瑞年國際
Real Nutriceutical

瑞年國際有限公司
REAL NUTRICEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2010

Keeping up with the times, EXPLORING AND INNOVATING

Annual Report 2012

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. Xu Hua Feng
Mr. Chan Kee Ming

AUDIT COMMITTEE

Dr. Wong Lung Tak Patrick, BBS, J.P. *(Chairman)*
Dr. Fong Chi Wah
Mr. Xu Hua Feng

REMUNERATION COMMITTEE

Dr. Fong Chi Wah *(Chairman)*
Mr. Wang Fucai
Dr. Wong Lung Tak Patrick, BBS, J.P.
Mr. Xu Hua Feng

NOMINATION COMMITTEE

Mr. Wang Fucai *(Chairman)*
Dr. Wong Lung Tak Patrick, BBS, J.P.
Dr. Fong Chi Wah
Mr. Xu Hua Feng
Mr. Chan Kee Ming

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

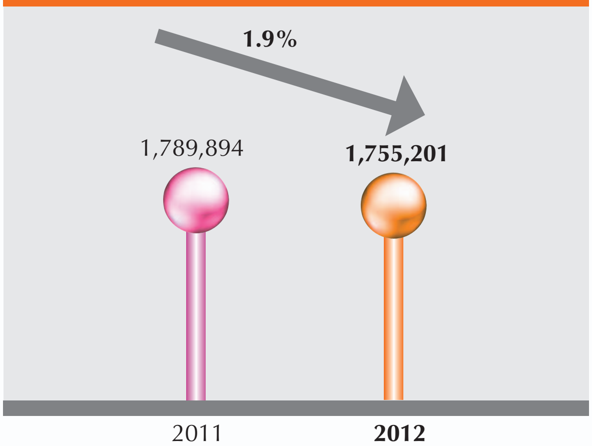
Unit A, 10th Floor
China Overseas Building
No. 139 Hennessy Road and
No. 138 Lockhart Road
Wan Chai, Hong Kong

FINANCIAL HIGHLIGHTS

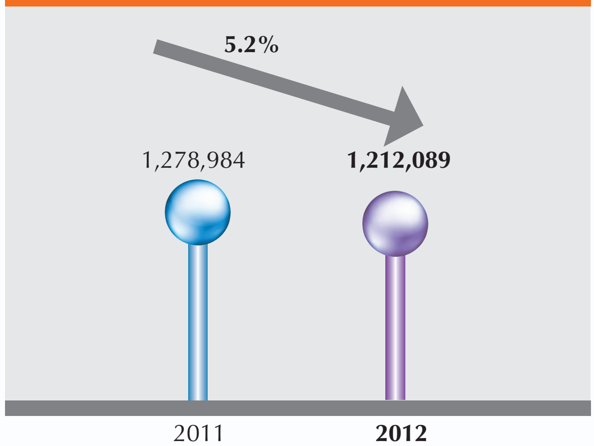
	2012	2011	Change
	RMB'000	RMB'000	%
Turnover	**1,755,201**	1,789,894	(1.9%)
Gross profit	**1,212,089**	1,278,984	(5.2%)
Profit attributable to owners of the Company	**465,928**	551,638	(15.5%)
Basic earnings per share (cents)	**41.5**	48.9	(15.1%)
Declared final dividend (HK cents)	**3.2**	3.0	6.7%

FINANCIAL HIGHLIGHTS

Turnover
(RMB'000)



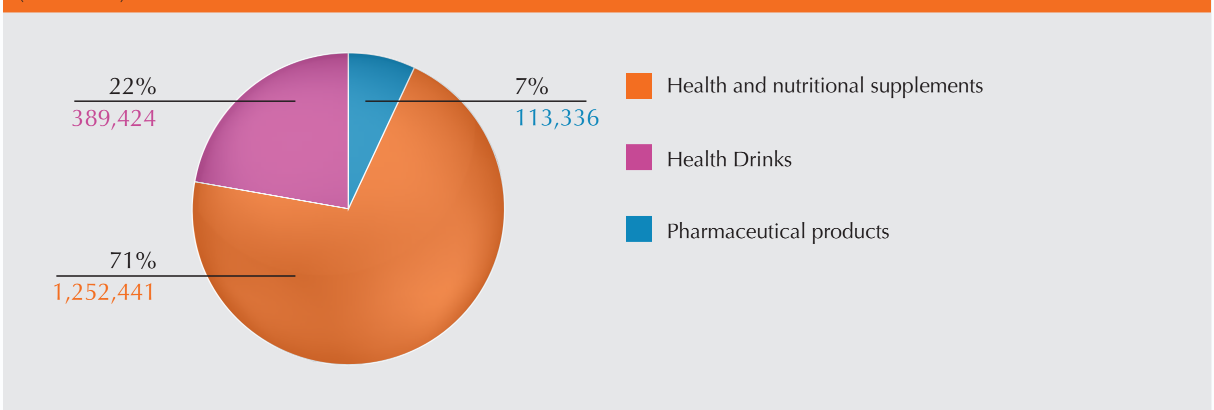
Gross Profit
(RMB'000)



Profit attributable to owners of the Company
(RMB'000)

Basic earnings per share
(Cents)

Sales analysis by categories
(RMB'000)



CHAIRMAN'S STATEMENT FOR THE YEAR 2012

Chairman

Mr. Wang Fucai

We are pleased to present the final results of Real Nutriceutical Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended December 31, 2012.

BUSINESS REVIEW

China's consumer market was full of challenges in 2012. Uncertainties prevailed in the Chinese as well as global economies with slow down of consumption growth. The Group adopted conservative operation strategy and maintained a stable operating result with a turnover of RMB1,755.2 million and net profit of RMB465.9 million, representing year-on-year decrease of 1.9% and 15.5% respectively. The overall gross profit margin decreased slightly from 71.5% in 2011 to 69.1% in 2012, mainly due to the change in sales mix and slight increase in production cost. The drop in net profit was mainly attributable to increase in selling and marketing expenses and administrative expenses accompanying larger capital investment and a bigger workforce for administration and production.

During the year 2012, sales of health and nutritional supplement products decreased slightly by 2.2% to RMB1,252.4 million as a result of weaker than expected sales growth for core amino acids tablets and liquid products in the fourth quarter of the year. Nevertheless, other health supplement products reported considerable sales growth due to the launch of certain new products. Health drink products reported sales of RMB389.4 million in the period with year-on-year decrease of 5.1%. The Group's pharmaceutical products reported sales of RMB113.3 million in the period, with year-on-year increase of 13.9%, mainly attributable to the launch of medicine distribution business and good sales growth of new eye-drop product.

The Group continued to expand its retail network in proactive and solid pace. The Group's nutritional and health supplement products were sold through approximately 65,000 retail outlets in China as at December 31, 2012, up from approximately 60,000 retail points as at the end of 2011. These retail points include certain newly developed channels like Guangdong Dashenlin Drug Chainstores, Laobaixin Pharmacy Chain, Jiangxi Ganzhou Baihu Supermarket Chain, Jiangxi Guoguang Commercial Chain, Ganzhou Rainbow Department Store. The Group's health drink products were sold through over 200,000 retail outlets covering Jiangsu, Zhejiang, Guangdong, Anhui, Guangxi, Hainan regions. The pharmaceutical products of the Group were sold through over 350 hospitals.

The Group actively developed new sales channels with Real Nutri Health Store as the key development project of which sales reached RMB75.6 million for the year 2012. During the year 2012, the Group opened 47 new Real Nutri Health Stores in major cities like Qingdao, Hangzhou, Taizhou, Wuhan, Shaoxin, Suzhou. Besides purchasing the Group's products in these direct stores, our consumers and members of our health club, Real Nutri Health Club, can enjoy the services including free basic body checks, health consultations and healthcare activities offered by the

CHAIRMAN'S STATEMENT FOR THE YEAR 2012

47 new Real Nutri Health Stores were opened in 2012.

stores. During the year 2012, the Group held about 750 club member activities. There were about 190,000 registered members of our health club at the end of the year 2012. The Group believes through this type of active interaction with health club members and consumers, we can better understand their health needs and consumption patterns, and build a much stronger long term bonding with them. This would help the Group to further penetrate the local markets in the PRC in the long term. In addition, the Group had a good result on internet sales of its products with sales of RMB44.5 million in the year.

