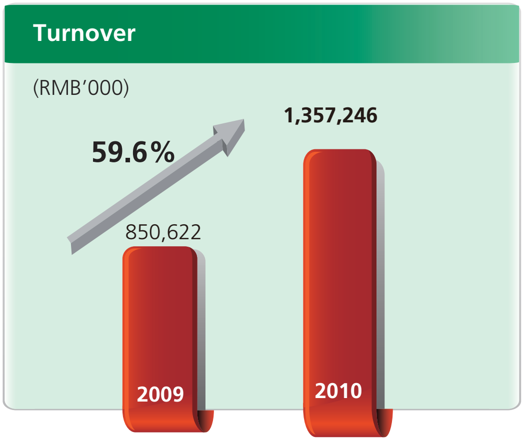
PRINCIPAL PLACE OF BUSINESS IN HONG KONG

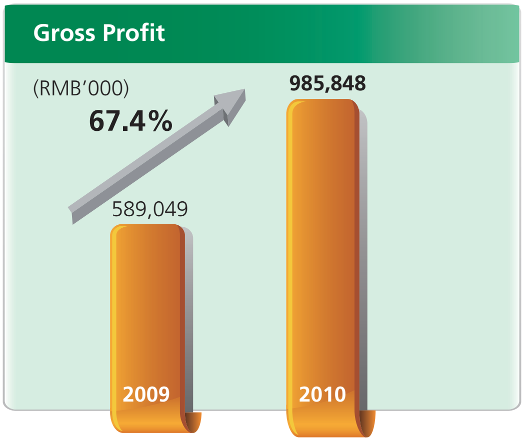
Unit A, 10th Floor
China Overseas Building
No.139 Hennessy Road and
No.138 Lockhart Road
Wan Chai, Hong Kong

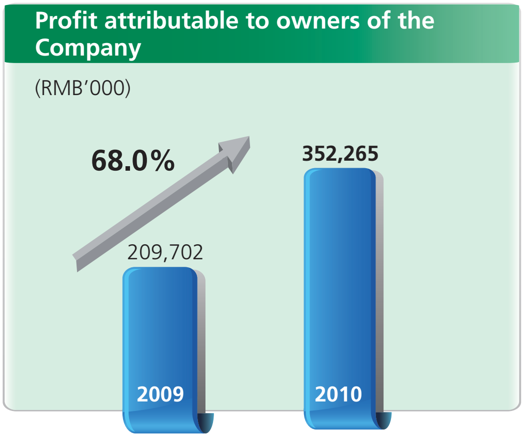
FINANCIAL HIGHLIGHTS

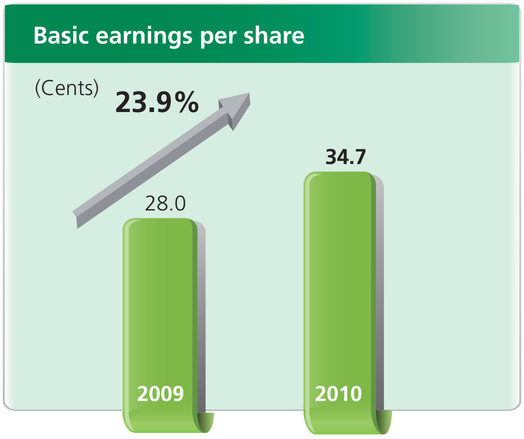
	2010	2009	Change
	RMB'000	RMB'000	%
Turnover	**1,357,246**	850,622	59.6%
Gross profit	**985,848**	589,049	67.4%
Profit attributable to owners of the Company	**352,265**	209,702	68.0%
Basic earnings per share (cents)	**34.7**	28.0	23.9%

FINANCIAL HIGHLIGHTS



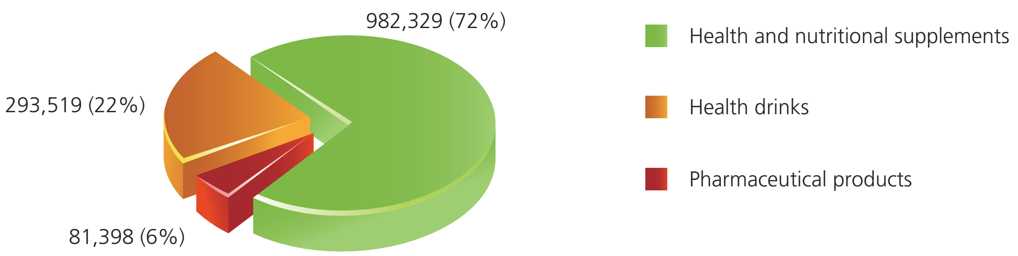






Sales analysis by categories

(RMB'000)



Chairman
Mr. Wang Fucai

We are glad to present the 2010 results. The Company was listed ("Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 19, 2010 (the "Listing Date"), bringing our business to a new milestone.

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 acid 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.

Ruinian's products are being sold to over 50,000 retail outlets in China.

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.

We are developing the Hong Kong market and will continue to expand overseas business.

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

The supermarket is decorated by Ruinian's advertisement.

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

Ruinian Health Stores will be expanded to 100 in 2011.

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.

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.

We will further penetrate local markets.

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 acids 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 Acids 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.

CHAIRMAN'S STATEMENT

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.

DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK2.0 cents per share for the year ended December 31, 2010 (2009: nil).

ACKNOWLEDGEMENTS

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

Wang Fucai
Chairman

Hong Kong, March 15, 2011

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 based 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 Scheme.

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). As at December 31, 2010, the Group had a gearing ratio of 2.4% (2009: 18.4%). The gearing ratio is calculated based on the Group's total interest – bearing borrowings over total assets.

Pledge of assets

As at December 31, 2010, the Group has pledged bank deposits of RMB1.5 million (2009: nil) which represented the pledged bank deposits for trade bills issued by banks. Except for the pledged bank deposits, the Group has not pledged any other 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 and contingent liabilities

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. The Group has no material contingent liabilities as at December 31, 2010 (2009: nil).

Foreign exchange and currency risk

All incomes and funds applied to the direct costs, the purchases of equipment and the payments of salaries were denominated in Renminbi and Hong Kong dollars; therefore, it was not necessary for the Group to use any financial instruments for hedging purpose, and the Group's exposure to the fluctuation of the exchange risk was minimal. During the year, the Group has not engaged in any hedging activities. As at December 31, 2010, cash and cash equivalents of the Group were mainly denominated in Renminbi and Hong Kong dollars. The other information of foreign exchange and currency risks of the Group is to be set out in note 6 to the consolidated financial statements of this annual report.

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.

HUMAN RESOURCES MANAGEMENT

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

As at December 31, 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).

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance. The directors of the Company ("Directors") consider that since the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on February 19, 2010 ("Listing Date") and up to December 31, 2010, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provision A.2.1 of the CG Code as mention below.

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

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company from the Listing Date up to December 31, 2010.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

(i) Board Composition

The board of Directors ("Board") currently comprises a combination of six executive Directors, two non-executive Directors and four independent non-executive Directors.

As at December 31, 2010, the Board consisted the following Directors:

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

Non-executive Directors
Mr. Ip Tak Chuen, Edmond
Mr. Tsang Sze Wai, Claudius

Independent Non-executive Directors

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

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

(ii) Board Functions and Duties

The principal functions and duties conferred on the Board include:

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

(iii) Board Meetings

During the year, the Board convened a total of four meetings in person or by means of electronic communication.

