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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

This announcement is made on a voluntary basis.

The Board noted certain recent news articles reporting information relating to the electronic cigarette products and wishes to clarify certain information as reported thereof.

This announcement is made by Ruyan Group (Holdings) Limited (the “Company”, together with its subsidiaries referred to as the “Group”).

The board of directors (the “Board”) of the Company noted certain recent news articles reporting information relating to the electronic cigarettes products and wishes to inform the shareholders of the Company (the “Shareholders”) and the investors that the Group has not sold any of the Ruyan Atomizing Electronic Cigarette products in Hong Kong.

In this regard, the Board also wishes to clarify certain information as reported in the media as follows:

1. The Group has applied patent for the Ruyan Electronic Cigarette product series (the “Ruyan Electronic Cigarettes”), which have been subsequently registered in certain countries and regions. The Ruyan Electronic Cigarettes provide the users doses of nicotine by delivering a vaporized nicotine solution of a relatively lower level of nicotine concentration compared to traditional tobacco cigarettes. Nicotine is one of the main factors that may cause addiction to cigarette smoking. Traditional cigarettes are hazardous in that the combustion of tobacco generates harmful chemicals such as tar and carbon monoxide. While the minimal level of nicotine is delivered without any smoke or combustion in the operation, the Ruyan Electronic Cigarettes are a healthier alternative that helps smoker quit smoking and that has been widely recognized as a safe and effective nicotine replacement therapy around the world. Nicotine products such as nicotine patches, gums,

inhaler and spray have been widely used in the United States of America and other European countries for the past twenty years and the manufacturing of such products has become an industry that enjoys steady growth.

2. The Ruyan Electronic Cigarettes have been tested by many institutions in the People's Republic of China (the "PRC") including the Academy of Military Medical Sciences of the People's Liberation Army (中國人民解放軍軍事醫學科學院) and the Centre for Disease Prevention and Control of Tianjian (天津疾病預防控制中心). Such institutions confirmed that proper operation of the Ruyan Electronic Cigarettes is safe and is not harmful to the user's health. The Ruyan Electronic Cigarettes are sold legally in the PRC. The TV commercials and advertisements in the newspapers and other channels thereof are arranged legally. As an innovative and novel invention, the Ruyan Electronic Cigarettes has also successfully won various awards in the areas of health promotion and environmental protection. The Group's three wholly-owned subsidiaries in Beijing, Tianjian and Shenyang have applied for registration of the "electronic vaporizer" with the respective government authorities, which granted corporate standard to the Group as a result. On 18 June, 2006, a notice (國食藥監械【2006】268號) published by the State Food and Drug Administration of the PRC (中國國家食品藥品監督管理局) proclaimed that "Nicotine electronic vaporizer: to be used to help smokers quit smoking, reduce physical requirement of nicotine by them and relieve conditions caused by nicotine withdrawal and therefore is not subject to the regulation of medical appliances."
3. The Group is aware of some counterfeits of the Ruyan Electronic Cigarettes which have been illegally released to Hong Kong and the international market. Such counterfeits are of poor quality and have not been tested for their safety and efficacy. The advertisements of such counterfeits are exaggerating without strict scientific proof. Such counterfeits do not only infringe the intellectual property rights (the "IP Rights") of the Group, but it may also bring hazardous effect to the users' health, which arouses concerns of health departments in certain countries. The Group and its distributors have commenced legal proceedings against the infringing acts of manufacturers and distributors to protect the Group's IP Rights in the PRC, the United States of America and the United Kingdom, and have succeeded in several legal actions with damages awarded. The Group has also applied and obtained approval from the General Administration of Customs of the PRC (中國海關總署) (the "Customs of the PRC") which granted customs protection on the IP Rights of the Group. Under the protection, any products which infringe the IP Rights of the Group will be confiscated by the Customs of the PRC. The Group will continue to take whatever legal actions that are necessary to safeguard the IP Rights and goodwill of the Group.
4. The Group has complied with the applicable laws and regulations in Hong Kong and has not engaged in the sale nor appointed any agent in the sale of the Ruyan Electronic Cigarettes. The Group will maintain its liaison with the relevant departments of Hong Kong government to arrange for registration of the Ruyan Electronic Cigarettes and thereby introduce the Ruyan Electronic Cigarettes to Hong Kong and bring a healthier lifestyle to Hong Kong.

This announcement is published as a voluntary disclosure aiming to allow the Shareholders and potential investors to acknowledge the electronic cigarettes produced by the Company.

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

Hong Kong, 10 March 2009

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