

OUR BUSINESS DEVELOPMENT

Our operations in Jianyang

In 2000, Fujian Sanai was incorporated to engage in the production of pharmaceutical products in China. We set up six production lines in Jianyang, including two for the production of small volume injectibles, one for the production of tablets, one for the production of granules, one for the production of syrup and one for the production of oral solution. We also acquired an in-house raw material production line for extraction of active ingredients in the raw materials required for the production of our modern Chinese medicine products to achieve vertical integration. Each of the small volume injectible production lines had an annual capacity of 100 million vials. The production line for tablets had an annual capacity of 400 million tablets. The production line for granules had an annual capacity of 50 million packets. The production line for syrup had an annual capacity of 10 million bottles. The production line for oral solution had an annual capacity of 10 million ampules. The raw material extraction line for modern Chinese medicine had an annual capacity to process 350 tons of Chinese medicine raw materials. We did not sell any products to the market or hire any employees during that year.

In January 2001, Fujian Sanai obtained a pharmaceutical manufacturing license and commenced operation of the production lines set up in 2000. We hired 115 employees and sold the following seven modern Chinese medicine products through 20 distributors to the market in 2001:

- Pediatric Cough Syrup;
- Manshan White Syrup;
- Manshan White Granule;
- Yuxingcao Injectible;
- Xiangdan Injectible;
- Yimu Herbal Cream; and
- Tabellae Cooryanalgin.

In 2002, we obtained GMP certification for our small volume injectible production lines and continued to grow our business and increased the number of employees from 115 in 2001 to 233 in 2002. The production capacities in 2002 remained substantially the same as in 2001. We had 27 distributors in 2002 and we increased our product types from seven in 2001 to eleven in 2002 by adding the following four products to our portfolio:

- Lincomycin Hydrochloride Injectible;
- Yingqiao Granule
- Pediatric Cold Tablets; and
- Liver Purifying Granules.

In 2003, to capture the market opportunities for large volume injectibles and capsules, we acquired two production lines, including one for the manufacturing of large volume injectibles with an annual capacity of 38.7 million ampules, and the other for the manufacturing of capsules with an annual capacity of

HISTORY AND DEVELOPMENT

430 million capsules, from non-related parties. The production line for the manufacturing of large volume injectibles was acquired from Hengyang City Qianshan Pharmaceutical Manufacturing Equipment Co., Ltd. for consideration of RMB7.7 million. The production line for the manufacturing of capsules was acquired from Wenzhou City Pharmaceutical Manufacturing Equipment Co., Ltd. for consideration of RMB3.8 million. In addition, we upgraded our manufacturing facilities to increase their capacities, which increased the annual capacities of two small volume injectible production lines from 100 million vials to 630 million vials, the annual capacity of tablets from 400 million to 1,500 million, the annual capacity of granules from 50 million to 108 million and the annual capacity of extraction of raw materials for our modern Chinese medicine products from 350 tons to 1,500 tons. The increase in capacities of our in-house raw material production line for our modern Chinese medicine products further enhanced the level of our vertical integration. In January 2003, we obtained GMP certification for our large volume injectible as well as small volume injectible production lines. We further increased our employees from 233 in 2002 to 291 in 2003. We had 37 distributors in 2003 and added five additional products to our portfolio:

- Ribavirin and Sodium Chloride Injectable;
- Fluconazole and Glucose Injectable;
- Alginic Sodium Diester and Sodium Chloride Injectable;
- Famotidine and Glucose Injectable; and
- Dexamethasone Sodium Phosphate Injectable.

In 2004, we continued to upgrade our manufacturing facilities which increased the annual capacity for the production of syrup from 10 million bottles to 23.5 million bottles and the annual capacity for the production of oral solution from 10 million ampules to 58.8 million ampules. After our small volume injectible production lines and large volume injectible production lines obtained GMP certification in 2003, we were able to increase the number of western pharmaceuticals in our product portfolio to balance the allocation between western pharmaceuticals and modern Chinese medicine in our product offerings. The major addition of western pharmaceuticals to our product portfolio in 2004 was N(2)-L-Alanyl-L-Glutamine, which became the largest contributor to our turnover in 2005. In January 2004, we obtained GMP certification for oral solid medicine production lines for the production of tablets, granules and capsules. In October 2004, we obtained GMP certification for our oral solution production lines for the production of syrup. We continued to grow our human resources from 291 in 2003 to 306 in 2004. We had 45 distributors in 2004 and increased our product types from 16 in 2003 to 25 in 2004 by adding the following nine products to our portfolio:

- N(2)-L-Alanyl-L-Glutamine;
- Compound Amino Acid Injectable (500ml);
- Compound Amino Acid Injectable (250ml);
- 5% Glucose Injectable;
- 10% Glucose Injectable;
- Glucose and Sodium Chloride Injectable;
- Sodium Chloride Injectable;

HISTORY AND DEVELOPMENT

- Citicoline Sodium and Glucose Injectable; and
- Netilmicin Sulfate and Glucose Injectable.