The Group continued to launch various marketing and promotion activities, and implement long term systematic market expansion programs, so as to further strengthen corporate image and enhance brand awareness. During the year 2012, the Group launched television commercials in broadcast channels of CCTV, satellite TV, local TV and public transport TV, with a coverage of about 40 television channels in Shanghai, Jiangsu, Zhejiang, Shandong, Anhui, Hubei, Guangdong, Chongqing and Sichuan. The Group also held about 2,000 sales promotion activities for health supplement products and participated in many major sales conferences and exhibitions, including 2012 Jiangsu Commodities Trade Fair in Chongqing, 2012 China (Chengdu) Fair of Famous, Special and Quality Products of Wuxi, Boao Forum for Healthcare Industry 2012 in Hainan, The 7th International Retailers' Sourcing Fair in Nanjing. In addition to the traditional promotion channels, the Group leveraged on the internet to promote the Real Nutri brand and posted advertisements and health news in over 100 popular websites and online forums such as Tencent, Sohu, Sina, People.cn, Cnfol.com, Chinanews, Xinhuanet, Qianlong.com, NETEASE, iFeng, Yahoo Forum, Baidu Forum, Xici Forum and Tianya Laiba. The Group provided internet surfers with healthcare information and the Group's latest information through our official blog. The Group also held regular blog activities including 10 blog events during the year 2012 for over 100,000 blog's fans. On public healthcare education, the Group promulgated the health benefits of amino acids to the public through various channels, including television feature programs, celebrity interviews and corporate articles. During the year, the Group participated in TV programs like Jiangsu Television "Pinnacle Interview" and "Real Nutri Quality", Wuxi Television "Advice from NCCPPCC member" and printed articles of Wuxi Daily, Wuxi Business, Today Business Circle.


The health drink production base commenced operation in 2012.

As the health drinks production base in Wuxi for herbal tea and amino acids drinks commenced operation in 2012, the Group can exercise not only more stringent control over its product quality, but also have more flexibility in development of new amino acids health drinks and other nutritional health drinks. During the year 2012, the Group held over 3,000 health drinks promotion activities for health drinks business in Zhejiang, Jiangsu, Guangdong, Hubei, Hunan and Anhui. We also participated in and sponsored a number of major events including The 86th China National Food, Wine & Spirits Fair (Spring 2012 — Chengdu China), The 8th China Hunan Miluojiang International Dragon Boat Festival and The 2nd Community Cultural and Art Festival, Yueyang Tower District.

For the pharmaceutical business, the Group strengthened the promotion and after sales services for our pharmaceutical products through the drug operation center. During the year 2012, the Group held over 300 academic promotion activities and attended major medical conferences, including The 15th Annual Meeting of Chinese Society of Clinical Oncology where the Group held a satellite meeting for a number of top China oncology experts to present the efficacy and development of the Group's Topotecan Hydrochloride Capsules. The Group also organized a China oncology expert group led by an academician of Chinese Academy of Sciences to participate in The 10th Asian Clinical Oncology Society in Seoul, Korea. In addition, the Group joined The 6th Chinese Symposium On Medical Oncology and The 47th National New Special Drugs Commodities Fair. For the high-end eye medicine business, the Group attended several major ophthalmology conferences, including The 17th Congress of Chinese Ophthalmological Society, 2012 Nanjing Medical University The 2nd Jingling Ophthalmology Conference, The 2nd Annual Meeting of Ophthalmological Society of Hubei Province and Hubei Xiangyang Ophthalmology Annual Meeting.

During the year, the Group commenced the cooperation with the Peking University Health Science Center to establish the Peking University and Real Nutri Joint Laboratory at the Peking University. The laboratory facilities include labs for quality standard, chemical drugs analyses, cell culture, in-vitro diagnosis and pharmaceuticals. Through the cooperation, the Group can enhance the operating standards for pharmaceutical quality standards, pharmaceutical analysis and medicine registration. It can also accelerate the Group's new product development, particularly in the areas of anticancer drugs and high-end eyes medicine.

CHAIRMAN'S STATEMENT FOR THE YEAR 2012

The Group adheres to its corporate motto of "Professional Devotion To Health" to promote the health benefits of amino acids to the people. At the same time, we strictly monitor our products' quality in order to provide the best quality nutritional health supplement products for the enhancement of the peoples' health. During the year, the Group optimized the purchase system, strengthened quality screening on raw materials, and introduced various advanced quality control equipment to ensure products' quality and safety. The Group also invested in setting up raw material cultivation base to ensure a stable and long term supply of high quality and safe raw materials to cope with diversifying products range.

In order to cater to the specific health needs of different target end-user groups, the Group continued to enrich its product portfolio. During the year 2012, the Group launched several new nutritional supplement products including Donkey-hide Gelatin Sachet Powder, Tryptophan Amino Acids Tablets, Arginine Amino Acids Tablets and BCAA Tablets, Hydro-Collagen Drinks. The health drinks product line added four new amino acids drink products with lime, peach, grapefruit and icy sugar pear flavors respectively.

The Group's products are being sold to 65,000 retail outlets in China.

INVESTOR RELATIONS

To reinforce the communication with investors, the Group participated in various investor activities including 10 major investors' conferences and a number of roadshows in New York, Singapore, Hong Kong, Beijing, Shanghai and Hangzhou. The Group also held over 130 investor meetings and communicated with over 300 fund managers and analysts through meetings or conference calls, as well as hosted over 15 plant visits in Wuxi.

CORPORATE SOCIAL RESPONSIBILITY

The Group is dedicated to contributing towards the community and actively taking part in various charity events while we develop our business. During the year 2012, the Group participated in several charity events, including: the grant of Real Nutri Scholarship at the Peking University Health Science Center for consecutive three years to support the development of China healthcare industry and nuture outstanding medical talents, sponsorship for the Postal Parcels for Mothers Project in Beijing by China Women's Development Foundation, co-hosting of a woman healthcare event with The Women's Federation in Xueyuan, Changzhou, Jiangsu, donation of amino acids health supplement products to Mashan Feng Ying Nursing Homes in Wuxi, donation of medicines and amino acids health supplement products to earthquake affected areas in Liliang, Yunnan, as well as sponsorship for Wuxi Binhu Natural Music Festival.

PROSPECTS

China's ongoing medical reform, aging population problem and the people's rising health awareness highlight the importance of nutritional health supplement industry in the country's economic development and its population's health in a long term. Due to the slight slowdown in China's consumer market growth, and the fact that the consumption pattern may be occasionally affected by the government policies and economic cycles, sales of nutritional health supplement sector may experience short term fluctuation. In the medium to long term, the Group's supreme nutritional health supplement products are affordable to a vast population, especially in serving different target end users' health needs, such as beauty, diseases prevention and body growth promotion. The Group is confident of the prospects of nutritional health supplement market in China and takes a prudent and optimistic stance towards our business development outlook. Meanwhile, the Group will closely monitor market conditions, and make appropriate prompt response to market changes in order to reinforce our business and expand market share.

The Group will expand the business with a conservative and pragmatic approach, and will strengthen the nationwide sales coverage in order to increase our market shares. In addition to the continuous penetration to the existing Eastern and Southern China markets, the Group will also develop new sales regions and increase the number of retail points. We will further consolidate the local markets through establishment of Real Nutri Health Stores. The Group plans to increase investment for developing the local markets by opening at least 50 Real Nutri Health Stores by the end of 2013 in over 16 provinces including Guangdong, Jiangsu, Zhejiang, Shandong, Hubei, Hunan, Yunnan, Jiangxi, Shanxi and Guizhou. At the same time, the Group will capture opportunities arising from its internet direct-sales business to attract new customer groups. In order to drive the internet direct-sales growth, the Group will refine the membership system, customer telecommunication service system and the internet direct-sales platform to provide better quality internet direct-sales service to our health club members. The Group also plans to provide members with more diversified health experience, like eco-health nature tour and health checks leisure holidays, so as to fully cater for the nutritional health, and both physical and mental health needs of our health club members.

At least 50 Real Nutri Health Stores will be opened in 2013.

Apart from the traditional sales network liked supermarkets, hypermarkets, chain pharmacies, and the new direct-sales channels on the internet and our Real Nutri Health Stores, the Group is also exploring the business potential of alternative sales models such as multi-layer direct sales platform. Through internal development or acquisition, the Group targets to innovate an all dimensional sales model that would better suit the future development of China's nutritional health supplement consumer market. For new products, the Group plans to launch several new health supplement products including Calcium and Zinc Multi-Vitamin Tablets, Calcium, Iron, Zinc, Selenium and Vitamins Tablets and Chewable Multi-Vitamin and Minerals Tablets for children. For the health drinks segment, the Group plans to launch various health drink products including U-brand Amino Acids Drink. For pharmaceutical business, the Group plans to develop and introduce more novel medical products to enrich its pharmaceutical product range.

The Group's new large scale production base in Wuxi is under construction with sound progress. The new production base builds a solid foundation for the Group to meet colossal demand for nutritional health supplement products in China in the medium to long term. The first phrase production line is expected to commence operation at the end of 2013 or early 2014.

The Group will take a practical and prudent approach to actively respond to varies market challenges and opportunities. In addition, the Group will continue to enhance its competitiveness and strengthen our position in the nutritional health supplement industry in China.

DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK3.2 cents per share for the year ended December 31, 2012 (2011: HK3.0 cents).

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 27, 2013

Results

The turnover of the Group in 2012 was RMB1,755.2 million, representing a decrease of approximately 1.9% from RMB1,789.9 million in 2011. Profit attributable to owners of the Company decreased by approximately 15.5% to RMB465.9 million in 2012 from RMB551.6 million in 2011. The Company's basic earnings per share ("Share") reached RMB41.5 cents (2011: RMB48.9 cents) based on the weighted average number of 1,123.6 million (2011: 1,127.9 million) Shares in issue during the year. The decrease in financial results in 2012 was mainly attributable to the weaker than expected sales growth in the fourth quarter of the year.

