RUYAN GROUP (HOLDINGS) LIMITED

如烟集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 329)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the "Board") of Ruyan Group (Holdings) Limited (the "Company") is pleased to announce that the unaudited condensed consolidated income statement of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		Six months ended	
	NOTES	**30.6.2009**	30.6.2008
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**145,286**	233,168
Cost of sales		**(60,080)**	(67,545)
Gross profit		**85,206**	165,623
Other income		**1,700**	1,431
Distribution cost		**(49,734)**	(68,060)
Administrative expenses		**(52,119)**	(55,348)
Change in fair value of derivative financial instruments		**26,203**	(1,550)
Change in fair value of held-for-trading investments		**–**	(3,707)
Finance costs		**(13,879)**	(13,927)
(Loss) profit before tax		**(2,623)**	24,462
Income tax expense	*5*	**(3,898)**	(9,845)
(Loss) profit for the period	*6*	**(6,521)**	14,617
Other comprehensive income			
Exchange differences arising on translation		**880**	35,913
Total comprehensive (expense) income for the period		**(5,641)**	50,530
(Loss) earnings per share	*8*		
Basic		**HK(0.43) cents**	HK0.97 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	NOTES	**30.6.2009**	31.12.2008
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		**92,278**	98,556
Goodwill		**3,934**	3,934
Available-for-sale investments		**–**	–
Intangible assets		**1,274**	1,823
Prepaid lease payments		**27,095**	27,460
Deposit		**5,000**	5,000
		129,581	136,773
Current assets			
Inventories		**220,871**	196,171
Trade receivables	*9*	**217,351**	169,113
Deposits, prepayment and other receivables		**84,986**	78,108
Prepaid lease payments		**606**	606
Held-for-trading investments		**–**	6,792
Bank balances and cash		**98,462**	182,298
		622,276	633,088
Current liabilities			
Trade payables	*10*	**13,452**	19,684
Accruals and other payables		**47,678**	36,486
Borrowings		**11,532**	6,348
Convertible bonds		**151,523**	140,136
Amount due to a minority shareholder		**18,296**	14,785
Derivative financial instruments		**20,547**	46,750
Taxation payable		**5,430**	12,206
		268,458	276,395
Net current assets		**353,818**	356,693
Total assets less current liabilities		**483,399**	493,466
Non-current liabilities			
Borrowings due after one year		**4,925**	10,259
		478,474	483,207
Capital and reserves			
Share capital		**151,336**	151,336
Reserves		**327,138**	331,871
		478,474	483,207

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. GENERAL INFORMATION

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

The condensed consolidated financial statements are presented in Hong Kong dollars, and the functional currency of the Company is in Renminbi. As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the interim financial information in Hong Kong dollars.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in production and sales of a series of health care products, pharmaceutical products and Ruyan atomizing cigarettes.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. At 30 June 2009, the Group had convertible bonds of HK$151,523,000 which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated net loss of HK$6,521,000 for the six months ended 30 June 2009.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(a) Disposal of certain of its properties; and

(b) Seeking prospective business partners/investors to strengthen the capital base of the Company.

Progress has been made with regard to the above measures. On the basis that the Group would realize certain of its properties and obtain additional funding from other sources, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future, and are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments or interpretations, ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 15	Agreements for the construction of real estate
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKFRS 8 – Operating Segments

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

HKAS 1 (Revised) – Presentation of Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

The adoption of these new or revised standards, amendments and interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRS issued in 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 [2]
HKAS 27 (Revised in 2008)	Consolidated and separate financial statements [3]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1	First-time adoption of financial reporting standards [3]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters [5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions [4]
HKFRS 3 (Revised in 2008)	Business combinations [3]
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners [3]
HK(IFRIC)-INT 18	Transfer of assets from customers [5]

1 Effective for accounting periods beginning on or after 1 July 2009.
2 Effective for accounting periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for accounting periods beginning on or after 1 July 2009.
4 Effective for accounting periods beginning on or after 1 January 2010.
5 Effective for transfer on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENTAL INFORMATION

Business segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Segment information for the six months ended 30 June 2009 and 2008 about these businesses is presented below.

	Health care products		**Pharmaceutical products**		**Ruyan atomizing cigarettes**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover	**49,187**	48,838	**18,740**	20,131	**77,359**	164,199	**145,286**	233,168
Segment result	**4,106**	7,049	**5,599**	5,823	**(16,249)**	66,534	**(6,544)**	79,406
Other income							**1,700**	1,431
Unallocated corporate expenses							**(10,103)**	(40,898)
Change in fair value of derivative financial instruments							**26,203**	(1,550)
Finance costs							**(13,879)**	(13,927)
(Loss) profit before tax							**(2,623)**	24,462

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
Income Tax in the PRC	**3,898**	9,845

No Hong Kong Profits Tax is payable by the Company or its subsidiaries operating in Hong Kong since they had no assessable profit for both periods.

