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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the "Directors") of Ruyan Group (Holdings) Limited (the "Company") is pleased to announce that the audited consolidated income statement of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for the previous year are set out below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December, 2007

	Notes	**2007** ***HK$'000***	2006 *HK$'000* (restated)
Turnover	*4 & 5*	**275,382**	402,851
Cost of goods sold		**(89,763)**	(122,901)
Gross profit		**185,619**	279,950
Other income		**19,945**	1,159
Change in fair value of derivative financial instruments		**3,080**	–
Change in fair value of held-for-trading investments		**127**	–
Distribution costs		**(94,478)**	(143,331)
Administrative expenses		**(61,800)**	(47,354)
Finance costs	*6*	**(13,759)**	(6,135)
Profit before tax		**38,734**	84,289
Income tax expense	*7*	**(4,495)**	(2,023)
Profit for the year	*8*	**34,239**	82,266
Attributable to:			
Equity holders of the parent		**26,116**	51,894
Minority interests		**8,123**	30,372
		34,239	82,266
Dividends recognised as distribution	*9*	**–**	25,000
Earnings per share			
Basic	*10*	**HK1.79 cents**	HK3.92 cents

CONSOLIDATED BALANCE SHEET
At 31 December, 2007

	Notes	2007 HK$'000	2006 HK$'000 (restated)
Non-current assets			
Property, plant and equipment		**61,473**	58,205
Goodwill		**3,934**	3,934
Available-for-sales investments		**–**	–
Intangible assets		**2,743**	3,968
Prepaid lease payments		**26,427**	24,950
		94,577	91,057
Current assets			
Inventories		**208,867**	235,958
Trade receivables	*11*	**161,736**	122,308
Deposits, prepayments and other receivables		**58,194**	78,533
Prepaid lease payments		**571**	527
Held-for-trading investments		**266**	–
Bank balances and cash		**361,316**	76,222
		790,950	513,548
Current liabilities			
Trade payables	*12*	**16,948**	25,811
Accruals and other payables		**63,554**	76,620
Derivative financial instruments		**29,940**	–
Borrowings		**30,913**	61,392
Taxation payable		**1,998**	1,262
		143,353	165,085
Net current assets		**647,597**	348,463
Total assets less current liabilities		**742,174**	439,520

	Notes	2007 HK$'000	2006 HK$'000 (restated)
Non-current liabilities			
Borrowings due after one year		**17,617**	38,218
Convertible Bonds		**119,740**	–
		137,357	38,218
		604,817	401,302
Capital and reserves			
Share capital		**151,336**	70,080
Reserves		**453,481**	293,454
Equity attributable to equity holders of the parent		**604,817**	363,534
Minority interests		–	37,768
		604,817	401,302

Notes:

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, whereas 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 consolidated financial statements in Hong Kong dollars.

The Company was renamed from Golden Dragon Group (Holdings) Limited to Ruyan Group (Holdings) Limited effective from 20 November, 2007.

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.

Pursuant to the sale and purchase agreement dated 13 February, 2007, supplemental agreement dated 30 March, 2007 and second supplementary agreement dated 3 May, 2007, Wealthy Well Investments Limited ("Wealthy Well"), a wholly-owned subsidiary of the Company, agreed to acquire from Ability Act Investments Limited ("AAI") the entire issued shares of SBT at a total consideration of HK$1,062,676,000 (subsequently adjusted to RMB1,273,608,000) (the "Acquisition") to be satisfied by the issue of convertible notes (the "Convertible Note").

Mr. Wong Yin Sen and Mr. Hon Lik were interested in 52.11% and 47.89% of the issued share capital of Dragon Concept Investments Limited ("Dragon Concept"), which held 60.5% of the issued share capital of AAI.

The Acquisition constituted a very substantial acquisition of the Company pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of which were set out in the circular dated 21 May, 2007 (the "Circular") issued by the Company. The Acquisition was completed on 14 June, 2007.

SBT is a company incorporated in the BVI as an exempted company with limited liability on 1 July, 2003. SBT and its subsidiaries (hereinafter collectively referred to as the "SBT Group") mainly engages in the business of research and development, production and sales of RUYAN atomizing cigarettes.