Turnover

The turnover of the Group decreased by approximately 1.9% from RMB1,789.9 million in 2011 to RMB1,755.2 million in 2012. Sales of health and nutritional supplements decreased by approximately 2.2% from RMB1,280.1 million in 2011 to RMB1,252.4 million in 2012, which was primarily due to the weaker than expected sales growth for core amino acids tablets and liquid products in the fourth quarter of the year. Sales of health drinks decreased by approximately 5.1% from RMB410.4 million in 2011 to RMB389.4 million in 2012. Turnover from sales of pharmaceutical products increased by approximately 13.9% from RMB99.5 million in 2011 to RMB113.3 million in 2012.

Gross profit

The Group's gross profit decreased from RMB1,279.0 million in 2011 to RMB1,212.1 million in 2012. The Group's average gross profit margin decreased from 71.5% in 2011 to 69.1% in 2012. Such decrease in gross profit margin was mainly due to the change in sales mix and slight increase in production cost.

Other income

The Group's other income increased from RMB26.7 million in 2011 to RMB50.6 million in 2012, 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 8.2% from RMB436.7 million in 2011 to RMB472.3 million in 2012, represented approximately 24.4% in 2011 and 26.9% in 2012 of the Group's turnover. Such increase was primarily due to the increase in promotional fee for the Group's products from RMB3.4 million in 2011 to RMB18.8 million in 2012 and depreciation of the Real Nutri Health Stores from RMB6.1 million in 2011 to RMB19.7 million in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and equity-settled share based payments expenses

The Group's administrative expenses increased by approximately 30.8% from RMB67.5 million in 2011 to RMB88.3 million in 2012, represented approximately 3.8% in 2011 and 5.0% in 2012 of the Group's turnover. Such increase was primarily due to the depreciation of property, plant and equipment increased from RMB9.4 million in 2011 to RMB29.0 million in 2012. Equity-settled share based payments RMB2.2 million (2011: RMB7.5 million) were the expenses in relation to the employee share options granted under the Pre-IPO Share Option Schemes.

Interest on bank borrowings

The Group's interest on bank borrowings increased by approximately 20.2% from RMB19.5 million in 2011 to RMB23.4 million in 2012, which was primarily due to the increase in interest rates for bank loans in 2012. The interest rates of the Group's variable-rate bank loans ranged from 6.0% to 6.9% in 2012, compared to 5.8% to 6.7% in 2011.

Taxation

Tax charge decreased by approximately 5.6% from RMB222.9 million in 2011 to RMB210.5 million in 2012 primarily due to the decrease in profit before taxation. The Group's effective tax rates in 2011 and 2012 were 28.8% and 31.1%, respectively.

Profit attributable to owners of the Company

As a result of the foregoing, the Group's profit for the year decreased from RMB551.6 million in 2011 to RMB465.9 million in 2012. The Group's profit margin decreased from approximately 30.8% in 2011 to approximately 26.5% in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2012, net cash decreased by RMB55.0 million. RMB348.4 million were generated from operating activities, while RMB398.6 million and RMB4.8 million were spent on investing activities and financing activities respectively .

Inventories

The Group's inventories increased to RMB66.8 million (2011: RMB59.1 million) as at December 31, 2012 primarily due to the weaker than expected sales growth in the fourth quarter of the year. 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 42 days (2011: 28 days). The longer inventory turnover period during the year was primarily the result of increase in inventory at the year end.

Trade receivables

The Group's trade and bills receivables amounted to RMB506.9 million (2011: RMB449.0 million) as at December 31, 2012. During the year, the distributors were generally granted a credit term of 90 days. Turnover days for trade and bills receivables increased to 99 days (2011: 79 days), primarily due to the weaker consumer market leading to the distributors' delay in payment.

Trade Payables

The Group's trade and bills payables amounted to RMB35.1 million (2011: RMB52.8 million) as at December 31, 2012. During the year, the credit term provided by the suppliers generally was 90 days. Turnover days for trade and bills payables decreased to 32 days (2011: 46 days), which was primarily the result of the re-negotiation with suppliers to fixed the materials price for earlier payment.

Borrowings

As at December 31, 2012, the Group had short-term bank loans in the amount of RMB195.0 million (2011: RMB127.0 million) and a gearing ratio of 5.3% (2011: 3.9%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

Pledge of assets

As at December 31, 2012, the Group has pledged the Group's land use right in amount of RMB41.4 million for the bank borrowing (2011: nil).

Capital expenditure

During the year, the Group invested approximately RMB444.8 million (2011: RMB508.8 million) for purchase of property, plant and equipment, land use rights and intangible assets.

Capital commitments and contingent liabilities

As at December 31, 2012, the Group's capital commitments were approximately RMB205.1 million (2011: RMB222.2 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, 2012 (2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2012, net proceeds of approximately RMB894.3 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 of the Company 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 requirements. As at December 31, 2012, the Group employed a work force of 894. The total salaries and related costs for the year ended December 31, 2012 amounted to approximately RMB27.9 million (2011: RMB23.8 million).

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The board of directors of the Company strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

Saved as disclosed below, the Company complied with the code provisions of the Code on Corporate Governance Practices (the "Former Code", formerly set out in Appendix 14 to the Listing Rules) during the period from January 1, 2012 to March 31, 2012 and of the Corporate Governance Code and Corporate Governance Report (the "New Code", the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering the period after April 1, 2012) during the period from April 1, 2012 to December 31, 2012. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended December 31, 2012.

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 for the year ended December 31, 2012.

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, 2012, 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 (resigned on September 1, 2012)
Mr. Xu Hua Feng (appointed on September 1, 2012)
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	4/4
Independent Non-executive Directors	
Dr. Wong Lung Tak Patrick, BBS, J.P.	4/4
Dr. Fong Chi Wah	4/4
Mr. Chan Kee Ming	4/4
Mr. Bernard Ban-yew Yaw (resigned on September 1, 2012)	4/4
Mr. Xu Hua Feng (appointed on September 1, 2012)	0/4

(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 Former Code and the New 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.

(ix) Continuous Professional Development

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

During the year ended December 31, 2012, the Directors participated in the following trainings:

	Type of Trainings
Executive Directors	
Mr. Wang Fucai *(Chairman and Chief Executive Officer)*	A, B
Mr. Yu Yan	A, B
Mr. Li Lin	A, B
Mr. Yi Lin	A, B
Mr. Zhang Yan	A, B
Ms. Au-yeung Kam Ling Celeste	A, B
Non-executive Directors	
Mr. Ip Tak Chuen, Edmond	A, B
Mr. Tsang Sze Wai, Claudius	A, B
Independent Non-executive Directors	
Dr. Wong Lung Tak Patrick, BBS, J.P.	A, B
Dr. Fong Chi Wah	A, B
Mr. Chan Kee Ming	A, B
Mr. Bernard Ban-yew Yaw (resigned on September 1, 2012)	A, B
Mr. Xu Hua Feng (appointed on September 1, 2012)	B

A: attending seminars and/or conferences and/or forums relating to directors' duties

B: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

(x) Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

(xi) Company Secretary

Mr. Poon Yick Pang, Philip, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the year ended December 31, 2012, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out on in the section entitles "Biography of Directors and Senior Management" in the annual report.

BOARD COMMITTEES

The Board has established Remuneration Committee, Nomination Committee and Audit Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and Hong Kong Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(i) Remuneration Committee

The terms of reference of the remuneration committee are in compliance with the provisions of the Former Code and the New Code (where applicable). The remuneration committee comprises Mr. Wang Fucai, Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah and Mr. Xu Hua Feng. 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 (resigned on September 1, 2012)	1/1
Mr. Xu Hua Feng (appointed on September 1, 2012)	0/1

(ii) Nomination Committee

The terms of reference of the nomination committee are in compliance with the provisions of the Former Code and the New Code (where applicable). The nomination committee comprises Mr. Wang Fucai, Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah, Mr. Xu Hua Feng and Mr. Chan Kee Ming. Mr. Wang Fucai is the chairman of the nomination committee.

The primary responsibilities of the nomination committee are to review the structure, size and composition of the Board and make recommendations to the Board on the selection of, individuals nominated for directorships.

During the year, the nomination committee has held one meeting, at which members of the nomination committee has considered and reviewed the existing structure, size and composition of the Board. The remuneration committee considered that the existing structure, size and composition of the Board are reasonable.

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

	Attendance at meeting
Mr. Wang Fucai	1/1
Dr. Fong Chi Wah	1/1
Dr. Wong Lung Tak Patrick, BBS, J.P.	1/1
Mr. Bernard Ban-yew Yaw (resigned on September 1, 2012)	1/1
Mr. Xu Hua Feng (appointed on September 1, 2012)	0/1
Mr. Chan Kee Ming	1/1

(iii) Audit Committee

The terms of reference of the audit committee are in compliance with the provisions of the Former Code and the New Code (where applicable). 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. Xu Hua Feng, 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 2013, 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, 2012 and the audited annual results for the year ended December 31, 2011, 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 (resigned on September 1, 2012)	2/2
Mr. Xu Hua Feng (appointed on September 1, 2012)	0/2

AUDITOR'S REMUNERATION

The Group's external auditor is Deloitte Touche Tohmatsu. For the year ended December 31, 2012, 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, 2012 RMB'000
Annual audit services	2,416
Non-audit services	1,230

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.