PRC Enterprise Income Tax is calculated at the rate prevailing in the relevant districts of the PRC taking relevant tax incentives into account.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Advertising expenses	**40,855**	51,284
Allowance for bad and doubtful debts	**17,354**	–
Amortisation of intangible assets (included in cost of sales)	**499**	785
Amortisation of prepaid lease payments	**341**	292
Depreciation of property, plant and equipment	**5,340**	3,560
Staff costs (including directors' emoluments and share-based payment expenses)	**3,986**	19,057
Interest income	**(60)**	(699)

7. DIVIDEND

No dividends were paid, declared or proposed during both periods. The directors do not recommend the payment of an interim dividend.

8. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
(Loss) earnings for the purpose of basic earnings per share attributable to the owners of the Company	**(6,521)**	14,617

	Six months ended	
	30.6.2009	30.6.2008
	'000	*'000*
Number of ordinary shares for the purpose of basic earnings per share	**1,513,360**	1,513,360

No diluted loss per share has been presented for the six months ended 30 June 2009 because the conversion of the convertible bonds would reduce the loss per share and the outstanding share options were anti-dilutive.

No diluted earnings per share has been presented for the six months ended 30 June 2008 as the conversion of the Company's outstanding convertible notes would result in an increase in earnings per share.

9. TRADE RECEIVABLES

The Group allows an average credit period from 60 days to 270 days to its trade customers. The following is an aged analysis of trade receivables net of allowance of doubtful debts, presented based on invoice date.

	30.6.2009	31.12.2008
	HK$'000	HK$'000
0-60 days	**55,791**	76,835
61-90 days	**28,524**	34,226
91-180 days	**55,268**	38,719
181-270 days	**77,768**	17,425
Over 270 days but less than 1 year	**–**	1,908
	217,351	169,113

10. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on invoice date.

	30.6.2009	31.12.2008
	HK$'000	HK$'000
0-30 days	**2,124**	3,994
31-60 days	**1,056**	1,159
61-90 days	**2,249**	274
Over 90 days but less than 1 year	**4,780**	6,168
Over 1 year	**3,243**	8,089
	13,452	19,684

11. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 28 August 2009, the Group has completed the restatement on condition of convertible bond, which included the amendment on convertible bond interest rate, maturity date, conversion price and the redemption schedule, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND MARKET CONDITIONS

The following is the business review for the six-month ended 30 June 2009 (the "period under review") presented by the Board.

During the period under review, the Group recorded an unaudited consolidated turnover of approximately HK$145,286,000, representing an decrease of approximately 37.7% when compared with approximately HK$233,168,000 in the corresponding period in 2008. The unaudited consolidated loss attributable to shareholders for the period under review was approximately HK$6,521,000 (corresponding period in 2008: profit of HK$14,617,000). On these bases, the loss per share for the period under review was approximately HK0.43 cents (earnings per share for corresponding period in 2008: approximately HK 0.97 cents).

Since 2008, various well-known multinational corporations for health care products have established their branch factories in the People's Republic of China (the "PRC") by way of, among others, acquisition, merger and lease. At present, about 400 imported health care foods have been approved to be successively launched in the market of health care products of the PRC, which formed a great competitive force. Faced with such adverse market situation, the Group adopted measures to adjust the sales structure of the products proactively, increased the sales of the products with higher added-value, decreased the sales of the old products with low gross profit and solidified the newly-developed markets. Thus, stable result was recorded in the sales of health care products as compared to the same period of the previous year.

As for the pharmaceutical business, the Essential Medicine List being introduced by the national authority brought mingled hope and fear for pharmaceutical enterprises. Under this unfavourable situation, only those enterprises which have early consciousness and take rapid action with effective measures are well-positioned to capitalize on opportunities and succeed in the market. Azithromycin Granules (II), a product of the Group, has been listed in the National List of Essential Drugs (2009 Edition) and is exactly a successful example of the policy of new medical reform.