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

(iv) Attendance Record

The following is the attendance record of the board meetings held by the Board:

	Attendance at meeting
Executive Directors	
Mr. Wang Fucai *(Chairman and Chief Executive Officer)*	4/4
Mr. Yu Yan	4/4
Mr. Li Lin	4/4
Mr. Yi Lin	4/4
Mr. Zhang Yan	4/4
Ms. Au-yeung Kam Ling Celeste	4/4
Non-executive Directors	
Mr. Ip Tak Chuen, Edmond	4/4
Mr. Tsang Sze Wai, Claudius	2/4
Independent Non-executive Directors	
Dr. Wong Lung Tak Patrick, BBS J.P.	4/4
Dr. Fong Chi Wah	4/4
Mr. Bernard Ban-yew Yaw	3/4
Mr. Chan Kee Ming	1/4

(v) Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed four independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Dr. Wong Lung Tak Patrick, BBS J.P., has over 30 years in the accounting profession. Dr. Wong is a Certified Public Accountant (Practising) in Hong Kong.

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

(vi) Chairman and Chief Executive Officer

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

(vii) Appointment and Re-election of Directors

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

All of the Directors of the Company including the non-executive Directors and the independent non-executive Directors are appointed for a specific term. Each of the executive Directors has entered into a service contract with the Company for a term of two years. Each of the non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of one year.

(viii) Directors' Remuneration

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

AUDIT COMMITTEE

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

The audit committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Group's auditor in the year 2011, which is subject to the approval of shareholders at the forthcoming annual general meeting.

During the year, the audit committee has held two meetings, at which the members of audit committee have reviewed and discussed with the external auditor of the Group's interim results for the period ended June 30, 2010 and the audited annual results for the year ended December 31, 2010, who is of the opinion that such statements have complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

	Attendance at meeting
Dr. Wong Lung Tak Patrick, BBS, J.P.	2/2
Dr. Fong Chi Wah	2/2
Mr. Bernard Ban-yew Yaw	2/2

AUDITOR'S REMUNERATION

The Group's external auditor is Deloitte Touche Tohmatsu. For the year ended December 31, 2010, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditor is set out below:

	For the year ended December 31, 2010 HK$'000
Annual audit services	2,000
Non-audit services	980

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

DIRECTOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

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

INTERNAL CONTROL

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

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

The Board is responsible for implementing the internal control system and reviewing its effectiveness. For the year ended December 31, 2010, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the code provisions on internal control of the CG Code.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The forthcoming annual general meeting ("AGM") will be held on May 5, 2011. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Fucai (王福才), aged 55, is the founder, the chairman of the board of directors and the chief executive officer of the Company and is responsible for the overall management, strategic development and major decision making of the Group. Mr. Wang was appointed as an executive Director of the Company on August 30, 2006. Mr.Wang received a graduation certificate (畢業證) from the Medical Department of Harbin Medical University (哈爾濱醫科大學) in July 1983. Mr. Wang established Wuxi Ruinian Industry and Commerce Co. Ltd. ("Ruinian Industry") in 1997 to develop his own business and is now the chairman and general manager of Ruinian Industry. He is an associate director of China Food and Drug Administration Magazine (國家食品藥品監督管理局監督雜誌) and a permanent member of the Association of Hong Kong & Kowloon Practitioners of Chinese Medicine Limited. Mr. Wang possesses almost 30 years of experience in the health care and pharmaceutical industry, including over 10 years in the nutritional supplement industry. Mr. Wang served in BeiMan TeGang and its affiliated hospital (北滿特鋼及其附屬醫院), a state-owned entity, from 1983 to 1992 and was appointed as the Medical Superintendent from 1990 to 1992, during which he gained experiences in management and administration. From 1992 to 1997, Mr. Wang worked in Shenzhen Hygienic Development Company (深圳市衛生發展公司) as the general manager and was responsible for the sale of pharmaceutical products.

Mr. Yu Yan (于岩), aged 46, is an executive Director and is responsible for the Group's production and administration. Mr. Yu was appointed as an executive Director of the Company on August 30, 2006. Mr. Yu has over 23 years of experience in management. He was the supervisor and factory manager of Northern Steel Development Factory (北鋼北發工業公司) and its subsidiary from 1986 to 1996. Mr. Yu joined the Group in December 1997 and is currently the deputy general manager of Ruinian Industry.

Mr. Li Lin (李林), aged 43, is an executive Director and is responsible for the sales and marketing of the Group. Mr. Li was appointed as an executive Director of the Company on August 30, 2006. Mr. Li is a senior economist recognized by the Department of Personnel of Jiangsu Province based on the assessment by Jiangsu Qualification Evaluation Committee of Senior Professional Positions Specialised in Economic Field (江蘇省經濟專業高級專業技術資格評審委員會). He graduated from Hubei University (湖北大學) in July 1989 and obtained an executive MBA degree from Peking University (北京大學) in January 2007. He was employed by Wuhan Standard Vehicle Parts Factory (武漢汽車標準件廠) as a teacher, administrator of student affairs department and plant manager during the period between 1989 and 1995. He worked for Sanzhu Group Limited (三株集團有限公司) as a manager, regional manager and sales director until 2000 and has over 14 years of experience in sales and marketing. Mr. Li joined the Group in October 2000 and is currently the deputy general manager of Ruinian Industry.

Mr. Yi Lin (伊林), aged 47, is an executive Director and is responsible for the product development and administration of the Group. Mr. Yi was appointed as an executive Director of the Company on August 30, 2006. Mr. Yi obtained a Bachelor's Degree in Pharmaceutical Preparation (製劑) from Shenyang Medical University (瀋陽藥科大學) in 1987. During the period between 1987 and 1993, he was employed by Harbin Pharmaceutical Group (哈藥集團股份有限公司) and later promoted to be a sales manager. Mr. Yi was the head of sales of Shenzhen Bright Way Pharmaceutical Co., Ltd. (深圳凱程醫藥化工有限公司) during the period between 1993 and 1998 and the provincial, regional and Northern China regional manager of Shenzhen Xinpeng Biological Engineering Ltd. (深圳新鵬生物工程有限公司) during the period between 1998 and 2004. He has approximately 21 years of experience in sales and marketing. Mr. Yi joined the Group in February 2004 and is currently the deputy general manager of Ruinian Industry.

Mr. Zhang Yan (張宴), aged 34, is an executive Director and is responsible for the finance and treasury of the Group. Mr. Zhang was appointed as an executive Director of the Company on August 30, 2006. Mr. Zhang completed a diploma study (大學專科) in Finance and Accounting from Shanghai University of Finance & Economics (上海財經大學) in July 1996. He joined Wuxi Desheng Silk Plant (無錫市德生綢廠) in September 1996 and was later promoted as an administrator of the human resources and accounts department. He has accumulated over 12 years of experience in accounting. Mr. Zhang joined the Group in January 2001 and is currently the deputy general manager of Ruinian Industry.

Ms. Au-yeung Kam Ling Celeste (歐陽錦玲), aged 48, is an executive Director and is responsible for the operations of the Group outside the PRC. Ms. Au-yeung joined the Group in October 2004. Ms. Au-yeung was appointed as an executive Director of the Company on March 28, 2008. Ms. Au-yeung has approximately 18 years of experience in the health food industry. Ms. Au-yeung worked in Sunrider International (Hong Kong) Ltd., an international health food company from 1991 to 2001, where she was promoted to district operation manager and gained extensive knowledge and experience in the health food markets in Hong Kong and Southeast Asia. Prior to joining the Group, she worked as operation manager in both Ta Shing Indomold from 2001 to 2003 and Majestic Group from 2003 to 2004. Ms. Au-yeung completed a study in Journalism from Chu Hai College (珠海書院) in Hong Kong in 1986.

Non-executive Directors

Mr. Ip Tak Chuen, Edmond (葉德銓), aged 58, is a non-executive Director and joined the Group in October 2007. Mr. Ip was appointed as a non-executive Director of the Company on March 28, 2008. Mr. Ip is a senior management member at a number of companies. The following chart summarises Mr. Ip's positions at such companies:

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

Notes:

(1) All the above are listed companies or REITs listed in Hong Kong and/or Singapore.