ACCOUNTABILITY AND AUDIT

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.

The statement of the auditor of the Company on their reporting responsibilities on the financial statements of the Group is set out on page 44 of the annual report.

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, 2012, 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 Former Code and the New Code.

RIGHTS OF SHAREHOLDERS

(i) How the Shareholders convene Extraordinary General Meeting and make recommendations at general meetings

According to the articles of association of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The letter of demanding an Extraordinary General Meeting mentioned above shall be sent to the principal place of business of the Company in Hong Kong stating the Board of the Company or the Company Secretary as the addressee.

(ii) How to make enquiry to the Board

Shareholders may send letters to the principal place of business of the Company in Hong Kong for any enquires stating the Board of the Company or the Company Secretary as the addressee.

(iii) Significant changes on the Articles of Association

During the year ended December 31, 2012, there is no significant change to the articles of association of the Company.

(iv) 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, the audit committee and the nomination 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 29, 2013. 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 57, 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 48, 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 25 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 45, 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 16 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yi Lin (伊林), aged 49, 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 23 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 36, 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 14 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 50, 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 20 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 60, 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
Hong Kong Jewelly Holding Limited[4]	non-executive director (resigned on July 3, 2012)
Shougang Concord International Enterprises Company Limited	non-executive director
ARA Asset Management (Fortune) Limited, 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
Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust	non-executive 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 Excel Technology International Holdings Limited.

Mr. Ip holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tsang Sze Wai Claudius (曾思維), aged 36, 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 Asset 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 14 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 of engineering from The Chinese University of Hong Kong in 1998 and a bachelor degree of law 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 65, 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. 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 and was appointed a Justice of the Peace as well as awarded a Bronze Bauhinia Star by the Government of the HKSAR. 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, Guangzhou Pharmaceutical Company Limited, Winox Holdings Limited and National Arts Holdings Limited, all of which are listed on the Stock Exchange.

Dr. Fong Chi Wah (方志華), aged 50, 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 23 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. Xu Hua Feng (徐華鋒), aged 43, is an independent non-executive Director and joined the Group in September 2012. Mr. Xu was appointed as an independent non-executive Director of the Company on September 1, 2012. Mr. Xu obtained a Bachelor of Laws from the China Youth University for Political Sciences (中國青年政治學院*) in 1992 and has been the Secretary of China Health Care Association (中國保健協會*) since 2004. Mr. Xu has over 15 years of experience in the nutrition and health care food products industry. Mr. Xu was the Director of International Department of China Health Care Association, the Director of Office of China Health Care Association, the person-in-charge of the Research Group for "Regulatory System of Health Care Food Products in China" (「中國保健食品監管體系研究」課題組*), the Executive Editor of the "Blue Book of the Development of Health Care Food Products in China" (《中國保健食品發展藍皮書》*) and the member of the Expert Committee of World (China) Direct Selling Research Centre (世界直銷(中國)研究中心*).

Mr. Chan Kee Ming (陳基明), aged 48, 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 12 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 43, is the chief financial officer and the Company Secretary. He joined the Company in June 2008. Mr. Poon has over 18 years of corporate finance and accounting experience. Prior to joining the Company, he was the senior management of a number of listed companies in U.S. and Hong Kong. Mr. Poon also served various positions in Advent International Corporation, a global private equity firm, and in major listed companies in Hong Kong, including Lenovo Group Limited and Sun Hung Kai Properties Limited. Mr. Poon obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Quan Guangde (全廣德), aged 63, 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 30 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yuan Jianjun (袁建軍), aged 42, 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 17 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, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 28 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2012 are set out in the consolidated statement of comprehensive income on page 46 of this annual report.

The Directors recommended the payment of a final dividend of HK3.2 cents per Share.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended December 31, 2012 amounted to approximately RMB350.0 million. Details of the movements during the year in the Group's property, plant and equipment are set out in note 12 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 22 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 pages 48–49 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 96 of this annual report.

BORROWINGS

Details of bank loans of the Group as at December 31, 2012 are set out in note 21 to the consolidated financial statements of this annual report.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended December 31, 2012 and 2011, sales to the Group's five largest customers, in aggregate represented approximately 20.1% and 22.2% of the Group's total sales, respectively. For the years ended December 31, 2012 and 2011, sales to the single largest customers amounted to approximately 4.9% and 5.2% of the Group's total sales, respectively.

For the years ended December 31, 2012 and 2011, purchases of raw materials, packaging materials and merchandise for resale from the Group's five largest suppliers accounted for approximately 56.3% and 54.0% of the Group's total purchases, respectively. For the years ended December 31, 2012 and 2011, purchases from the single largest supplier amounted to approximately 17.3% and 13.9% of the Group's total purchases, respectively.

For the year ended December 31, 2012, none of the Directors or any of their associates or any shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

DIRECTORS

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

Executive Directors

Mr. Wang Fucai (reappointed as an executive director on May 25, 2012)
Mr. Yu Yan (reappointed as an executive director on May 5, 2011)
Mr. Li Lin (reappointed as an executive director on May 5, 2011)
Mr. Yi Lin (reappointed as an executive director on May 5, 2011)
Mr. Zhang Yan (reappointed as an executive director on May 5, 2011)
Ms Au-yeung Kam Ling Celeste (reappointed as an executive director on May 25, 2012)

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. (reappointed as an independent non-executive director on May 25, 2012)
Dr. Fong Chi Wah (reappointed as an independent non-executive director on May 25, 2012)
Mr. Bernard Ban-yew Yaw (resigned as an independent non-executive director on September 1, 2012)
Mr. Chan Kee Ming (appointed as an independent non-executive director on May 26, 2010)
Mr. Xu Hua Feng (appointed as an independent non-executive director on September 1, 2012)

In accordance with article 84 of the articles of association of the Company, Mr. Ip Tak Chuen Edmond, Mr. Tsang Sze Wai, Claudius, Mr. Chan Kee Ming 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 pages 25–30 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 8 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 26 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, 2012, 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	383,788,093 Shares (L)		34.17%
	short position	16,548,359 Shares (S)		1.47%
Mr. Yu Yan	beneficial owner		1,450,000 Shares (L)	0.13%
Mr. Li Lin	beneficial owner		920,000 Shares (L)	0.08%
Mr. Yi Lin	beneficial owner		870,000 Shares (L)	0.08%
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%
Dr. Wong Lung Tak Patrick, BBS, J.P.	beneficial owner	100,000 Shares (L)		0.01%

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 16,548,359 Shares held by Strong Ally Limited and the short position over 16,548,359 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 383,788,093 Shares held by Furui and Strong Ally Limited and the short position over 16,548,359 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, 2012, 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;

(ii) 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

(iii) 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 outstanding on January 1, 2012	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Options Outstanding up to December 31, 2012
(1)	Directors					
	Yu Yan	1,450,000	–	–	–	1,450,000
	Li Lin	920,000	–	–	–	920,000
	Yi Lin	880,000	10,000	–	–	870,000
	Zhang Yan	1,500,000	–	–	–	1,500,000
	Au-yeung Kam Ling Celeste	560,000	–	–	–	560,000
(2)	Employees and others	29,662,359	1,000	–	–	29,661,359

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 for the year ended December 31, 2012 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, 2012, 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	383,788,093	34.17%
	short position	16,548,359	1.47%
Qin Shifeng (秦士豐)[(2)]	interest of spouse	383,788,093	34.17%
	short position	16,548,359	1.47%
Pyrope Assets Limited ("PAL")[(3)]	interest in a controlled corporation	56,387,161	5.02%
CK Life Sciences Int'l., (Holdings) Inc.[(3)] ("CK Life")	interest in a controlled corporation	56,387,161	5.02%
Gold Rainbow Int'l Limited ("GRIL")[(4)]	interest in a controlled corporation	56,387,161	5.02%

Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Gotak Limited ("GL")(4)	interest in a controlled corporation	56,387,161	5.02%
Cheung Kong (Holdings) Limited ("CKHL")(4)	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1")(5)	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")(6)	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2")(6)	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing ("Mr. Li")(7)	interest in a controlled corporation	56,387,161	5.02%

Notes:

(1) Furui owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 16,548,359 Shares held by Strong Ally Limited and the short position over 16,548,359 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 383,788,093 Shares which Mr. Wang Fucai is interested in through Furui and Strong Ally Limited and the short position over 16,548,359 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

(3) CK Life directly owns the entire issued share capital of PAL and will be deemed to be interested in the 56,387,161Shares held by PAL.

(4) GRIL holds one third or more of the issued share capital of CK Life and will be deemed to be interested in the 56,387,161 Shares held by CK Life. By virtue of the above, GRIL is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which PAL or CK Life is taken as interested as a substantial shareholder of the Company under the SFO. Since GRIL is wholly-owned by GL, GL is deemed to be interested in the same number of Shares in which GRIL is interested under the SFO. Since GL is wholly-owned by CKHL, CKHL is deemed to be interested in the same number of Shares in which GL is interested under the SFO.