In 2005, the annual capacities of our production lines remained the same as in 2004 and the construction of the raw material production line at Jianyang was completed. The number of employees increased slightly from 306 in 2004 to 308 in 2005. Further, as we improved our manufacturing expertise and diversified our product portfolio, we began to focus on products which command higher margins. In 2005, we had 47 distributors and as a result of our focus on products commanding higher margins, we discontinued the following four products in 2004, resulting in 21 principal products in our portfolio:

- Yimu Herbal Cream;
- Tabellae Cooryanalgin;
- Pediatric Cold Tablets; and
- Liver Purifying Granules.

In 2006, to further enhance the level of our vertical integration, we added an in-house raw material production line for our western pharmaceutical, N(2)-L-Alanyl-L-Glutamine, with an annual capacity of approximately 150 tons. As at September 30, 2006, we had 310 employees and 49 distributors. As a result of government price control in 2005, we discontinued production of Citicoline Sodium and Glucose Injectable and sold its remaining inventory during the nine months ended September 30, 2006. Further, Yuxingcao Injectable was suspended by SFDA on June 1, 2006. On September 5, 2006, the SFDA allowed the use of Yuxingcao Injectable in intramuscular injection form to resume. The use of Yuxingcao Injectable in intravenous injection form, however, is still pending further studies of its clinical use. See “Business — Recent Development.” Starting in the second half of 2006, we selected five products from our diversified portfolio of 123 products previously approved for production, which are Vitamin B12 Injectable, Amikacin Sulfate Injectable, Ranitidine Hydrochloride Capsule, Erythromycin Enteric-coated Capsule and Paracetamol, Caffeine, Artificial Cow-bezoar and Chlorphenamine Maleate Capsule. The introduction of these products mitigated the impact on our turnover resulting from the suspension of Yuxingcao Injectibles. We manufacture and sell 24 products as at the Latest Practicable Date.

Our operations in Fuzhou

In January 2004, Fuzhou Sanai was incorporated to serve as the manufacturing site for our Perilla Oil Capsule product candidate.

In 2006, we completed the construction of a production line for our Perilla Oil Capsules with an annual capacity of 1,000 million capsules in anticipation of its launch in 2007. In February 2006, our Perilla Oil Capsule project received funding from the Technology Innovation Fund managed by the Technology Innovation Fund Management Center under the Ministry of Science and Technology. Such funding is generally granted to projects reaching a certain stage of maturity in terms of research and development or mass production. Such projects must be consistent with national industrial and technology policy, have significant market potential, prospects and competitiveness, yield social and economic benefits and have the potential to form a new industry. As at the Latest Practicable Date, we had received RMB680,000 from such fund. In May 2006, Fuzhou Sanai obtained a pharmaceutical manufacturing license valid until December 31, 2010. We expect to commence manufacturing Perilla Oil Capsule shortly after we receive SFDA approval which we expect to occur in the first half of 2007.