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

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

(4) The company was formerly known as ARA Assets Management (Singapore) Limited.

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

Mr. Tsang Sze Wai Claudius, CFA (曾思維), aged 34, is a non-executive Director and joined the Group in May 2010. Mr. Tsang was appointed as a non-executive Director of the Company on May 26, 2010. Mr. Tsang first joined Templeton Assets Management Limited in July 2005. He is now the vice president and executive director of Templeton Asset Management Limited. Mr. Tsang is a chartered financial analyst. He had 12 years' experience in investment management industry and served various positions in Jardine Fleming Securities Asia Limited, Chinachem Group, Korean Development Bank and Lehman Brothers. Mr. Tsang obtained a bachelor degree in engineering from The Chinese University of Hong Kong in 1998 and a bachelor of law degree from Tsinghua University in 2006. He is a holder of a Chartered Financial Analyst charter of the CFA Institute.

Independent Non-executive Directors

Dr. Wong Lung Tak Patrick, BBS, J.P. (黃龍德), aged 63, is an independent non-executive Director and joined the Group in March 2008. Dr. Wong was appointed as an independent non-executive Director of the Company on March 28, 2008. Dr. Wong is a Certified Public Accountant (Practising) in Hong Kong and the managing practising director of Patrick Wong CPA Limited, Wong Lam Leung & Kwok CPA Limited and Hong Kong Pengcheng CPA Limited. He has over 30 years experience in the accountancy profession. Dr. Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. He has been appointed Adjunct Professor, School of Accounting and Finance of the Hong Kong Polytechnic University since 2002. Dr. Wong participates in many types of community services and is holding posts in various organisations and committees in government and voluntary agencies. Dr. Wong is an independent non-executive director of China Precious Metal Resources Holdings Co., Ltd., C C Land Holdings Limited, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, Galaxy Entertainment Group Limited and Guangzhou Pharmaceutical Company Limited, all of which are listed on the Main Board of the Stock Exchange. Dr. Wong has been appointed as an independent non-executive director of National Arts Holdings Limited (listed on the Growth Enterprise Market of the Stock Exchange) with effect from 3 February 2010.

Dr. Fong Chi Wah (方志華), aged 48, is an independent non-executive Director and joined the Group in March 2008. Dr. Fong was appointed as an independent non-executive Director of the Company on March 28, 2008. Dr. Fong is a Chartered Financial Analyst, a member of Hong Kong Institute of CPAs and the Institute of Certified Management Accountants, Australia, and the Hong Kong Institute of Directors. Dr. Fong has over 21 years of experience in various sectors of the financial industry, including direct investment, project and structured finance and capital markets, with a focus on the PRC and Hong Kong. Dr. Fong was a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. He was appointed as an independent non-executive director of Syscan Technology Holdings Limited on December 19, 2003 and as an executive director of National Investments Fund Limited on November 1, 2005, and both companies are listed on the Stock Exchange. Dr. Fong obtained a bachelor's degree in management science (economics) from Lancaster University, United Kingdom, in 1984, a master's degree in business administration from Warwick University, United Kingdom, in 1986, a master's degree in investment management from the Hong Kong University of Science and Technology in 1999, a master's degree in practising accounting from Monash University, Australia, in 2001 and a doctorate in business administration from the Hong Kong Polytechnic University in 2007.

Mr. Bernard Ban-yew Yaw (饒萬有), aged 50, is an independent non-executive Director and joined the Group in November 2009. Mr. Yaw was appointed as an independent non-executive Director of the Company on November 2, 2009. Mr. Yaw has over 21 years of management and investment experiences. He is the chief executive officer of Asiante Capital Management Sdn. Bhd., an investment advisory and fund management company, located in Kuala Lumpur. Mr. Yaw joined Dubai Ventures Group Sdn Bhd ("DVG") as executive director and head of private equity since December 1, 2005. DVG is a wholly owned subsidiary of Dubai Group, whose sole shareholder is HH Sheikh Mohammed bin Rashid Al-Maktoum who was the ruler of Dubai and the Prime Minister of the United Arab Emirates. DVG was the regional office for Dubai Investment Group in Kuala Lumpur and its primary investment focus was equity investment in this region including Malaysia, Singapore, Thailand, Indonesia, Vietnam, Philippines, Australasia, and North Asia including China. DVG had regional offices in Kuala Lumpur, Hong Kong, London, and New York with its headquarters at Dubai, UAE. Prior to joining DVG, Mr. Yaw was with Malaysia Ventures Capital Management Berhad ("MAVCAP"), a wholly owned subsidiary of the Ministry of Finance Inc. Malaysia, which was the investment arm of the Malaysian Government, in various capacities. He was the senior vice president of direct ventures, in charge of seed ventures and agency ventures and was in charge of the strategic implementation of the Cradle Investment Program since MAVCAP's inception in April 2001. Prior to joining MAVCAP, he was the president and CEO of Intelliquis Inc., a NASDAQ listed company in which he was in charge of raising early and later stages capital, strategic corporate and worldwide expansion and ultimately the listing exercise in NASDAQ. Mr. Yaw graduated from Oral Roberts University in 1985 with a bachelor of science degree in computer science.

Mr. Chan Kee Ming, William (陳基明), aged 46, is an independent non-executive Director and joined the Group in May 2010. Mr. Chan was appointed as an independent non-executive Director of the Company on May 26, 2010. Mr. Chan is the honorable secretary of The Hong Kong Software Industry Association since 2008. Mr. Chan was the account executive of Federal Express Limited in 1990 and the general manager of Vanda Computer and Equipment Co Ltd from 1992 to 2000. Mr. Chan has over 11 years' experience in logistic business. From 2002 to 2009, Mr. Chan was a fellow member of the E-logistics Group and S-logistics Group of the Logistics Development Council of Hong Kong. Mr. Chan has been the chief executive officer of DigiLogistics Technology Limited since January 2000. Mr. Chan obtained a bachelor of arts degree from The University of Hong Kong in 1987.

SENIOR MANAGEMENT

Mr. Poon Yick Pang, Philip (**潘翼鵬**), aged 41, is the chief financial officer and the Company Secretary. He joined the Company in June 2008. Mr. Poon has over 16 years of corporate finance and accounting experience. Prior to joining the Company, he was the director of finance of China Medical Technologies, Inc., a NASDAQ listed company engaged in the manufacture and sales of advanced medical devices in the PRC from 2007 to 2008, and the senior vice president, qualified accountant and company secretary of Paradise Entertainment Limited, a company listed on the Stock Exchange, from 2002 to 2007. Mr. Poon also served various positions in Advent International Corporation, a global private equity firm, and in major listed companies in Hong Kong, including Lenovo Group Limited and Sun Hung Kai Properties Limited. Mr. Poon obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Poon is an independent non-executive director of Infinity Chemical Holdings Company Limited whose shares are listed on the Main Board of the Stock Exchange.

Mr. Quan Guangde (**全廣德**), aged 61, is the manager of the production department and an assistant to the chief executive officer. Mr. Quan is responsible for supervising the production of our nutritional health products. He joined the Group in October 2004 and was a mechanical engineer and head of the engineering team of the production department before being promoted to his current positions. Mr. Quan has over 29 years of experience in mechanical engineering, and was qualified as an engineer in 1987 and a senior engineer in 1996 in the PRC. Prior to joining the Group, Mr. Quan worked for various companies in the PRC as a mechanical engineer.

Mr. Yuan Jianjun (**袁建軍**), aged 40, is the manager of the sales auditing department and an assistant to the chief executive officer. Mr. Yuan is responsible for the auditing and analysis of the sales business and marketing and the daily management of the Group. He graduated from the Jiangxi School of Finance & Economics in July 1994, majoring in financial accounting. He joined the Group in August 2006 and has over 15 years of experience in financial accounting and auditing. He was qualified as an accountant in 2004 in the PRC. Prior to joining the Group, Mr. Yuan served in various companies in the PRC specialising in accounting and auditing.