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

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

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

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, 2012, which do not constitute connected transactions under the Listing Rules on the Stock Exchange, are disclosed in notes 23 and 27 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. Xu Hua Feng.

The audit committee has adopted a written terms of references which is in compliance with the Code on Corporate Governance Practices (the "Former Code", formerly contained in Appendix 14 to the Listing Rules) and the Corporate Governance Code and Corporate Governance Report (the "New Code", the new edition of the code on Corporate Governance Practices, which is applicable to financial reports covering the period after April 1, 2012). 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, 2012 and the audited annual results for the year ended December 31, 2012.

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 for the year ended December 31, 2012.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Former Code during the period from January 1, 2012 to March 31, 2012 and the New Code during the period from April 1, 2012 to December 31, 2012. For the year ended December 31, 2012, the Company has complied with all the applicable code provisions as set out in the Former Code and the New Code, except for deviation of the provision A.2.1 of the Former Code and the New Code. For details of the Corporate Governance Report, please refer to pages 15–24 of this annual report.

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

For the year ended December 31, 2012, The Company repurchased 1,086,000 issued ordinary shares on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled immediately upon repurchase.

Month of repurchase	Number of ordinary shares	Highest price per share HK$	Lowest price per share HK$	Aggregate price paid HK$'000	Equivalent aggregate price paid RMB'000
May 2012	1,086,000	2.15	2.09	2,322	1,893

Apart from the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities for the year ended December 31, 2012.

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, 2012, net proceeds of accumulated approximately RMB894.3 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 of the Company 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 for the year ended December 31, 2012.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2012. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to reappoint 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 Monday, May 27, 2013 to Wednesday, May 29, 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible 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. on Friday, May 24, 2013.

The register of members will be closed by the Company from Wednesday, June 5, 2013 to Friday, June 7, 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, 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. on Tuesday, June 4, 2012.

During the periods mentioned in the above, no transfer of shares of the Company will be registered.

On behalf of the Board
Wang Fucai
Chairman

Hong Kong, March 27, 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF REAL NUTRICEUTICAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Real Nutriceutical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 94, which comprise the consolidated statement of financial position as at December 31, 2012, 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 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.

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, 2012 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 27, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	6	**1,755,201**	1,789,894
Cost of goods sold		**(543,112)**	(510,910)
Gross profit		**1,212,089**	1,278,984
Other income		**50,617**	26,726
Selling and distribution costs		**(472,328)**	(436,696)
Administrative expenses		**(88,297)**	(67,498)
Equity-settled share based payments		**(2,211)**	(7,473)
Interest on bank borrowings wholly repayable within five years		**(23,425)**	(19,484)
Profit before taxation	7	**676,445**	774,559
Taxation	9	**(210,517)**	(222,921)
Profit for the year		**465,928**	551,638
Other comprehensive (expense) income			
— exchange differences arising on translation of foreign operations		**(8)**	1,326
Total comprehensive income for the year		**465,920**	552,964
Earnings per share	11		
— Basic		**41.5 cents**	48.9 cents
— Diluted		**41.5 cents**	48.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
Non-current assets			
Property, plant and equipment	12	**1,090,733**	824,017
Land use rights	13	**276,483**	184,268
Intangible assets	14	**74,887**	49,782
Deposits made on acquisition of property, plant and equipment		**16,369**	44,170
Advance payments for acquisition of technical knowhow	15	**162,059**	174,709
Deferred tax assets	16	**2,180**	5,200
		1,622,711	1,282,146
Current assets			
Inventories	17	**66,830**	59,116
Trade and other receivables	18	**648,735**	511,374
Bank balances and cash	19	**1,329,295**	1,384,327
		2,044,860	1,954,817
Current liabilities			
Trade and other payables	20	**122,732**	159,116
Taxation		**39,457**	62,783
Short-term bank loans	21	**195,000**	127,000
		357,189	348,899
Net current assets		**1,687,671**	1,605,918
Total assets less current liabilities		**3,310,382**	2,888,064
Non-current liabilities			
Deferred tax liabilities	16	**14,686**	11,123
Net assets		**3,295,696**	2,876,941
Capital and reserves			
Share capital	22	**9,858**	9,867
Reserves		**3,285,838**	2,867,074
Total equity		**3,295,696**	2,876,941

The consolidated financial statements on pages 46 to 94 were approved and authorised for issue by the Board of Directors on March 27, 2013 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, 2012

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Capital redemption reserve RMB'000 (Note b)	Share option reserve RMB'000	Translation reserve RMB'000	Non-distributable reserve RMB'000 (Note c)	Statutory surplus reserve fund RMB'000 (Note d)	Retained profits RMB'000	Total RMB'000
At January 1, 2011	9,929	1,241,844	459,745	–	9,915	798	(24,890)	106,672	576,946	2,380,959
Exchange differences arising on translation of foreign operations	–	–	–	–	–	1,326	–	–	–	1,326
Profit for the year	–	–	–	–	–	–	–	–	551,638	551,638
Total comprehensive income for the year	–	–	–	–	–	1,326	–	–	551,638	552,964
Shares repurchased	(62)	(26,852)	–	62	–	–	–	–	(62)	(26,914)
Recognition of equity-settled share based payments	–	–	–	–	3,742	–	3,731	–	–	7,473
Dividends	–	–	–	–	–	–	–	–	(37,541)	(37,541)
Transfers	–	–	–	–	–	–	–	51,967	(51,967)	–
	(62)	(26,852)	–	62	3,742	–	3,731	51,967	(89,570)	(56,982)
At December 31, 2011	9,867	1,214,992	459,745	62	13,657	2,124	(21,159)	158,639	1,039,014	2,876,941
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(8)	–	–	–	(8)
Profit for the year	–	–	–	–	–	–	–	–	465,928	465,928
Total comprehensive income for the year	–	–	–	–	–	(8)	–	–	465,928	465,920
Shares repurchased	(9)	(1,884)	–	9	–	–	–	–	(9)	(1,893)
Recognition of equity-settled share based payments	–	–	–	–	1,107	–	1,104	–	–	2,211
Dividends	–	–	–	–	–	–	–	–	(47,483)	(47,483)
Transfers	–	–	–	–	–	–	–	60,485	(60,485)	–
	(9)	(1,884)	–	9	1,107	–	1,104	60,485	(107,977)	(47,165)
At December 31, 2012	9,858	1,213,108	459,745	71	14,764	2,116	(20,055)	219,124	1,396,965	3,295,696

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 Co., Limited) ("Ruinian Industry") and the nominal value of paid-in capital of Ruinian Industry in August 2006;

(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) Capital redemption reserve arose from repurchase of shares. The amount represent the nominal amount of the shares repurchased.

(c) 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;

(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 of the Group.

(d) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are 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 subsidiaries while the amounts and allocation basis are based on the requirements of relevant laws and regulations in PRC. 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, 2012

	2012 RMB'000	2011 RMB'000
Operating activities		
Profit before taxation	**676,445**	774,559
Adjustments for:		
Interest income	**(46,206)**	(25,670)
Interest expenses	**23,425**	19,484
Depreciation of property, plant and equipment	**83,258**	33,563
Amortisation of intangible assets	**14,695**	9,577
Operating lease rentals in respect of land use rights	**3,707**	2,449
Equity-settled share based payments	**2,211**	7,473
Operating cash flows before movements in working capital	**757,535**	821,435
Increase in inventories	**(7,714)**	(40,297)
Increase in trade and other receivables	**(137,361)**	(128,285)
Decrease in trade and other payables	**(36,815)**	(13,531)
Cash from operations	**575,645**	639,322
Taxation paid	**(227,260)**	(214,760)
Net cash from operating activities	**348,385**	424,562
Investing activities		
Interest received	**46,206**	25,670
Purchase of property, plant and equipment	**(304,895)**	(329,825)
Purchase of land use rights	**(96,400)**	(16,692)
Deposits paid on acquisition of property, plant and equipment	**(16,369)**	(44,170)
Advance payments paid for acquisition of technical knowhow	**(27,150)**	(118,150)
Decrease in pledged bank deposits	**–**	1,500
Net cash used in investing activities	**(398,608)**	(481,667)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	2012	2011
	RMB'000	RMB'000
Financing activities		
Interest paid	**(23,425)**	(19,484)
Dividends paid	**(47,483)**	(37,541)
Payment on repurchase of shares	**(1,893)**	(26,914)
Bank loans raised	**670,000**	655,000
Repayment of bank loans	**(602,000)**	(593,000)
Net cash used in financing activities	**(4,801)**	(21,939)
Net decrease in cash and cash equivalents	**(55,024)**	(79,044)
Cash and cash equivalents at January 1	**1,384,327**	1,462,045
Effect of foreign exchange rate changes	**(8)**	1,326
Cash and cash equivalents at December 31	**1,329,295**	1,384,327
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**1,329,295**	1,384,327

1. GENERAL

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

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 and the address of the principal place of business are disclosed in the section headed "Corporate Information" in the annual report.