In the first half of 2009, the sales of electronic cigarettes products declined significantly as a result of the growth threat from counterfeit brands and new regulatory restriction imposed on importation of electronic cigarettes products in some overseas markets. Therefore, RUYAN has worked closely with partners and governments to launch core products, explore new markets, strengthen patent protection, address regulatory and other concerns. As a result, regulatory approvals were obtained in France, Spain, Italy, Germany, Sweden, Japan, Russia, Malaysia, Australia and other countries. Invention patents were granted in Israel during the period under review. Additional lawsuits against illicit manufacturers and vendors of the electronic cigarette were instituted in the PRC and some of them were successfully concluded. Significantly, the patents of a substantial number of counterfeit manufacturers were also invalidated by the Chinese Patent Authority, due to violations of RUYAN's own patents in the PRC.

For the period under review, the Group achieved sales income of approximately HK$145,286,000, which represents an decrease of 37.7% from the corresponding period in 2008. Of which, the sales income of health care products, pharmaceuticals products and electronic cigarettes was approximately HK$49,187,000, HK$18,740,000 and HK$77,359,000 respectively.

NEW PRODUCT DEVELOPMENT

Ruyan continues to market the “one-time” use RUYAN Jazz® into the European and Japanese markets. Due to its larger size, RUYAN Jazz® has been promoted as a “Show-me” product to create buzz in bars and other entertainment venues. The product is currently being introduced into pharmacy and convenience store chains on a trial basis in the UK, Greece, Malaysia, Japan and other markets.

The Group has continued its sales of RUYAN e-Gar® and RUYAN e-Pipe in the European markets and elsewhere. Targeted marketing will be conducted to further develop these specialty products.

The RUYAN V10 exemplifies the basic principle of greater and greater smoking simulation without the dangers generated by the 4,000 chemicals released with traditional smoking. The launch of this product will be rolled out to the UK, Korea, continental Europe, Japan and other markets in the second half of the year and is expected to accelerate before the holiday season.

REGIONAL DEVELOPMENT

In the first half of the fiscal year, further progress was made in terms of marked entry and sales. The Group successfully established presence in some 25 countries. Existing partnerships were further developed in North America, the UK, Korea, Israel, and Turkey. At the same time, progress was made in regulatory and market planning with potential partners in Australia, New Zealand, Scandinavia, Japan, Russia, Bulgaria, Italy, Holland, Spain, Germany, Malaysia and Brazil. With the launch of RUYAN V10, aggressive market penetration will commence in the majority, but not all, of these markets by the 4th quarter of 2009.

Ruyan’s Progress in North America

The products of two large US-based counterfeit brands were tested by the U.S. Food and Drug Administration in which detectable levels of carcinogens were found. As a result, the importation, promotion and sales of electronic cigarettes have been effectively prohibited into the United States until additional and substantial testing of the products as nicotine-delivery systems has been concluded. Ruyan America, Inc. is working with its dedicated distribution and retail partners on modifying our products that will meet current regulatory and market requirements. Formal introduction of such products is forthcoming.

Ruyan's Progress in the Republic of Korea

As a result of joint efforts by Ruyan headquarters and the Korean distributor, the Korean market has been opened up and all significant regulatory hurdles have been overcome, including meeting electronic safety standards and the standards of customs and the relevant health authority. Relationships have been established with distribution channels including tobacco outlets, pharmacies, and shopping marts.

Ruyan's Progress in Other Markets

Ruyan has supported partners in the United States, the UK, Korea, Israel, Turkey and other countries to defend patent and trademark positions in their respective countries. In response, our partners have taken appropriate actions to pursue patent and copyright infringements wherever possible. Additional legal support has been sought through government channels to reinforce Ruyan's position as the authentic and original manufacturer of the e-cigarette and related products.

Regulatory and market-planning activities have been prepared throughout Scandinavia, and for France, Greece and Japan. Talks for market development are underway in Brazil, Spain, Italy, Portugal and Australia/New Zealand.

LIQUIDITY AND FINANCIAL ANALYSIS

As at 30 June 2009, the Group's net borrowing was HK$167,980,000 (31 December 2008: HK$156,743,000), in which approximately 90.2% (31 December 2008: 89.4%) of the borrowings are fixed convertible bonds. Gearing ratio of the Group increased from approximately 32.4% as at 31 December 2008 to approximately 35.1% as at 30 June 2009. This calculation is based on net borrowings mentioned above and shareholders fund of HK$478,474,000 (31 December 2008: HK$483,207,000).

As at the balance sheet date, the Company was in the process of the debt restructuring in respect of the terms of the convertible bonds. Following continuing discussions with the noteholders of the convertible bonds, a proposal for a consensual restructuring of the convertible bonds was presented and the restructuring processes were completed on 28 August 2009. Details of the amendments on the terms of the convertible bonds are stated in the announcements dated 7 August 2009.