The Board hereby presents its report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2010.

CORPORATE REORGANISATION

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

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

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2010 are set out in the consolidated statement of comprehensive income on page 41 of this annual report.

The Directors recommended the payment of a final dividend of HK2.0 cents per Share.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended December 31, 2010 amounted to approximately RMB217.9 million. Details of the movements during the year in the Group's property, plant and equipment are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in note 24 to the consolidated financial statements of this annual report.

RESERVES

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 43-44 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 90 of this annual report.

BORROWINGS

Details of bank loans of the Group as at December 31, 2010 are set out in note 23 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended December 31, 2010 and 2009, sales to the Group's five largest customers, in aggregate represented approximately 26.4% and 43.1% of the Group's total sales, respectively. For the years ended December 31, 2010 and 2009, sales to the single largest customers amounted to approximately 6.9% and 11.6% of the Group's total sales, respectively.

For the years ended December 31, 2010 and 2009, purchases of raw materials, packaging materials and merchandise for resale from the Group's five largest suppliers accounted for approximately 66.8% and 63.4%, respectively, of the Group's total purchases. For the years ended December 31, 2010 and 2009, purchases from the single largest supplier amounted to approximately 25.0% and 20.8% of the Group's total purchases, respectively.

For the year ended December 31, 2010, none of the Directors or any of their associates or any shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

DONATIONS

The Company made charitable donations totalling RMB866,000 during the year.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Ip Tak Chuen, Edmond (appointed as a non-executive director on March 28, 2008)
Mr. Tsang Sze Wai, Claudius (appointed as a non-executive director on May 26, 2010)

Independent Non-executive Directors

Dr. Wong Lung Tak Patrick, BBS, J.P. (appointed as an independent non-executive director on March 28, 2008)
Dr. Fong Chi Wah (appointed as an independent non-executive director on March 28, 2008)
Mr. Bernard Ban-yew Yaw (appointed as an independent non-executive director on November 2, 2009)
Mr. Chan Kee Ming (appointed as an independent non-executive director on May 26, 2010)

In accordance with article 84 of the articles of association of the Company, Mr. Yu Yan, Mr. Li Lin, Mr. Yi Lin and Mr. Zhang Yan, who have been longest in office, shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Details of biography of Directors and senior management are set out on page 22 to 27 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

REMUNERATION OF THE DIRECTORS

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

Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements of this annual report.

EMOLUMENTS POLICY

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

RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits scheme of the Group are set out in note 30 to the consolidated financial statements of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at December 31, 2010, the interests and short positions of the Directors and chief executives of the Company in the share capital, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") of the Listing Rules, are set out below:

Name of Director	Capacity	Number and class of securities	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme[1]	Approximate shareholding percentage (%)
Mr. Wang Fucai[2]	interest of a controlled corporation	388,824,398 Shares (L)		34.36%
	short position	17,194,664 Shares (S)		1.52%
Mr. Yu Yan	beneficial owner		1,500,000 Shares (L)	0.13%
Mr. Li Lin	beneficial owner		1,000,000 Shares (L)	0.09%
Mr. Yi Lin	beneficial owner		1,115,000 Shares (L)	0.10%
Mr. Zhang Yan	beneficial owner		1,500,000 Shares (L)	0.13%
Ms. Au-yeung Kam Ling Celeste	beneficial owner		560,000 Shares (L)	0.05%

Notes:

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

(2) Furui Investments Limited ("Furui") owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 17,194,664 Shares held by Strong Ally Limited and the short position over 17,194,664 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme, and Mr. Wang Fucai owns the entire issued share capital of Furui and will be deemed to be interested in the 388,824,398 Shares held by Furui and Strong Ally Limited and the short position over 17,194,664 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

Save as disclosed herein, as at December 31, 2010, none of the Directors and chief executives of the Company, or any of their sponsor, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company, recorded in the register required to be kept under section 352 of SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

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

Share Option Scheme

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

(1) The purpose of the Share Option Scheme

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

(2) Who may join

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

(3) Subscription Price

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

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

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

(iii) the nominal value of the Shares.

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

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

Pre-IPO Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

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

Grantee		Number of options granted on February 3, 2010	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Options Outstanding up to December 31, 2010
(1)	Directors					
	Yu Yan	1,500,000	–	–	–	1,500,000
	Li Lin	1,500,000	500,000	–	–	1,000,000
	Yi Lin	1,500,000	385,000	–	–	1,115,000
	Zhang Yan	1,500,000	–	–	–	1,500,000
	Au-yeung Kam Ling Celeste	710,000	150,000	–	–	560,000
(2)	Employees and others	33,290,000	3,357,336	–	–	29,932,664

Notes:

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

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

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company", and "Share Options", at no time from the Listing Date up to December 31, 2010 was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at December 31, 2010, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following person, other than any Director or the chief executives of the Company, was the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests and short positions in the shares and underlying shares of the Company:

Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Furui[(1)]	beneficial owner and interest in a controlled corporation	388,824,398	34.36%
	short position	17,194,664	1.52%
Qin Shifeng (秦士豐)[(2)]	interest of spouse	388,824,398	34.36%
	short position	17,194,664	1.52%

Notes:

(1) Furui owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 17,194,664 Shares held by Strong Ally Limited and the short position over 17,194,664 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

(2) Qin Shifeng (秦士豐) is the spouse of Mr. Wang Fucai and will be deemed to be interested in the 388,824,398 Shares which Mr. Wang Fucai is interested in through Furui and Strong Ally Limited and the short position over 17,194,664 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

MANAGEMENT CONTRACTS

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

CONTRACTS OF SIGNIFICANCE

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

CONNECTED TRANSACTION

Significant related party transactions entered into by the Group for the year ended December 31, 2010, which do not constitute connected transactions under the Listing Rules on the Stock Exchange, are disclosed in notes 25 and 31 to the consolidated financial statements of this annual report.

AUDIT COMMITTEE

The Company established its audit committee on February 1, 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 has adopted a written terms of references which is in compliance with the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. The audit committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's interim results for the period ended June 30, 2010 and the audited annual results for the year ended December 31, 2010.

PRE-EMPTIVE RIGHTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific 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 CG Code contained in Appendix 14 to the Listing Rules. Since the Listing Date and up to December 31, 2010, the Company has complied with all the applicable code provisions as set out in the CG Code, except for deviation of the provision A.2.1 of the CG Code. For details of the Corporate Governance Report, please refer to pages 15 to 21 of this annual report.

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

Since the Listing Date and up to December 31, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING 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 and in the announcement dated October 28, 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float since the Listing Date up to December 31, 2010.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2010. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

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 4:30 p.m., Friday, April 29, 2011.