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

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

In the current year, the Company and its subsidiaries (collectively referred as the "Group") have applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on January 1, 2012.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

The application of the above amendments to HKFRSs 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.

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after January 1, 2013.
2 Effective for annual periods beginning on or after January 1, 2014.
3 Effective for annual periods beginning on or after January 1, 2015.
4 Effective for annual periods beginning on or after July 1, 2012.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

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

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"-continued

The amendments to HKAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by HKICPA. Historical cost is generally based on the fair value of the consideration given in exchange for goods. 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. The principal accounting policies adopted are follows:

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 in full on consolidation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Revenue recognition-continued

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time 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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 (other than construction in progress) are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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 recognised so as to write off the cost of property, plant and equipment (other than construction in progress) over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	5% or the remaining period of the leases, if shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	10%

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Property, plant and equipment-continued

The estimated useful lives, residual value and depreciation method are reviewed at each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and 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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development costs

An internally-generated intangible asset arising from development activities (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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated 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 debt instrument, 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 and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

Impairment of loans and receivables-continued

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 receivables, assets that are assessed not to be impaired individually are, in addition, 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, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables 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.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in/ accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instrument issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 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 and short-term bank loans is subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

Derecognition-continued

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are 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.

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 statement of comprehensive income 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.

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 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Taxation-continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

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

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

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

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) using exchange prevailing at the end of the reporting period. 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 under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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

Operating lease payments are recognised as an expense on a straight line basis over the term of relevant lease. Benefits received or receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expenses 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 recognised 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 option 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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Share-based payment transactions-continued

Equity-settled share based payment transactions-continued

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 option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchange from prior year.

The capital structure of the Group consists of bank loans, cash and cash equivalents and equity attributable to owners 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 shares issue and share buy-backs as well as the raising of bank loans.

5. FINANCIAL INSTRUMENTS

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

Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,836,185**	1,833,328
Financial liabilities		
Amortised cost	**237,511**	187,049

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables 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 consolidated 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 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.

5. FINANCIAL INSTRUMENTS-CONTINUED

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 that are denominated in Hong Kong dollars (see note 19) amounted to RMB32,050,000 (2011: RMB50,278,000).

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:

	2012	2011
	RMB'000	RMB'000
Increase in profit before taxation	**1,428**	2,435

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

In directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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.

5. FINANCIAL INSTRUMENTS-CONTINUED

Liquidity risk management-continued

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, 2012						
Trade and other payables	–	**42,511**	–	–	**42,511**	**42,511**
Short-term bank loans						
— variable rate	**6.3**	**29,078**	**666**	**45,141**	**74,885**	**73,000**
— fixed rate	**6.2**	**1,862**	**21,747**	**102,717**	**126,326**	**122,000**
		73,451	**22,413**	**147,858**	**243,722**	**237,511**
Financial liabilities						
At December 31, 2011						
Trade and other payables	–	60,049	–	–	60,049	60,049
Short-term bank loans						
— variable rate	6.4	895	30,767	27,024	58,686	57,000
— fixed rate	6.3	20,856	777	50,302	71,935	70,000
		81,800	31,544	77,326	190,670	187,049

5. FINANCIAL INSTRUMENTS-CONTINUED

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 bank balances and short-term bank loans at variable interest rates. Bank loans at fixed interest rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank 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 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:

	2012	2011
	RMB'000	RMB'000
Decrease in profit before taxation	**(4,253)**	(4,714)

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

Fair value of financial instruments

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

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

6. 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

Each reportable segment derives its turnover from the sale of products. They are managed separately because each product requires different production and marketing strategies.

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

Segment results represent the gross profits earned by each segment.

The following is an analysis of the Group's revenue and results by reportable segment:

	Turnover		Results	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Health and nutritional supplements	**1,252,441**	1,280,069	**1,000,504**	1,034,916
Health drinks	**389,424**	410,351	**136,727**	157,657
Pharmaceutical products	**113,336**	99,474	**74,858**	86,411
	1,755,201	1,789,894	**1,212,089**	1,278,984
Advertising and promotional expenses			**(345,509)**	(349,028)
Other operating expenses			**(217,327)**	(162,639)
Other income			**4,411**	1,056
Interest income			**46,206**	25,670
Interest expenses			**(23,425)**	(19,484)
Profit before taxation			**676,445**	774,559

6. 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. No operating segments identified by the Chief Executive Officer have been aggregated in arriving at the reportable segments of the Group.

	2012	2011
	RMB'000	RMB'000
Assets		
Segment assets		
— health and nutritional supplements	**1,407,649**	1,156,829
— health drinks	**566,418**	403,148
— pharmaceutical products	**362,029**	287,459
	2,336,096	1,847,436
Deferred tax assets	**2,180**	5,200
Unallocated corporate assets (note a)	**1,329,295**	1,384,327
Consolidated total assets	**3,667,571**	3,236,963
Liabilities		
Segment liabilities		
— health and nutritional supplements	**77,917**	118,451
— health drinks	**20,827**	33,209
— pharmaceutical products	**23,988**	7,456
	122,732	159,116
Taxation	**39,457**	62,783
Deferred tax liabilities	**14,686**	11,123
Unallocated corporate liabilities (note b)	**195,000**	127,000
Consolidated total liabilities	**371,875**	360,022

Notes:

(a) Unallocated corporate assets represent bank balances and cash.

(b) Unallocated corporate liabilities represent short-term bank loans.

6. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Other information

	2012 RMB'000	2011 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	**315,619**	271,529
— health drinks	**47,687**	168,035
— pharmaceutical products	**82,417**	69,273
	445,723	508,837
Depreciation of property, plant and equipment		
— health and nutritional supplements	**55,575**	26,729
— health drinks	**17,575**	–
— pharmaceutical products	**10,108**	6,834
	83,258	33,563
Amortisation of intangible assets		
— health and nutritional supplements	**5,730**	3,112
— pharmaceutical products	**8,965**	6,465
	14,695	9,577
Operating lease rentals in respect of land use rights		
— health and nutritional supplements	**1,905**	647
— health drinks	**863**	863
— pharmaceutical products	**939**	939
	3,707	2,449

6. 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:

	2012 RMB'000	2011 RMB'000
Turnover		
— Mainland China (the "PRC")	**1,754,408**	1,789,488
— Hong Kong	**793**	406
	1,755,201	1,789,894

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:

	2012 RMB'000	2011 RMB'000
Total non-current assets other than deferred tax assets		
— PRC	**1,620,417**	1,276,765
— Hong Kong	**114**	181
	1,620,531	1,276,946

Information about major customers

For the years ended December 31, 2012 and December 31, 2011, there was no customer which accounted for more than 10% of total turnover.

7. PROFIT BEFORE TAXATION

	2012 RMB'000	2011 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 8)	**6,974**	8,278
Other staff's retirement benefits scheme contributions	**3,016**	2,484
Other staff's equity-settled share based payments	**698**	2,360
Other staff costs	**24,189**	18,995
	34,877	32,117
Amortisation of intangible assets included in		
— costs of goods sold	**9,282**	6,781
— administrative expenses	**5,413**	2,796
	14,695	9,577
Operating lease rentals in respect of		
— land use rights	**4,185**	4,025
Less: capitalised under construction in progress	**(478)**	(1,576)
	3,707	2,449
— rented premises	**19,221**	9,509
Advertising and promotional expenses	**345,509**	349,028
Auditor's remuneration		
— audit services	**2,416**	2,227
— non-audit services	**1,230**	1,458
Cost of inventories recognised as expenses	**533,830**	504,129
Depreciation of property, plant and equipment	**83,258**	33,563
Equity-settled share based payments to other participants	**1,142**	3,860
Net exchange losses	**465**	5,068
and after crediting:		
Interest income	**46,206**	25,670

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

	2012					2011				
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share based payments RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share based payments RMB'000	Total RMB'000
Executive directors										
— Mr. Wang Fucai	3,697	75	27	–	3,799	3,788	68	23	–	3,879
— Mr. Yu Yan	194	63	22	83	362	199	37	13	280	529
— Mr. Li Lin	194	24	8	83	309	199	20	7	280	506
— Mr. Yi Lin	194	24	8	83	309	199	20	7	280	506
— Mr. Zhang Yan	194	62	22	83	361	199	54	19	280	552
— Ms. Au-Yeung Kam Ling Celeste	908	–	11	39	958	798	465	10	133	1,406
Non-executive directors										
— Mr. Ip Tak Chuen, Edmond	146	–	–	–	146	150	–	–	–	150
— Mr. Tsang Sze Wai Claudius	146	–	–	–	146	150	–	–	–	150
Independent non-executive directors										
— Mr. Wong Lung Tak, Patrick	146	–	–	–	146	150	–	–	–	150
— Mr. Fong Chi Wah, Felix	146	–	–	–	146	150	–	–	–	150
— Mr. Bernard Ban-yew Yaw	97	–	–	–	97	150	–	–	–	150
— Mr. Chan Kee Ming	146	–	–	–	146	150	–	–	–	150
— Mr. Xu Hua Feng	49	–	–	–	49	–	–	–	–	–
	6,257	248	98	371	6,974	6,282	664	79	1,253	8,278

Mr. Wang Fucai is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

For the year ended December 31, 2012, the five highest paid individuals included a director and the chief executive (2011: a director and the chief executive), details of whose emoluments are set out above. The emoluments of the remaining three highest paid employees were as follows:

	2012 RMB'000	2011 RMB'000
Employees		
— basic salaries and allowances	3,070	3,885
— equity-settled share based payments	310	1,046
— retirement benefits scheme contributions	33	30
	3,413	4,961

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS-CONTINUED

The emoluments were within the following bands:

	Number of employees	
	2012	2011
Up to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1

During the year, no emoluments were paid by the Group to the directors, the chief executive or the five highest paid individuals (including directors, the chief executive 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.