The directors believe that the debt restructuring are in the interests of the Company and the Shareholders as a whole as it will provide the Group with overall financial stability for its sustained business recovery going forward.

As at 30 June 2009, the balance of the inventories amounted to HK$220,871,000, representing a increase of HK$24,700,000 when compared with the balance of that as at 31 December 2008.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2009 (2008: Nil).

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2009.

SIGNIFICANT INVESTMENTS HELD

There was no material change in the significant investments held by the Group during the six months ended 30 June 2009.

CHARGE OF ASSETS

As at 30 June 2009, the Group had no bank deposits pledged to banks (2008: Nil).

CONTINGENT LIABILITIES

As at 30 June 2009, the Group did not provide any form of guarantees for any outside companies and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

SHORT AND LONG TERM BUSINESS PROSPECTS AND DEVELOPMENT PLANS

Electronic Cigarette

Ruyan maintains the lead in constructing a robust intellectual property system, in serving serious, reputable distributors and retailers and in engaging serious scientific experts to back up its safety claims and to address the concerns of regulatory and health experts worldwide.

Ruyan has made its own inroads with Internet channels and will engage new strategic partners for Internet Marketing in the 4th quarter of 2009. However, some sizable counterfeit manufacturers and vendors of the electronic cigarette have been and will continue to be addressed through Ruyan's highly-developed intellectual property system. The Group has been taking aggressive legal actions both in the PRC and abroad, through new product development and establishing presence in major, established and reputable distribution channels in Ruyan's existing and target markets.

Ruyan will launch a series of new products in the second half of 2009. Ruyan will first launch additional disposable products intended to rebuild market share by offering affordable, practical options to adult smokers and to those who are affected by 2nd-hand smoke. Ruyan will then continue to expand its product portfolio to include all tiers of the market and will invest aggressively in Research and Development to build out mid-market and higher-end products that appeal to various consumer segments. All of these efforts will be synchronized to reinforce Ruyan's brand position as a trend-setting safe smoking alternative that offers people freedom and choice. Products will be further customized to meet the needs of various markets and tastes.

Pharmaceuticals and health care products

The inclusion of Azithromycin granules (II) of the Group in the National List of Essential Drugs (2009 Edition) serves as a good opportunity for expanding our market share. Compared with other similar products in the market, the product enjoys advantages in terms of price and quality. We are confident about the sales of our products in the second half of the year.

As for the health care business, the Group has obtained approval for the production of new electronic physio-therapeutical products which carry three functions. Such products will be launched in the market in 2010. In addition, health care products from abroad are increasing their market share due to their higher scientific and technological values, which meet the demands of consumers. The Group will increase its investment in developing new products with high scientific and technological values. Apart from continuously developing new markets, the Group plans to expand our markets where sales activities are conducted by means of direct selling. It is expected that the sales of health care products will grow year by year.

EMPLOYEE POLICY, PERFORMANCE AND SALARY PROCEDURES

As at 30 June 2009, the Group employs a total of about nine hundred employees in the PRC and Hong Kong.

The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group. In addition, discretionary bonuses will be paid to staff based on individual and the Group's performance.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, they all confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2009.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the period under review, with the following exception as having been elaborated in our 2008 Annual Report:

Under code provision A.4.1 of the Code, non-executive directors should be appointed for specific term and subject to re-election. The non-executive directors of the Company are not appointed for a specific term of office. However, the non-executive directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The audit committee of the Board (comprising three independent non-executive directors of the Company) and the management of the Company have reviewed the accounting principles and practices adopted by the Group and have discussed the matters related to auditing, financial reporting procedures and internal control, including the review of the interim financial report during the period under review.

The interim financial report during the period under review has been reviewed by the audit committee of the Board and the management of the Company, in accordance with the Statements of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The remuneration committee of the Board (comprising three independent non-executive directors of the Company) was established in September 2005.

Its duties include making recommendations on the Group's policy and structure for remuneration package of the directors and senior management, evaluation and making recommendations on other employees' benefit arrangements.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's webstie at www.ruyangroup.com. The 2009 interim report will also be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ruyangroup.com and will be dispatched to the shareholders of the Company.

On behalf of the Board
Ruyan Group (Holdings) Limited
Wong Yin Sen
Chairman

Hong Kong, 23 September 2009

As at the date of this announcement, the executive directors are Mr. Wong Yin Sen, Mr. Hon Lik, Mr. Wong Hei Lin; and the independent non-executive directors are Mr. Pang Hong, Mr. Cheung Kwan Hung, Anthony and Mr. Ding Xun.