On behalf of the Board
Wang Fucai
Chairman

Hong Kong, March 15, 2011

Deloitte.
德勤

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

We have audited the consolidated financial statements of Ruinian International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 89, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at December 31, 2010 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 15, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	7	**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	8	**528,067**	313,112
Taxation	10	**(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	12		
– 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	13	**496,052**	299,568
Land use rights	14	**171,601**	166,825
Intangible assets	15	**49,859**	58,012
Deposits made on acquisition of property, plant and equipment		**31,442**	12,380
Advance payments for acquisition of technical knowhow	16	**66,059**	26,840
Deferred tax assets	17	**4,363**	8,198
		819,376	571,823
Current assets			
Inventories	18	**18,819**	22,627
Trade and other receivables	19	**383,089**	417,384
Pledged bank deposits	20	**1,500**	–
Bank balances and cash	20	**1,462,045**	215,216
		1,865,453	655,227
Current liabilities			
Trade and other payables	21	**173,962**	112,853
Amount due to former ultimate holding company	22	**–**	51,728
Taxation		**54,869**	39,043
Short-term bank loans	23	**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	17	**10,039**	4,582
Net assets		**2,380,959**	792,844
Capital and reserves			
Share capital	24	**9,929**	13
Reserves		**2,371,030**	792,831
Total equity		**2,380,959**	792,844

The consolidated financial statements on pages 41 to 89 were approved and authorised for issue by the Board of Directors on March 15, 2011 and are signed on its behalf by:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2010

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Share options reserve RMB'000	Translation reserve RMB'000	Non-distributable reserve RMB'000 (Note b)	Statutory surplus reserve fund RMB'000 (Note c)	Retained profits RMB'000	Total RMB'000
At January 1, 2009	13	331,543	134,782	–	176	7,398	47,553	92,331	613,796
Exchange differences arising on translation of foreign operations	–	–	–	–	10	–	–	–	10
Profit for the year	–	–	–	–	–	–	–	209,702	209,702
Total comprehensive income for the year	–	–	–	–	10	–	–	209,702	209,712
Deemed distribution to controlling shareholder	–	–	–	–	–	(30,664)	–	–	(30,664)
Transfers	–	–	–	–	–	–	23,734	(23,734)	–
At December 31, 2009	13	331,543	134,782	–	186	(23,266)	71,287	278,299	792,844
Exchange differences arising on translation of foreign operations	–	–	–	–	612	–	–	–	612
Profit for the year	–	–	–	–	–	–	–	352,265	352,265
Total comprehensive income for the year	–	–	–	–	612	–	–	352,265	352,877
Arising on group reorganisation	6,580	(331,543)	324,963	–	–	–	–	–	–
Issue of shares	3,336	1,303,512	–	–	–	–	–	–	1,306,848
Deemed distributions to shareholders	–	–	–	–	–	(11,440)	–	–	(11,440)
Expenses incurred in connection with the issue of shares	–	(61,668)	–	–	–	–	–	–	(61,668)
Recognition of equity-settled share based payments	–	–	–	9,915	–	9,816	–	–	19,731
Dividends	–	–	–	–	–	–	–	(18,233)	(18,233)
Transfers	–	–	–	–	–	–	35,385	(35,385)	–
At December 31, 2010	9,929	1,241,844	459,745	9,915	798	(24,890)	106,672	576,946	2,380,959

Notes:

(a) Special reserve represents the aggregate of:

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

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

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

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

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

(ii) deemed distributions to the controlling shareholder in respect of the acquisition of a subsidiary (see note 26 to the consolidated financial statements);

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

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

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial information 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Profit before taxation		**528,067**	313,112
Adjustments for:			
Interest income		**(3,038)**	(430)
Interest expenses		**10,582**	11,891
Depreciation of property, plant and equipment		**21,432**	16,285
Amortisation of intangible assets		**9,283**	5,455
Operating lease rentals in respect of land use rights		**1,585**	1,038
Write-off of property, plant and equipment		**–**	4
Allowance for inventories written back		**–**	(141)
Equity-settled share based payments		**19,731**	–
Operating cash flows before movements in working capital		**587,642**	347,214
Decrease in inventories		**3,808**	64,961
Decrease (increase) in trade and other receivables		**34,295**	(126,286)
Increase in trade and other payables		**61,109**	27,443
Cash from operations		**686,854**	313,332
Taxation paid		**(150,684)**	(78,819)
Net cash from operating activities		**536,170**	234,513
Investing activities			
Interest received		**3,038**	430
Acquisition of a subsidiary	26	**–**	2,295
Purchase of property, plant and equipment		**(203,430)**	(30,689)
Purchase of land use rights		**(8,467)**	(40,870)
Purchase of intangible assets		**(1,130)**	(1,840)
Deposits paid on acquisition of property, plant and equipment		**(31,442)**	(11,123)
Advance payments paid for acquisition of technical knowhow		**(39,219)**	–
(Increase) decrease in pledged bank deposits		**(1,500)**	983
Net cash used in investing activities		**(282,150)**	(80,814)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	2010 RMB'000	2009 RMB'000
Financing activities		
Interest paid	**(10,582)**	(11,891)
Dividends paid	**(18,233)**	–
Proceeds from issue of shares	**1,306,848**	–
Expenses paid in connection with the issue of shares	**(61,668)**	–
Expenses paid in connection with the sales of shares held by certain shareholders	**(11,440)**	–
Borrowings from former ultimate holding company	**–**	57,770
Repayment to former ultimate holding company	**(51,728)**	(6,042)
Repayment to a director	**–**	(170)
Bank loans raised	**376,000**	344,000
Repayment of bank loans	**(537,000)**	(324,000)
Net cash from financing activities	**992,197**	59,667
Net increase in cash and cash equivalents	**1,246,217**	213,366
Cash and cash equivalents at January 1	**215,216**	1,840
Effect of foreign exchange rate changes	**612**	10
Cash and cash equivalents at December 31	**1,462,045**	215,216
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**1,462,045**	215,216

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 for 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.

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

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 July 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.

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

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. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

Business combination under common control

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

The net assets of the combining entities are consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Business combination under common control-continued

The consolidated 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.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Property, plant and equipment-continued

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

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

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

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 that are accounted for as operating leases are presented as "land use rights" in the statement of financial position.

When buildings are in the course of development for production or for administrative purposes, the amortisation of land use rights provided during the construction period is included as part of costs 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, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Intangible assets

Intangible assets acquired separately

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

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

Research and development costs

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Inventories

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

Advertising expenses and prepayment for media airtime

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

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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 of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liability

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

Equity instrument

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

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

Derecognition-continued

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Impairment

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

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

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Taxation-continued

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Foreign currencies-continued

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

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

Leases

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

The Group as lessee

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

Retirement benefits costs

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

Share-based payment transactions

Equity-settled share based payment transactions

Share options granted to directors and employees of the Company

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Share-based payment transactions-continued

Equity-settled share based payment transactions-continued

Share options granted to directors and employees of the Company-continued

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

Share options granted to consultants

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

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

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

6. FINANCIAL INSTRUMENTS-CONTINUED

Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,786,640**	592,945
Financial liabilities		
Amortised cost	**150,686**	325,853

Financial risk management objectives and policies

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

Credit risk

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

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

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

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

Foreign currency risk

At the end of the reporting period, the carrying amounts of the Group's foreign currency denominated monetary assets which consists of bank balances and cash (see note 20) amounted to RMB71,300,000 (2009: RMB360,000).

6. FINANCIAL INSTRUMENTS-CONTINUED

Foreign currency risk-continued

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

	2010	2009
	RMB'000	RMB'000
Increase in profit before taxation	**3,566**	41

There would be an equal and opposite impact on the profit before taxation where the RMB strengthens against HK$.

Liquidity risk management

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

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

	Weighted average interest rate	**Less than 3 months**	**Over 3 months but not more than 6 months**	**Over 6 months but not more than 1 year**	**Total undiscounted cash flows**	**Carrying amount**
	%	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities						
At December 31, 2010						
Trade and other payables	**–**	**85,686**	**–**	**–**	**85,686**	**85,686**
Short-term bank loans						
– variable rate	**5.0**	**809**	**809**	**65,137**	**66,755**	**65,000**
		86,495	**809**	**65,137**	**152,441**	**150,686**

6. FINANCIAL INSTRUMENTS-CONTINUED

Liquidity risk management-continued

	Weighted average interest rate %	Less than 3 months RMB'000	Over 3 months but not more than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities						
At December 31, 2009						
Trade and other payables	–	48,125	–	–	48,125	48,125
Amount due to former ultimate holding company	–	51,728	–	–	51,728	51,728
Short-term bank loans						
– variable rate	5.2	33,495	25,219	–	58,714	58,000
– fixed rate	5.4	57,809	99,207	15,138	172,154	168,000
		191,157	124,426	15,138	330,721	325,853

Interest rate risk management

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

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

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

	2010 RMB'000	2009 RMB'000
Decrease in profit before taxation	**(5,244)**	(589)

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

6. FINANCIAL INSTRUMENTS-CONTINUED

Fair value of financial instruments

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

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

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

7. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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

Segment results represent the gross profits earned by each segment.