9. TAXATION

	2012	2011
	RMB'000	RMB'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**(200,783)**	(215,760)
PRC withholding tax	**(3,151)**	(6,914)
Deferred taxation	**(6,583)**	(247)
	(210,517)	(222,921)

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

9. TAXATION-CONTINUED

Pursuant to the relevant laws and regulations, prevailed when 南京瑞年百思特製藥有限公司 (Nanjing Ruinian Best Pharmaceutical Co., Ltd.) ("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. The tax holiday aforementioned was grandfathered and the first profit making year deemed to be triggered off on January 1, 2008, according to Guo Fa [2007] No. 39.

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 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Co., Limited) ("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, 2012 have been accrued at the tax rate of 5% (2011: 5%) on the expected dividend stream of 30% (2011: 30%) which is determined by the directors of the Company.

Nanjing Ruinian and 無錫瑞年醫藥有限公司 (Wuxi Ruinian Pharmaceutical Company Limited) ("Ruinian Pharmaceutical") are wholly-owned by the same Hong Kong company, though 75% and 100% of which are held indirectly via Ruinian Industry respectively. According to Article 26 of the EIT Law, dividend income received by Ruinian Industry should be exempted from EIT. However, if Ruinian Industry pays the dividend 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, 2012 have been accrued at the tax rate of 5% (2011: 5%) on the expected dividend stream of 30% (2011: 30%) which is determined by the directors of the Company after setting off the deficit incurred in prior period.

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

9. TAXATION-CONTINUED

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

	2012 RMB'000	%	2011 RMB'000	%
Profit before taxation	**676,445**		774,559	
Tax at the applicable income tax rate	**(169,111)**	**(25.0)**	(193,640)	(25.0)
Tax effect of expenses not deductible for tax purposes	**(36,471)**	**(5.4)**	(36,405)	(4.7)
Tax effect of 50% tax relief granted to the PRC subsidiary	**3,738**	**0.6**	10,079	1.3
Tax effect of previous deductible temporary differences recognised in current year	**–**	**–**	5,043	0.6
Tax effect of tax losses not recognised	**(1,959)**	**(0.3)**	–	–
PRC withholding tax on undistributed earnings	**(6,714)**	**(1.0)**	(7,998)	(1.0)
Tax charge and effective tax rate for the year	**(210,517)**	**(31.1)**	(222,921)	(28.8)

10. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year		
– 2011 final dividend of HK3.0 cents (2011: 2010 final dividend of HK2.0 cents) per share	**27,399**	19,077
– 2012 interim dividend of HK2.2 cents (2011: 2011 interim dividend of HK2.0 cents) per share	**20,084**	18,464
	47,483	37,541

The final dividend of HK3.2 cents per share (2011: HK3.0 cents per share) 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 1,123,036,000 shares in issue as at the date of this annual report.

11. 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:

	2012	2011
	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)	**465,928**	551,638

	2012	2011
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,123,561**	1,127,937
Effect of dilutive potential ordinary shares on share options	**–**	5,993
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,123,561**	1,133,930

The computation of diluted earnings per share for the year ended December 31, 2012 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of the shares.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2011	181,631	30,503	7,797	162,892	175,270	558,093
Additions	162	3,020	9,418	1,830	347,098	361,528
Transfers	77,731	73,517	–	35,000	(186,248)	–
At December 31, 2011	259,524	107,040	17,215	199,722	336,120	919,621
Additions	1,691	3,789	855	3,874	339,765	349,974
Transfers	65,000	71,175	–	206,435	(342,610)	–
At December 31, 2012	326,215	182,004	18,070	410,031	333,275	1,269,595
DEPRECIATION						
At January 1, 2011	20,374	1,654	2,129	37,884	–	62,041
Provided for the year	9,988	7,001	1,809	14,765	–	33,563
At December 31, 2011	30,362	8,655	3,938	52,649	–	95,604
Provided for the year	22,568	28,570	3,574	28,546	–	83,258
At December 31, 2012	52,930	37,225	7,512	81,195	–	178,862
CARRYING VALUES						
At December 31, 2012	273,285	144,779	10,558	328,836	333,275	1,090,733
At December 31, 2011	229,162	98,385	13,277	147,073	336,120	824,017

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 RMB6,282,000 (2011: RMB5,804,000) capitalised under construction in progress.

Also, at the end of the reporting period, there were certain buildings of the Group erected on the lands in the PRC with carrying amount of RMB136,831,000 (2011: RMB77,087,000) were not granted formal title of their ownership. In the opinion of the directors, the lack of formal title does not impair the value of relevant building. The directors also believe that the formal title of these buildings will be granted to the Group in due course.

13. LAND USE RIGHTS

	2012	2011
	RMB'000	RMB'000
CARRYING VALUE		
At January 1	**184,268**	171,601
Additions	**96,400**	16,692
Operating lease rentals capitalised under construction in progress	**(478)**	(1,576)
Released to profit or loss during the year	**(3,707)**	(2,449)
At December 31	**276,483**	184,268

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 RMB110,836,000 (2011: RMB77,394,000) 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.

14. INTANGIBLE ASSETS

	Product development costs	**Technical knowhow**	**GMP* certifications**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
CARRYING VALUE				
At January 1, 2011	8,218	37,021	4,620	49,859
Transferred from advance payments for acquisition of technical knowhow	–	9,500	–	9,500
Charged to profit or loss during the year	(1,775)	(6,122)	(1,680)	(9,577)
At December 31, 2011	6,443	40,399	2,940	49,782
Transferred from advance payments for acquisition of technical knowhow	2,300	37,500	–	39,800
Charged to profit or loss during the year	(2,005)	(11,010)	(1,680)	(14,695)
At December 31, 2012	6,738	66,889	1,260	74,887

* GMP represents Good Manufacturing Practices.

14. 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.

15. ADVANCE PAYMENTS FOR ACQUISITION OF TECHNICAL KNOWHOW

	2012 RMB'000	2011 RMB'000
At January 1	**174,709**	66,059
Additions	**27,150**	118,150
Transferred to intangible assets	**(39,800)**	(9,500)
At December 31	**162,059**	174,709

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 2013 and 2014.

16. 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 RMB'000	**PRC withholding tax on undistributed earnings** RMB'000	**Total** RMB'000
At January 1, 2011	4,363	(10,039)	(5,676)
Credited (charged) to profit or loss during the year	837	(7,998)	(7,161)
PRC withholding tax paid	–	6,914	6,914
At December 31, 2011	5,200	(11,123)	(5,923)
Charged to profit or loss during the year	(3,020)	(6,714)	(9,734)
PRC withholding tax paid	–	3,151	3,151
At December 31, 2012	2,180	(14,686)	(12,506)

16. DEFERRED TAXATION-CONTINUED

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

	2012 **RMB'000**	2011 RMB'000
Deferred tax assets	**2,180**	5,200
Deferred tax liabilities	**(14,686)**	(11,123)
	(12,506)	(5,923)

At the end of the reporting period, the Group has unrecognised deferred tax liability of RMB54,528,000 (2011: RMB37,448,000) in relation to PRC withholding tax on undistributed earnings of RMB1,090,558,000 (2011: RMB748,950,000) due to the retention of undistributed earnings by the subsidiaries in the PRC determined by the directors of the Company.

At the end of the reporting period, the Group had unused tax losses of RMB8,518,000 (2011: RMB683,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses will expire in 2017 (2011: 2016).

17. INVENTORIES

	2012 **RMB'000**	2011 RMB'000
Raw materials	**28,296**	20,757
Work in progress	**9,127**	9,695
Finished goods	**12,556**	9,860
Merchandise for resale	**734**	3,943
Packaging materials	**16,117**	14,861
	66,830	59,116

18. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**504,769**	448,621
Bills receivables	**2,121**	380
	506,890	449,001
Deposits paid to suppliers	**16,990**	20,348
Property rental deposits	**12,233**	8,859
Prepayments for research and development	**1,400**	3,700
Prepayments for media airtime	**69,673**	5,683
Other receivables, prepayments and deposits	**41,549**	23,783
	648,735	511,374

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, which approximated the respective revenue recognition dates.

	2012 RMB'000	2011 RMB'000
Age		
0–90 days	**395,545**	440,392
91–180 days	**109,535**	8,517
181 to 365 days	**1,810**	23
Over 1 year	**–**	69
	506,890	449,001

The Group does not hold any collateral over these balances. The average age of these receivables at the end of the reporting period is 77 days (2011: 62 days).