2. BASIS OF PREPARATION

Immediately before the Acquisition, Mr. Wong Yin Sen and Mr. Hon Lik were interested in 46.25% and 42.50%, respectively, of the issued share capital of Absolute Target, the immediate holding company which held 388,000,000 shares, representing approximately 55.36% of the then issued share capital of the Company.

Since the Company and SBT were both collectively controlled by Mr. Wong Yin Sen and Mr. Hon Lik before and after the completion of the Acquisition, the Acquisition was accounted for as a combination of entities under common control.

The Company has accounted for the Acquisition in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to prepare the consolidated financial statements, assuming that the current group structure had been in existence throughout the periods presented. Accordingly, the prior year figures have been restated.

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

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretation ("new HKFRSs") issued by the HKICPA which are effective for Group's financial year beginning 1 January, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) – Int 11	HKFRS 2: Group and treasury share transactions [3]

HK(IFRIC) – Int 12	Service concession arranagements [4]
HK(IFRIC) – Int 13	Customer loyalty programmes [5]
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [4]

[1] Effective for accounting periods beginning on or after 1 January 2009.
[2] Effective for accounting periods beginning on or after 1 July 2009
[3] Effective for accounting periods beginning on or after 1 March 2007.
[4] Effective for accounting periods beginning on or after 1 January 2008.
[5] Effective for accounting periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first accounting reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

4. REVENUE

Revenue represents the amounts received and receivable for goods sold net of returns.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating business – production and sales of health care products, pharmaceutical products and Ruyan atomizing cigarettes. These businesses are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

Business segments

Results

	Health care products 2007 HK$'000	Health care products 2006 HK$'000	Pharmaceutical products 2007 HK$'000	Pharmaceutical products 2006 HK$'000	Ruyan atomizing cigarettes 2007 HK$'000	Ruyan atomizing cigarettes 2006 HK$'000	Total 2007 HK$'000	Total 2006 HK$'000 (restated)
Segment turnover	**94,896**	83,690	**44,922**	33,063	**135,564**	286,098	**275,382**	402,851
Segment result	**2,969**	573	**9,328**	2,011	**39,486**	108,736	**51,783**	111,320
Other income							**19,945**	1,159
Change in fair value of derivative financial instruments							**3,080**	–
Change in fair value of held-for-trading investments							**127**	–
Unallocated corporate expenses							**(22,442)**	(22,055)
Finance costs							**(13,759)**	(6,135)
Profit before tax							**38,734**	84,289
Income tax expense							**(4,495)**	(2,023)
Profit for the year							**34,239**	82,266

Balance sheet

	Health care products 2007 HK$'000	Health care products 2006 HK$'000	Pharmaceutical products 2007 HK$'000	Pharmaceutical products 2006 HK$'000	Ruyan atomizing cigarettes 2007 HK$'000	Ruyan atomizing cigarettes 2006 HK$'000	Total 2007 HK$'000	Total 2006 HK$'000 (restated)
Assets								
Segment assets	**182,236**	166,638	**62,412**	35,019	**257,914**	296,867	**502,562**	498,524
Unallocated corporate assets							**382,965**	106,081
Consolidated total assets							**885,527**	604,605
Liabilities								
Segment liabilities	**16,896**	26,186	**17,040**	3,248	**46,566**	68,283	**80,502**	97,717
Unallocated corporate liabilities							**200,208**	105,586
Consolidated total liabilities							**280,710**	203,303

Other information

	Health care products		Pharmaceutical products		Ruyan atomizing cigarettes		Unallocated		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Additions of property, plant and equipment	**2,073**	15	**312**	631	**4,331**	27,710	**17**	–	**6,733**	28,356
Depreciation of property, plant and equipment	**1,145**	1,361	**595**	534	**4,808**	1,887	**3**	190	**6,551**	3,972
Amortisation of intangible assets	**–**	–	**1,474**	1,590	**–**	–	**–**	–	**1,474**	1,590
Allowance for inventory obsolescence	**–**	–	**–**	–	**4,500**	–	**–**	–	**4,500**	–
Write back allowance for bad and doubtful debts	**2,800**	–	**–**	–	**–**	–	**–**	–	**2,800**	–
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**997**	–	**997**	–

Geographical segments

The Group's operations are mainly located in the People's Republic of China (the "PRC") Also, the segments assets and the revenue of the Group are substantially located/arisen in the PRC. Accordingly, no analysis by geographical segment is presented.

6. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000* (restated)
The finance costs represent interests on:		
– bank borrowings wholly repayable within five years	**2,743**	3,782
– other borrowings wholly repayable within five years	**878**	621
– other loans wholly repayable within five years	**583**	1,708
– a finance lease	**–**	24
– Convertible Notes	**523**	–
– Convertible Bonds	**9,032**	–
	13,759	6,135

7. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
		(restated)
Current tax:		
PRC Enterprise Income Tax	**4,495**	2,023

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

Income tax in the PRC has been provided at the prevailing rates on the estimated assessable profit applicable to each subsidiary in the PRC.

Pursuant to relevant tax rules and regulations in the PRC, Shenyang Jinlong Health Care Products Co., Ltd. ("Shenyang Jinlong") is subjected to PRC Income Tax of 15% and local Income Tax of 3% and Shenyang Chenlong Longerity Ginseng Co., Ltd. ("Shenyang Chenlong") is subjected to PRC Income Tax of 15% tax and local Income Tax of 1.5%.

Pursuant to relevant laws and regulations in the PRC, Beijing SBT Ruyan Technology & Development Co., Ltd. ("Beijing SBT") is subject to PRC income tax of 15% and entitled to an exemption from PRC Income Tax for the two years ended 31 December, 2006, followed by a 50% tax relief for the next three years. Therefore, Beijing SBT was subject to 0% and 7.5% PRC Income tax for the year ended 31 December, 2006 and 31 December, 2007 respectively.

Pursuant to relevant tax rules and regulations in the PRC, certain other subsidiaries are entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The reduced tax rate for the relief period is ranging from 0% to 7.5%. The charge of PRC Income Tax for the year has been provided for after taking these tax incentives into account.

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
		(restated)
Profit before taxation	**38,734**	84,289
Tax at PRC income tax rate of 33% (2006: 33%)	**12,782**	27,815
Tax effect of expenses not deductible for tax purpose	**8,625**	3,832
Tax effect of tax losses not recognised	**1,548**	854
Income tax on concessionary rate	**(16,738)**	(26,497)
Effect of tax relief entitled by the Company's subsidiaries	**(1,722)**	(3,981)
Taxation for the year	**4,495**	2,023

At the balance sheet date, the Group has estimated unused tax losses of approximately HK$29,982,000 (2006: HK$25,292,000) available for offset future profits. No provision of deferred taxation has been recognised in respect of the tax losses due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16 March, 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January, 2008.

No provision for deferred taxation has been recognised in the consolidated financial statements as the amount involved is insignificant.

8. PROFIT FOR THE YEAR

	The Group	
	2007	2006
	HK$'000	*HK$'000*
		(restated)
Profit for the year has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	**6,861**	5,646
Other staff costs		
– salaries, allowances and bonus	**18,543**	25,953
– retirement benefits scheme contributions	**1,584**	2,099
	26,988	33,698
Allowance for inventory obsolescence (included in cost of sales)	**4,500**	–
Amortisation of intangible assets (included in cost of sales)	**1,474**	1,590
Amortisation of prepaid lease payments	**554**	216
Auditors' remuneration	**2,271**	1,500
Cost of inventories recognised as expense	**83,789**	121,311
Depreciation of property, plant and equipment	**6,551**	3,973
Loss on disposal of property, plant and equipment	**997**	–
Operating lease rentals in respect of land and buildings	**9,165**	10,785
Write back of allowance for bad and doubtful debts (included in administrative expenses)	**(2,800)**	–
Interest income (included in other income)	**(4,927)**	(858)
Fortfeiture of a customer's deposit (included in other income)	**(14,893)**	–

9. DIVIDENDS

No dividend was paid or proposed during 2007, nor has any dividend been proposed since the balance sheet date.

For the year ended 31 December, 2006, the directors of SBT declared and approved dividend of RMB25,000,000 to shareholders of SBT on 20 April 2006.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
		(restated)
Earnings		
Earnings for the purposes of basic earnings per share	**26,116**	51,894

	2007	2006
	HK$'000	*HK$'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,457,264**	1,324,840

Diluted earnings per share has not been presented as the conversion of the Company's outstanding convertible notes would result in an increase in profit per share for the year ended 31 December, 2007 and there were no potential ordinary shares in the year ended 31 December, 2006.