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

The information of segment results are as follows:

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

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Information of segment assets and segment liabilities are as follows:

Segment assets represent property, plant and equipment, land use rights, intangible assets, deposits made on acquisition of property, plant and equipment, advance payments for acquisition of technical knowhow, inventories and trade and other 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 **RMB'000**	2009 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 (note a)	**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 (note b)	**67,457**	282,194
Consolidated total liabilities	**303,870**	434,206

Notes:

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

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

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Other information

	2010 RMB'000	2009 RMB'000
Amounts included in the measure of segment result or segment assets:		
Additions to non-current assets other than deferred tax assets		
– health and nutritional supplements	**211,951**	86,618
– health drinks	**68,967**	–
– pharmaceutical products	**2,770**	206,607
	283,688	293,225
Depreciation of property, plant and equipment		
– health and nutritional supplements	**14,596**	13,447
– pharmaceutical products	**6,836**	2,838
	21,432	16,285
Amortisation of intangible assets		
– health and nutritional supplements	**2,875**	2,808
– pharmaceutical products	**6,408**	2,647
	9,283	5,455
Operating lease rentals in respect of land use rights		
– health and nutritional supplements	**646**	646
– pharmaceutical products	**939**	392
	1,585	1,038

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Other information-continued

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

	2010 RMB'000	2009 RMB'000
Turnover		
– Mainland China (the "PRC")	**1,348,843**	850,622
– Hong Kong	**8,403**	–
	1,357,246	850,622

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

	2010 RMB'000	2009 RMB'000
Total non-current assets other than deferred tax assets		
– PRC	**814,745**	563,363
– Hong Kong	**268**	262
	815,013	563,625

Information about major customers

For the year ended December 31, 2010, there was no customer which accounted for more than 10% of total turnover.

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

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Information about major customers-continued

Revenues by products are as follows:

	2010 RMB'000	2009 RMB'000
Health and nutritional supplements		
Nutritional supplements		
Ruinian-branded amino acid-based tablets	**418,271**	260,541
Linger-branded amino acid-based tablets	**99,975**	61,310
Liquid amino acid	**256,399**	159,935
Ruinian-branded royal jelly tablets	**42,003**	52,248
Ruinian-branded osteoid sachet powder	**75,935**	46,181
Ruinian-branded blood lipid capsules	**4,647**	3,512
Subtotal	**897,230**	583,727
General Health Food Products		
Ruinian-branded protein powder	**82,121**	50,726
Ruinian-branded collagen tablets	**1,224**	341
Ruinian-branded Polypeptide tablets	**88**	75
Sane-branded dietary fiber	**1,326**	52
Others	**340**	43,865
Subtotal	**85,099**	95,059
Subtotal of health and nutritional supplements	**982,329**	678,786
Health drinks		
Herbal tea	**292,735**	165,381
Amino acid drinks	**784**	–
Subtotal	**293,519**	165,381
Pharmaceutical products		
Ofloxacin eye drops	**8,514**	801
Topotecan hydrochloride capsules	**72,884**	5,654
Subtotal	**81,398**	6,455
Total	**1,357,246**	850,622

8. PROFIT BEFORE TAXATION

	2010 RMB'000	2009 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 9)	**9,497**	720
Other staff's retirement benefits scheme contributions	**1,371**	1,221
Other staff's equity-settled share based payments	**6,230**	–
Other staff costs	**12,443**	7,964
	29,541	9,905
Amortisation of intangible assets included in		
– costs of goods sold	**6,668**	2,808
– administrative expenses	**2,615**	2,647
	9,283	5,455
Operating lease rentals in respect of		
– land use rights	**3,691**	2,974
Less: capitalised under construction in progress	**(2,106)**	(1,936)
	1,585	1,038
– rented premises	**2,485**	1,010
Advertising and promotional expenses	**317,463**	182,208
Auditor's remuneration	**1,732**	1,585
Cost of inventories recognised as expenses	**364,730**	258,765
Depreciation of property, plant and equipment	**21,432**	16,285
Equity-settled share based payments to other participants	**10,191**	–
Net exchange losses	**8,236**	73
Research and development costs included in administrative expenses	**2,000**	2,000
and after crediting:		
Allowance for inventories written back	**–**	141
Interest income	**3,038**	430

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2010					2009				
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share based payments	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors										
– Mr. Wang Fucai	–	3,666	16	–	3,682	–	32	13	–	45
– Mr. Yu Yan	–	208	6	740	954	–	11	4	–	15
– Mr. Li Lin	–	208	6	740	954	–	12	5	–	17
– Mr. Yi Lin	–	208	6	740	954	–	11	4	–	15
– Mr. Zhang Yan	–	232	14	740	986	–	32	12	–	44
– Ms. Au-Yeung Kam Ling Celeste	–	849	10	350	1,209	–	573	11	–	584
Non-executive directors										
– Mr. Ip Tak Chuen, Edmond	143	–	–	–	143	–	–	–	–	–
– Mr. Tsang Sze Wai Claudius	93	–	–	–	93	–	–	–	–	–
Independent non-executive directors										
– Mr. Wong Lung Tak, Patrick	143	–	–	–	143	–	–	–	–	–
– Mr. Fong Chi Wah, Felix	143	–	–	–	143	–	–	–	–	–
– Mr. Bernard Ban-yew Yaw	143	–	–	–	143	–	–	–	–	–
– Mr. Chan Kee Ming	93	–	–	–	93	–	–	–	–	–
	758	5,371	58	3,310	9,497	–	671	49	–	720

At December 31, 2010, the five highest paid individuals included four directors (2009: one director), details of whose emoluments are set out above. The emoluments of the remaining highest paid employees were as follows:

	2010	2009
	RMB'000	RMB'000
Employees		
– basic salaries and allowances	2,173	2,514
– Equity-settled share based payments	2,762	–
– retirement benefits scheme contributions	10	42
	4,945	2,556

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS-CONTINUED

The emoluments were within the following bands:

	Number of employees	
	2010	2009
	RMB'000	RMB'000
Up to HK$1,000,000	**–**	3
HK$1,000,001 to HK$2,000,000	**–**	1
HK$5,000,001 to HK$6,000,000	**1**	–

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

10. 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).

10. TAXATION-CONTINUED

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.

10. TAXATION-CONTINUED

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

	2010		2009	
	RMB'000	%	RMB'000	%
Profit before taxation	528,067		313,112	
Tax at the applicable income tax rate	(132,017)	(25.0)	(78,278)	(25.0)
Tax effect of expenses not deductible for tax purposes	(45,283)	(8.6)	(20,384)	(6.4)
Tax effect of income not taxable for tax purposes	–	–	805	0.3
Tax effect of 50% tax relief granted to the PRC subsidiary	8,061	1.5	–	–
Tax effect of deductible temporary differences not recognised	(2,968)	(0.6)	(2,881)	(1.0)
Utilisation of tax losses previously not recognised	1,862	0.4	–	–
PRC withholding tax on undistributed earnings	(5,457)	(1.0)	(2,672)	(0.9)
Tax charge and effective tax rate for the year	(175,802)	(33.3)	(103,410)	(33.0)

11. DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Dividends recognised as distribution during the year – 2010 interim dividend of HK2.0 cents (2009: Nil) per share	18,233	–
Final dividends proposed	19,077	–

The final dividend of HK2.0 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.