Included in the Group's trade receivable balance are trade debtors with aggregate carrying amount of RMB111,345,000 (2011: RMB8,609,000) which are past due as at the reporting date for which the Group has not provided for impairment loss.

18. TRADE AND OTHER RECEIVABLES-CONTINUED

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

	2012 RMB'000	2011 RMB'000
Age		
91–180 days	**109,535**	8,517
181 to 365 days	**1,810**	23
Over 1 year	–	69
	111,345	8,609

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.

19. 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 2.9% to 4.3% per annum at the end of the reporting period (2011: 1.5% to 3.3%).

Included in bank balances and cash is an amount of RMB32,050,000 (2011: RMB50,278,000) denominated in Hong Kong dollars other than the functional currency of the relevant group companies.

20. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	**35,141**	52,599
Bills payables	**–**	205
	35,141	52,804
Customers' deposits	**16,034**	14,442
Payroll and welfare payables	**12,505**	12,243
Other tax payables	**35,422**	49,641
Construction payables	**4,293**	3,862
Other payables	**13,664**	3,383
Advertising accruals	**1,749**	11,993
Other accruals	**3,924**	10,748
	122,732	159,116

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

Age	2012 RMB'000	2011 RMB'000
0 to 90 days	**29,110**	45,976
91 to 180 days	**3,257**	4,940
181 to 365 days	**2,467**	906
Over 1 year	**307**	982
	35,141	52,804

21. SHORT-TERM BANK LOANS

	2012 RMB'000	2011 RMB'000
Short-term bank loans		
— secured	**45,000**	–
— unsecured	**150,000**	127,000
	195,000	127,000
The Group's bank loans carry interest at		
— variable rate	**73,000**	57,000
— fixed rate	**122,000**	70,000
	195,000	127,000

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 6.0% to 6.9% (2011: 5.8% to 6.7%) per annum and fixed rate bank loans carrying interest at 6.0% to 6.6% (2011: 5.8% to 6.5%) per annum.

As at December 31, 2012, the secured bank loans are secured by the Group's land use right with an aggregate carrying value of approximately RMB41,444,000 (2011: Nil).

At the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB55,000,000 (2011: RMB203,000,000).

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

22. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each				
— at January 1, 2011	2,000,000	20,000	1,131,587	11,316
— shares repurchased and cancelled	–	–	(7,465)	(75)
— at December 31, 2011	2,000,000	20,000	1,124,122	11,241
— shares repurchased and cancelled	–	–	(1,086)	(11)
— at December 31, 2012	2,000,000	20,000	1,123,036	11,230

	RMB'000
Shown in the consolidated statement of financial position	
— at December 31, 2012 as	9,858
— at December 31, 2011 as	9,867

During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Highest price per share HK$	Lowest price per share HK$	Aggregate price paid HK$'000	Equivalent aggregate price paid RMB'000
May 2012	1,086,000	2.15	2.09	2,322	1,893

The shares repurchased by the Company during the year were cancelled.

23. 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 expired 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 Limited ("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, 2012, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Schemes was 34,961,359 (2011: 34,972,359), representing approximately 3.1% (2011: 3.1%) of the shares of the Company in issue at that date.

23. SHARE OPTION SCHEMES-CONTINUED

(a) Pre-IPO Share Option Schemes-continued

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

					Number of share options				
Type of participants	Date of grant	Vesting period	Exercisable period*	Exercisable price per share HK$	Outstanding at 1.1.2011	Exercised during the year	Outstanding at 12.31.2011	Exercised during the year	Outstanding at 12.31.2012
Directors	2.3.2010	2.3.2010–8.19.2010	8.20.2010–2.18.2013	3	1,201,667	(365,000)	836,667	(10,000)	826,667
	2.3.2010	2.3.2010–1.31.2013	3.1.2011–2.18.2013	3	4,473,333	–	4,473,333	–	4,473,333
Employees	2.3.2010	2.3.2010–8.19.2010	8.20.2010–2.18.2013	3	2,294,999	(88,006)	2,206,993	(1,000)	2,205,993
	2.3.2010	2.3.2010–1.31.2013	3.1.2011–2.18.2013	3	8,419,333	–	8,419,333	–	8,419,333
Others#	2.3.2010	2.3.2010–8.19.2010	8.20.2010–2.18.2013	3	5,444,332	(182,299)	5,262,033	–	5,262,033
	2.3.2010	2.3.2010–1.31.2013	3.1.2012–2.18.2013	3	13,774,000	–	13,774,000	–	13,774,000
					35,607,664	(635,305)	34,972,359	(11,000)	34,961,359

* 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.

	2012	2011
Number of share options exercisable at December 31	**33,850,269**	20,527,925

At December 31, 2012, the number of options outstanding under the scheme in respect of which options to subscribe share of the Company was 18,413,000 (2011: 18,413,000) and the number of options outstanding under the scheme in respect of which options to purchase shares of the Company had been granted by Strong Ally was 16,548,359 (2011: 16,559,359).

23. SHARE OPTION SCHEMES-CONTINUED

(a) Pre-IPO Share Option Schemes-continued

In respect of share options exercised during the year, the weighted average share price at the dates of exercise is HK$2.48 (2011: HK$5.29).

The number of share options exercised during the year represent the options to purchase for shares that had been granted by Strong Ally.

The Group recognised the total expenses of RMB2,211,000 for the year ended December 31, 2012 (2011: RMB7,473,000) 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.

24. 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:

	2012	2011
	RMB'000	RMB'000
Within one year	**36,130**	11,483
In the second to fifth year inclusive	**49,295**	16,176
	85,425	27,659

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

25. CAPITAL COMMITMENTS

	2012	2011
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	**148,899**	167,741
— technical knowhow	**56,250**	54,500
	205,149	222,241

26. 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 Group contributes the lower of HK$1,000 (up to May 31, 2012) and HK$1,250 (starting from June 1, 2012) or 5% of the relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees.

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.

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2012 **RMB'000**	2011 RMB'000
Salaries and other benefits	**9,575**	11,109
Equity-settled share based payments	**681**	2,309
Retirement benefits scheme contributions	**131**	117
	10,387	13,535

28. PRINCIPAL SUBSIDIARIES

Details of Company's principal subsidiaries, all of which are wholly-owned by the Company indirectly, at the end of the reporting period are as follows:

Name of subsidiary	Country of establishment/operations	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
Ruinian Pharmaceutical	PRC	RMB8,000,000	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$45,000,000	Manufacturing and sales of health drinks
無錫銀乾生物科技有限公司 (Wuxi Yinqian Bioscience Company Limited)	PRC as a wholly foreign owned enterprise for a term of 50 years commencing October 27, 2010	US$38,000,000	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.

INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 **RMB'000**	2011 RMB'000
Unlisted investment in subsidiary	**433,977**	433,977
Amounts due from subsidiaries	**1,200,704**	1,182,133
Other assets	**29,415**	51,348
Total assets	**1,664,096**	1,667,458
Total liabilities	**12,211**	12,175
Net assets	**1,676,307**	1,679,633
Share capital	**9,858**	9,867
Reserves	**1,666,449**	1,669,766
Total equity	**1,676,307**	1,679,633

MOVEMENT IN RESERVES

	Share premium RMB'000	Contribution surplus RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Non–distributable reserve RMB'000	Retained profits RMB'000	Total RMB'000
At January 1, 2011	1,241,844	427,384	–	9,915	(1,624)	28,243	1,705,762
Profit for the year	–	–	–	–	–	20,924	20,924
Shares repurchased	(26,852)	–	62	–	–	(62)	(26,852)
Recognition of equity-settled share based payments	–	–	–	3,742	3,731	–	7,473
Dividends	–	–	–	–	–	(37,541)	(37,541)
At December 31, 2011	1,214,992	427,384	62	13,657	2,107	11,564	1,669,766
Profit for the year	–	–	–	–	–	43,839	43,839
Shares repurchased	(1,884)	–	9	–	–	(9)	(1,884)
Recognition of equity-settled share based payments	–	–	–	1,107	1,104	–	2,211
Dividends	–	–	–	–	–	(47,483)	(47,483)
At December 31, 2012	**1,213,108**	**427,384**	**71**	**14,764**	**3,211**	**7,911**	**1,666,449**

FINANCIAL SUMMARY

	Year ended December 31,				
	2008	2009	2010	2011	**2012**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Turnover	623,357	850,622	1,357,246	1,789,894	**1,755,201**
Profit before taxation	156,815	313,112	528,067	774,559	**676,445**
Taxation	(36,836)	(103,410)	(175,802)	(222,921)	**(210,517)**
Profit for the year	119,979	209,702	352,265	551,638	**465,928**

	As at December 31,				
	2008	2009	2010	2011	**2012**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	915,539	1,227,050	2,684,829	3,236,963	**3,667,571**
Total liabilities	(301,743)	(434,206)	(303,870)	(360,022)	**(371,875)**
Net assets	613,796	792,844	2,380,959	2,876,941	**3,295,696**