11. TRADE RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
		(restated)
Trade receivables	**164,624**	127,603
Less: Allowance for doubtful debts	**(2,888)**	(5,295)
	161,736	122,308

The Group allows an average credit period from 60 to 270 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	2007	2006
	HK$'000	*HK$'000*
		(restated)
0 to 60 days	**40,542**	53,635
61 to 90 days	**30,146**	22,966
91 to 180 days	**47,721**	36,527
181 to 270 days	**42,961**	9,180
Over 270 days but less than 1 year	**366**	–
	161,736	122,308

The Group has policy of allowance for bad and doubtful debts which is based on the evaluation of collectibility and age of accounts and on management's judgement including credit worthiness and past collection history of each customer.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly.

The amount receivables with a carrying amount of HK$161,370,000 (2006: HK$122,308,000) which are neither past due nor impaired at reporting date for which the Group believes that the amounts are considered recoverable.

At the balance sheet date, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$366,000 (2006: nil) which are past due at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the Group believes that the amounts are considered recoverable.

Ageing of trade receivables which are past due but not impaired

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days overdue	**366**	–

In determining the recoverability of the trade receivables, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

Movement in the allowance for doubtful debts

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	**5,295**	5,015
Write back	**(2,800)**	–
Exchange adjustments	**393**	280
Balance at end of the year	**2,888**	5,295

There are no individually impaired trade receivables which have either been placed under liquidation or in severe financial difficulties included in the allowance for doubtful debts.

12. FINANCIAL LIABILITIES

Trade payable, accruals and other payables principally comprise amounts outstanding for trade purposes and ongoing costs.

The aged analysis of trade payables is as follows:

	2007	2006
	HK$'000	*HK$'000*
		(restated)
0 to 30 days	**3,431**	6,837
31 to 60 days	**519**	4,903
61 to 90 days	**1,947**	6,640
Over 90 days but less than 1 year	**9,174**	7,431
Over 1 year	**1,877**	–
	16,948	25,811

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2007, the health care products and pharmaceutical products market became more vigorous with foreign health care products entering China and the increasing number of categories of health care products of domestic brands. Sales of the more technological blended type new products increased while old products such as traditional Chinese medicines represented a declining trend. Faced with consumers with different demands, the Group added new products with four specifications which provide higher add-on value. Three new markets were explored while the single mode of supermarket terminal sales in the past was changed and attempts were made to market new products through direct sales on TV to strive to turn the declining sales trend in recent consecutive years.

RUYAN atomizing cigarettes have entered several foreign markets since 2006. In 2007, further progress was made in market entry in key markets, and sales were achieved throughout the year. Selecting business partners and developing sales channels continue to be the top priority for international business. In the past few months, new partnerships were initiated for all of North America, for the United Kingdom and Ireland. International product testing for both safety and efficacy is nearing completion under the guidance of respected international experts and laboratories.

PRODUCT DEVELOPMENT

In 2007, the procedures for review and approval of new products by the State Food and Drug Administration were basically frozen. Among the ten products of the Company under application, five categories are under resumption of review and approval and supplementary stage, and the information is compiled and ready for submission. Other products are under review and approval.

As for electronic cigarette products, the “V8” Model, which is more resembling the appearance of traditional cigarettes, was the key product for 2007. But at the same time, newer models were actively developed such as the disposable “Ruyan No. 1” which is estimated to be launched in the market in early 2008.

REGIONAL DEVELOPMENT

In 2007, while the Group’s health products had maintained the existing sales in the market, the new markets in three provinces, namely Shaanxi, Shanxi and Gansu were explored. The business scope covered part of the provinces in western part of China and laid a foundation for the Company’s next step in regional development. The mode of direct sales on TV was adopted in Guangdong region and certain effects on sales were obtained.