12. 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 year 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At January 1, 2009	105,484	1,369	2,289	92,745	14,946	216,833
Acquired on acquisition of a subsidiary	35,100	937	79	54,634	–	90,750
Additions	–	74	–	484	32,067	32,625
Write-off	–	(31)	–	–	–	(31)
Transfers	6,891	–	–	–	(6,891)	–
At December 31, 2009	147,475	2,349	2,368	147,863	40,122	340,177
Additions	2,656	3,389	5,429	429	206,013	217,916
Transfers	31,500	24,765	–	14,600	(70,865)	–
At December 31, 2010	181,631	30,503	7,797	162,892	175,270	558,093
DEPRECIATION						
At January 1, 2009	8,218	617	1,707	13,809	–	24,351
Provided for the year	5,401	238	171	10,475	–	16,285
Eliminated on write-off	–	(27)	–	–	–	(27)
At December 31, 2009	13,619	828	1,878	24,284	–	40,609
Provided for the year	6,755	826	251	13,600	–	21,432
At December 31, 2010	20,374	1,654	2,129	37,884	–	62,041
CARRYING VALUES						
At December 31, 2010	161,257	28,849	5,668	125,008	175,270	496,052
At December 31, 2009	133,856	1,521	490	123,579	40,122	299,568

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

At the end of the reporting period, there were accumulated operating lease rentals in respect of land use rights amounting to RMB4,228,000 (2009: RMB2,122,000) capitalised under construction in progress.

14. LAND USE RIGHTS

	2010	2009
	RMB'000	RMB'000
CARRYING VALUE		
At January 1	**166,825**	86,329
Additions	**8,467**	40,870
Acquired on acquisition of a subsidiary	**–**	42,600
Operating lease rentals capitalised under construction in progress	**(2,106)**	(1,936)
Released to profit or loss during the year	**(1,585)**	(1,038)
At December 31	**171,601**	166,825

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

At the end of the reporting period, there were land use rights with carrying amount of RMB57,879,000 (2009: RMB94,690,000) in connection with the rights to the use of land in the PRC in which the relevant government authorities have not granted formal title. In the opinion of the directors, the lack of formal title for these land use rights does not impair the value of the relevant properties to the Group. The directors also believe that the formal title to these land use rights will be granted to the Group in due course.

15. INTANGIBLE ASSETS

	Product development costs	**Technical knowhow**	**GMP* certifications**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
CARRYING VALUE				
At January 1, 2009	9,701	6,766	–	16,467
Additions	2,000	–	–	2,000
Acquired on acquisition of a subsidiary	–	38,000	7,000	45,000
Charged to profit or loss during the year	(1,708)	(3,047)	(700)	(5,455)
At December 31, 2009	9,993	41,719	6,300	58,012
Additions	–	1,130	–	1,130
Charged to profit or loss during the year	(1,775)	(5,828)	(1,680)	(9,283)
At December 31, 2010	8,218	37,021	4,620	49,859

* GMP represents good manufacturing practices.

15. INTANGIBLE ASSETS-CONTINUED

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

16. ADVANCE PAYMENTS FOR ACQUISITION OF TECHNICAL KNOWHOW

The balance represents the substantial payments made in connection with the acquisition of technical knowhow for certain products of which the completion is subject to the license expected to be granted by the relevant PRC government authorities by the end of 2011 and 2012.

17. DEFERRED TAXATION

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

	Product development costs	**PRC withholding tax on undistributed earnings**	**Total**
	RMB'000	RMB'000	RMB'000
At January 1, 2009	11,934	(1,910)	10,024
Charged to profit or loss during the year	(3,736)	(2,672)	(6,408)
At December 31, 2009	8,198	(4,582)	3,616
Charged to profit or loss during the year	(3,835)	(5,457)	(9,292)
At December 31, 2010	4,363	(10,039)	(5,676)

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

	2010	2009
	RMB'000	RMB'000
Deferred tax assets	**4,363**	8,198
Deferred tax liabilities	**(10,039)**	(4,582)
	(5,676)	3,616

17. DEFERRED TAXATION-CONTINUED

At the end of the reporting period, the Group has unrecognised deferred tax liability of RMB26,478,000 (2009: RMB13,746,000) in relation to PRC withholding tax on undistributed earnings of RMB529,560,000 (2009: RMB274,920,000) due to the retention of undistributed earnings by the subsidiary in the PRC determined by the directors of the Company.

Also, at the end of the reporting period, the Group has deductible temporary differences of RMB46,118,000 (2009: RMB34,246,000) not recognised as deferred tax asset as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

18. INVENTORIES

	2010 **RMB'000**	2009 RMB'000
Raw materials	**7,244**	6,804
Work in progress	**1,771**	5,597
Finished goods	**4,647**	6,078
Merchandise for resale	**761**	871
Packaging materials	**4,396**	3,277
	18,819	22,627

19. TRADE AND OTHER RECEIVABLES

	2010 **RMB'000**	2009 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.

19. TRADE AND OTHER RECEIVABLES-CONTINUED

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

	2010 RMB'000	2009 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

The Group does not hold any collateral over these balances. The average age of these receivables at the end of the reporting period is 63 days (2009: 62 days).

At the end of the reporting period, included in the Group's trade receivable balances are trade debtors with aggregate carrying amount of RMB6,391,000 (2009: RMB9,505,000), which are past due at the reporting date for which the Group has not provided for impairment loss as 100% of these past due debts was subsequently collected as of the date of this report.

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

	2010 RMB'000	2009 RMB'000
Age		
91-180 days	**3,752**	9,503
181 to 365 days	**2,639**	2
	6,391	9,505

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.

20. 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. Bank balances carry interest at the prevailing market interest rate ranging from 0.4% to 1.9% per annum at the end of the reporting period (2009: 3.2% to 3.5%). The pledged bank deposits carry interest at the prevailing market interest rate ranging from 2.0% to 2.2% per annum at the end of the reporting period (2009: Nil).

Included in bank balances and cash is an amount of RMB71,300,000 (2009: RMB360,000) denominated in Hong Kong dollars other than the functional currency of the relevant group companies.

21. TRADE AND OTHER PAYABLES

	2010 **RMB'000**	2009 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:

	2010 **RMB'000**	2009 RMB'000
Age		
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

22. AMOUNT DUE TO FORMER ULTIMATE HOLDING COMPANY

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

23. SHORT-TERM BANK LOANS

	2010	2009
	RMB'000	RMB'000
Short-term bank loans		
– variable rate bank loans	**65,000**	58,000
– fixed rate bank loans	**–**	168,000
	65,000	226,000
Analysed as		
– secured	**–**	18,000
– unsecured	**65,000**	208,000
	65,000	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 the end of the reporting period, the Group has variable rate bank loans carrying interest at 4.8% to 5.8% (2009: 4.9% to 7.6%) per annum.

At the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB388,000,000 (2009: RMB317,000,000).

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

24. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
		HK$'000		HK$'000
Ordinary shares of HK$0.01 each				
– at January 1, 2009 and December 31, 2009	35,000,000	350	100	–
– increase in authorised share capital	1,965,000,000	19,650	–	–
– issue pursuant to Group Reorganisation	–	–	749,999,900	7,500
– issue of shares on global offering	–	–	250,000,000	2,500
– exercise of over-allotment option	–	–	45,000,000	450
– exercise of Pre-IPO Share Option	–	–	1,587,000	16
– issue of new shares	–	–	85,000,000	850
– at December 31, 2010	2,000,000,000	20,000	1,131,587,000	11,316

	RMB'000
Shown in the consolidated statement of financial position at December 31, 2010 as	9,929

On February 1, 2010, shareholders' written resolutions were passed to approve the increase of authorised share capital of the Company from HK$350,000 to HK$20,000,000 by the creation of an additional 1,965,000,000 shares of HK$0.01 each.

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

On February 19, 2010, 250,000,000 shares of HK$0.01 each of the Company were issued at HK$3 per share by way of global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

On March 8, 2010, an over-allotment option was exercised and a further 45,000,000 shares of HK$0.01 each of the Company were issued at HK$3 per share.