In 2007, the regional coverage of pharmaceutical products was far greater than that in 2006. For instance, the sales in Guangdong region alone increased from RMB300,000/year originally to RMB1,200,000/year. The sales market coverage over provinces throughout the state exceeded 90%, expanding from the original single clinical sales to the over-the-counter (OTC) market. In Liaoning, three major chain OTC channels were explored, including Liaoning Baicheng Xinteyao Chain, Chengda Fangyuan Pharmaceutical Company Chain and Sifang Pharmaceutical Chain, with the principle to fully develop and explore sales channel both clinically and with OTC.

As for electronic cigarette products, after securing the domestic market, the overseas market was actively developed. In terms of Europe, following Turkey, Israel and Romania, more Euro markets were explored.

PROSPECTS FOR THE YEAR 2008 AND DEVELOPMENT PLAN

Following the overall recovery of the health care products market in China, the launch of new products in the health care products market is accelerating. The new electronic physio-therapeutical products which carry three functions will be projected in the market in 2008. Apart from developing new markets continuously, the Group is going to expand regions that conduct sales activities by means of direct sales. It is anticipated that sales of health care products will grow at a steady pace annually.

In 2008, in terms of the state-wide development of the pharmaceutical market, clinics, OTC and the third terminal will be the key developing targets. Regarding clinics, independent operating institutes will be set up in five provinces in the state to manage the market. Large chains will be outstretched in other provinces for OTC. As for the third terminal, trial sales for products including Azithromycin Granules and Hai Te Ling Capsules (咳特靈膠囊) will be conducted throughout the state. It is anticipated that the sales for this item alone will increase by more than RMB1,000,000. Clinical-wise, the State Category 1 New Drug Piglydetone and the technologically patented Azithromycin will be put in trials and be launched in the five key provinces in the state by flexible operations and a combination of modes of sales.

Although regulatory obstacles to full market-entry for new product category make difficulty to Ruyan electronic cigarettes and its would-be competitors, Ruyan remains pro-active with respect to its positioning and acceptance by governments and the public alike. Ruyan is on-track to continue opening key markets with strong partners and innovative new products throughout 2008. The America version of the Company's new and highly simulative electronic cigarettes, will make its debut in Las Vegas in late April 2008. The Europe, Middle East, Africa and Asia Pacific version of the same product, will also be launched in May 2008. Other key products will follow by the early 2nd-half of 2008.

LIQUIDITY AND FINANCIAL ANALYSIS

As at 31 December 2007, bank loans of the Group amounted to HK$23.5 million, representing a decrease of HK$22.3 million as compared to the total outstanding bank loans as at 31 December 2006, all of which were short-term loans due within one year and part of which were loans in Renminbi. Since movements of Renminbi against other currencies, in particular the Hong Kong dollar were more stable, the Directors do not anticipate to face any major currency exposures, therefore the Group has not arranged any currency hedge.

During the year, an amount of HK$2.7 million was paid as aggregate interest of bank loans (2006: HK$3.8 million). The Group did not use property as securities for such bank facilities, nor the use of any financial instruments for hedging purposes.

Gearing ratio of the Group reduced from approximately 27.8% as at 31 December 2006 to approximately 27.4% as at 31 December 2007. This calculation is based on total borrowings of approximately HK$168.3 million (2006: HK$99.6 million) and shareholders fund of approximately HK$604.8 million (2006: HK$363.5 million).

As at 31 December 2007, the balance of the inventories amounted to HK$209 million, representing an increase of HK$27 million when compared with previous year.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 13 February 2007, a sale and purchase agreement was entered into between, *inter alia*, AAI, the shareholding of which is owned as to 60.50% by Dragon Concept and Wealthy Well, a wholly owned subsidiary of the Company, for the acquisition of the entire issued share capital of Best Partners Worldwide Limited (currently known as SBT Investments Holding Limited) for a consideration of RMB1,273,608,000 (the "Acquisition") and settled by the issue of a convertible note convertible into shares of the Company (the "Shares") at the conversion price of HK$1.80 per Share (subject to adjustment). The completion of the Acquisition took place on 14 June 2007. Details of the Acquisition are set out in the announcements of the Company dated 19 March 2007, 3 April 2007, 3 May 2007, 18 May 2007 and 18 June 2007 and the circular of the Company dated 21 May 2007. Finally, all outstanding convertible note issued under this subject has been converted on 23 October 2007 and made the number of issued shares of the Company became 1,513,360,000.