24. SHARE CAPITAL-CONTINUED

On October 28, 2010, agreements (the "Agreements") were entered into for a private placement to independent investors of 85,000,000 ordinary shares of HK$0.01 each at a price of HK$7.2 per share by Furui and Lingrui Investments Limited ("Lingrui"), the shareholders of the Company. Under the Agreements, arrangements were made for the subscription of 85,000,000 new ordinary shares of HK$0.01 each by Furui and Lingrui at a price of HK$7.2 per share. The new shares were issued on November 10, 2010 under the general mandate granted to the board of directors on May 26, 2010. The subscription shares represent 8.1% of the existing issued share capital of the Company as at the date of the Agreements; and approximately 7.5% of the issued share capital of the Company immediately after completion of the Agreements. The net proceeds from the subscription was approximately HK$597,200,000. The Company intended to use the net proceeds from the subscription towards future market expansion and acquisition of manufacturers of upstream raw materials and/or health supplements.

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

The share capital at January 1, 2009 and December 31, 2009 represents the then issued and fully paid share capital of Tongrui.

25. SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Schemes

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

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

At December 31, 2010, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Schemes was 35,607,664 (2009: Nil), representing approximately 3.1% (2009: Nil) of the shares of the Company in issue at that date.

25. SHARE OPTION SCHEMES-CONTINUED

(a) Pre-IPO Share Option Schemes-continued

A summary of the movements of the outstanding options during the year ended December 31, 2010 under the Pre-IPO Share Option Schemes is as follows:

Type of participants	Date of grant	Vesting period	Exercisable period*	Exercisable price per share	Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Outstanding
					Number of share options			
				HK$				
Directors	2.3.2010	2.3.2010-8.19.2010	8.20.2010-2.18.2013	3	–	2,236,667	(1,035,000)	1,201,667
	2.3.2010	2.3.2010-1.31.2013	3.1.2011-2.18.2013	3	–	4,473,333	–	4,473,333
Employees	2.3.2010	2.3.2010-8.19.2010	8.20.2010-2.18.2013	3	–	4,209,667	(1,914,668)	2,294,999
	2.3.2010	2.3.2010-1.31.2013	3.1.2011-2.18.2013	3	–	8,419,333	–	8,419,333
Others#	2.3.2010	2.3.2010-8.19.2010	8.20.2010-2.18.2013	3	–	6,887,000	(1,442,668)	5,444,332
	2.3.2010	2.3.2010-1.31.2013	3.1.2011-2.18.2013	3	–	13,774,000	–	13,774,000
					–	40,000,000	(4,392,336)	35,607,664

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

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

During the year, a total of 1,587,000 share options were exercised to subscribe for 1,587,000 shares of the Company. The remaining number of share options exercised during the year represent the options to purchase for shares that had been granted by Strong Ally.

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

25. SHARE OPTION SCHEMES-CONTINUED

(a) Pre-IPO Share Option Schemes-continued

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

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

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

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

The Group recognised the total expenses of RMB19,731,000 for the year ended December 31, 2010 (2009: Nil) in relation to the Pre-IPO Share Option Schemes.

(b) Share Option Scheme

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

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

26. ACQUISITION OF A SUBSIDIARY

In July 2009, the Group acquired the entire equity interest in Nanjing Ruinian which was owned by Hong Kong Ruinian International Holdings Limited and 瑞年集團有限公司 (Ruinian Group Company Limited) ("Ruinian Group") (both companies are controlled by the Controlling Shareholder), for a consideration of RMB211 million. Pursuant to the supplemental agreement, should the profit of Nanjing Ruinian for the next 24 months commencing January 1, 2010 be less than RMB30 million per annum, any shortfall against the actual profit will be subject to cash compensation by the vendors to the Group. No compensation was applicable for the year ended December 31, 2010 as the profit of Nanjing Ruinian was in excess of RMB30 million for the year ended December 31, 2010. The principal assets of Nanjing Ruinian comprises property, plant and equipment, land use rights and intangible assets situated in the PRC. This acquisition of a subsidiary has been accounted for as acquisition of assets as Nanjing Ruinian has not commenced full operations as at the acquisition date. The net assets acquired are as follows:

	RMB'000
Property, plant and equipment	90,750
Land use rights	42,600
Intangible assets	45,000
Deposits made on acquisition of property, plant and equipment	1,257
Advance payments for acquisition of technical knowhow	27,000
Inventories	348
Trade and other receivables	2,693
Bank balances and cash	213
Trade and other payables	(7,484)
Amount due to a related company	(16,918)
Amount due to a director	(123)
Short-term bank loans	(5,000)
	180,336
Deemed distribution to Controlling Shareholder	30,664
	211,000
Satisfied by:	
Cash consideration paid in 2008 and included in deposits made on acquisition of a subsidiary	211,000
Cash inflow arising on acquisition:	
Deposits made on acquisition of a subsidiary refunded	2,082
Bank balances and cash acquired	213
	2,295

27. MAJOR NON-CASH TRANSACTIONS

During the year, deposits paid in 2009 for acquisition of property, plant and equipment which amounted to RMB12,380,000 was utilised to off-set the purchase of property, plant and equipment.

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

28. OPERATING LEASE COMMITMENTS

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

	2010 **RMB'000**	2009 RMB'000
Within one year	**8,498**	272
In the second to fifth year inclusive	**14,461**	–
	22,959	272

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

29. CAPITAL COMMITMENTS

	2010 **RMB'000**	2009 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of		
– property, plant and equipment	**185,799**	71,368
– technical knowhow	**47,650**	2,000
	233,449	73,368

30. RETIREMENT BENEFITS SCHEME

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

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

31. RELATED PARTY TRANSACTIONS

(a) Other than the transactions and balances with related parties disclosed in respective notes in these consolidated financial statements, during the year, professional expenses of RMB11,440,000 attributable to the sales of shares of the Company held by certain shareholders was paid by the Company and was considered as deemed distributions.

(b) Compensation of key management personnel

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

	2010	2009
	RMB'000	RMB'000
Salaries and other benefits	**9,766**	2,977
Equity-settled share-based payments	**7,577**	–
Retirement benefits scheme contributions	**99**	81
	17,442	3,058

32. PRINCIPAL SUBSIDIARIES

Details of Company's principal subsidiaries, all of which are wholly-owned by the Company indirectly, at December 31, 2010 are as follows:

Name of subsidiary	Country of establishment/ operations	Fully paid registered capital	Principal activity
Ruinian Industry	PRC as a wholly foreign owned enterprise for a term until June 9, 2036 commencing August 22, 2006	RMB530,000,000	Manufacture and sales of health and nutritional supplements
Nanjing Ruinian	PRC as a sino-foreign equity joint venture for a term of 20 years commencing January 5, 2004	US$20,000,000	Manufacture and sales of pharmaceutical products
無錫正乾生物科技有限公司 (Wuxi Zhenqian Bio-technology Company Limited)	PRC as a wholly foreign owned enterprise for a term of 50 years commencing June 22, 2010	US$35,000,000	Property holding for construction of production facilities

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

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

FINANCIAL SUMMARY

	Year ended December 31,				
	2006	2007	2008	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Turnover	196,747	405,523	623,357	850,622	**1,357,246**
Profit before taxation	37,371	154,529	156,815	313,112	**528,067**
Taxation	(12,856)	(19,321)	(36,836)	(103,410)	**(175,802)**
Profit for the year	24,515	135,208	119,979	209,702	**352,265**

	As at December 31,				
	2006	2007	2008	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	812,301	789,556	915,539	1,227,050	**2,684,829**
Total liabilities	(638,122)	(478,305)	(301,743)	(434,206)	**(303,870)**
Net assets	174,179	311,251	613,796	792,844	**2,380,959**

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