CHARGE OF ASSETS

As at 31 December 2007, the Group had no bank deposits pledged to banks to secure banking facilities granted to its subsidiaries (2006: nil).

CONTINGENT LIABILITIES

As at 31 December 2007, 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.

PLACING OF SHARES AND TOP-UP SUBSCRIPTION FOR NEW SHARES AND SUBSIRIPTION OF CONVERTIBLE NOTES

Pursuant to a placing and subscription agreement dated 3 July 2007 entered into among Smart Huge Group Limited, the Company and BOCI Asia Limited, 105,000,000 ordinary shares of HK$0.10 each (the “Placing Shares”) were placed to investors at a price of HK$1.38 per Placing Share, and Smart Huge Group Limited subscribed for 105,000,000 ordinary shares of HK$0.10 each (the “Top-Up Subscription Shares”) at a price of HK$1.38 per Top-Up Subscription Share. BOCI Asia Limited placed the Placing Shares to not less than six placees, each of whom or its ultimate beneficial owner are third parties independent of the Company and its connected persons.

The price for both the Placing Shares and Top-up Subscription Shares, being HK$1.38 per Share, representing a discount of about 6.76% to the closing price as quoted on the Stock Exchange on the date of the placing and subscription agreement. The net price of Placing Share was HK$1.29 per Placing Share.

Pursuant to a subscription agreement dated 3 July 2007 entered into between the Company and BOCI Asia Limited, the Company issued convertible notes in the aggregate principal sum of HK$151,000,000, which upon full conversion at the conversion price of HK$1.59 per share amounting to the issue of 94,968,553 shares, on 31 July 2007 with a maturity date on 31 July 2012 (the “Maturity Date”). The convertible notes are unsecured and bear an interest rate of 2.5% per annum payable semi-annually in arrear. The convertible notes entitle the noteholders to convert them into ordinary shares of the Company at any time from the issuance of the convertible notes until 10 business days prior to the Maturity Date at an initial conversion price of HK$1.59 per share (subject to adjustment). The conversion price will be subject to adjustment for, among other things, subdivision or consolidation of shares, bonus issues, rights issues and other events which have dilution effects on the issued share capital of the Company. If the convertible notes have not been converted, they will be redeemed at 162.6088% of the principal amount of the convertible notes on the Maturity Date. To the best of the knowledge, information and belief of the Directors, each of the noteholders and their respective ultimate beneficial owners are independent third parties.

The total net proceeds from the placing of shares and top-up subscription for new shares and the issue of convertible notes as mentioned above amounted to approximately HK$277 million after expenses and would be used as to (i) approximately HK$85 million for the expansion of the production facilities of the Company; (ii) approximately HK$110 million for market research and development of new markets for healthcare products, including electronic cigarettes, and pharmaceutical products; (iii) approximately HK$30 million for the research and development of healthcare products, including electronic cigarettes, and pharmaceutical products; and (iv) approximately HK$59 million as the Group’s general working capital.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2008 to 27 May 2008 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting (the "AGM"), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00p.m. on 21 May 2008.

AUDIT COMMITTEE

The audit committee 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 final results of the Group for the year ended 31 December 2007.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "**CG Code**") set out in the Appendix to the Listing Rules and has complied with the CG Code during the year ended 31 December 2007, save for the following deviations:

(i) the independent non-executive Directors and non-executive Director were not appointed for specific terms as required by paragraph A.4.1. of the CG Code but they are subject to retirement by rotation in accordance with the articles of association of the Company.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to the Directors, all Directors confirmed that they have complied with the Model Code throughout the Year.

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

During the year ended 31 December 2007, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year ended 31 December 2007.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the website of the Company at www.ruyangroup.com. The 2007 annual report will be dispatched to shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to our customers, suppliers and shareholders. My deep appreciation and thankfulness goes to all members of our staff, in particular to my fellow directors and the management for their continuous support to the Group's effort made in the past. This is the first year since the merger of Golden Dragon Group (Holdings) Limited and Ruyan-SBT's operation. We have full confidence that the merger of health care products, parametrical products and electronic cigarette products will bring greater returns for our investors in the years ahead.

By order of the Board
Ruyan Group (Holdings) Limited
Wong Yin Sen
Chairman

Hong Kong, 21 April 2008

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