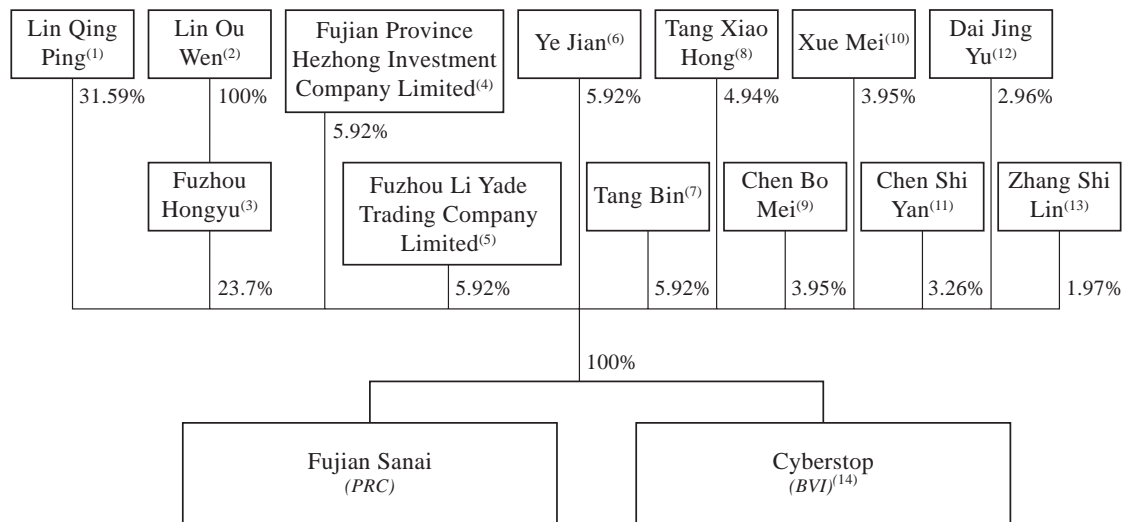
HISTORY AND DEVELOPMENT

The planned capital expenditure for our manufacturing site in Fuzhou is expected to amount to approximately RMB200 million, of which approximately RMB135 million will be used for the acquisition of a new production line for extraction of highly concentrated α -Linolenic acid as raw material for the production of Perilla Oil Capsule with a production capacity of 1,000 tons per year. The remaining approximately RMB65 million will be used for the construction of phase II manufacturing plants and equipment for the production of Perilla Oil Capsule. We expect to incur such capital expenditures during 2008 and 2009 and plan to source the technology and equipment for these facilities based on the best choices available at that time. All the capital expenditure required for this project will be funded by proceeds from the Global Offering.

OUR CORPORATE HISTORY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 21, 2006. Prior to the incorporation of the Company, we operated our business through Fujian Sanai, our wholly owned subsidiary, in Jianyang. Fujian Sanai was established as a joint stock limited company under the laws of the PRC on January 18, 2000. Fujian Sanai was founded by, among others, eight of the 12 Founding Shareholders: Chen Shi Yan, Chen Bo Mei, Dai Jing Yu, Lin Qing Ping, Tang Bin, our executive Director, Xue Mei, Ye Jian and Fuzhou Hongyu. The remaining interests were held by Fujian Province Hezhong Investment Company Limited, Fuzhou Li Yade Trading Company Limited, Tang Xiao Hong and Zhang Shi Lin. Fujian Sanai was converted into a wholly foreign-owned enterprise on August 1, 2006.

The diagram below sets forth the shareholding structure of Fujian Sanai from January 18, 2000 to July 2003:



Notes:

- (1) Lin Qing Ping is one of the 12 Founding Shareholders and is our General Manager, Chief Operating Officer and executive Director.
- (2) Lin Ou Wen is the owner of Fuzhou Hongyu, one of the 12 Founding Shareholders, and our Chairman, Chief Executive Officer and executive Director. Lin Ou Wen, Lin Qing Ping and Lin Qing Mei are brothers and Xue Mei is the spouse of Lin Ou Wen.
- (3) Fuzhou Hongyu is one of the 12 Founding Shareholders of which the entire issued share capital is owned by Lin Ou Wen.

HISTORY AND DEVELOPMENT

- (4) Fujian Province Hezhong Investment Company Limited is an Independent Third Party.
- (5) Xu Chao Hui, our executive Director, owns 5% interest in Fuzhou Li Yade Trading Company Limited. Lin Feng and Chen Ting Zhong, who are Independent Third Parties, hold 84.8% and 10.2% interest in Fuzhou Li Yade Trading Company Limited.
- (6) Ye Jian is one of the 12 Founding Shareholders.
- (7) Tang Bin is one of the 12 Founding Shareholders. Tang Bin is our executive Director.
- (8) Tang Xiao Hong is an Independent Third Party.
- (9) Chen Bo Mei is one of the 12 Founding Shareholders.
- (10) Xue Mei is one of the 12 Founding Shareholders. Xue Mei is the spouse of Lin Ou Wen.
- (11) Chen Shi Yan is one of the 12 Founding Shareholders.
- (12) Dai Jing Yu is one of the 12 Founding Shareholders.
- (13) Zhang Shi Lin is an Independent Third Party.
- (14) Cyberstop, our wholly owned subsidiary, was incorporated on December 15, 2000 with the same shareholders as Fujian Sanai. The services of Cyberstop relate to the provision of business management and market-related information such as product sales, brand promotion, market expansion and product research and development, including the provision of such services to Fujian Sanai.

On August 15, 2003, Zhang Shi Lin transferred his entire 1.97% interest in Fujian Sanai and Cyberstop to Xu Chao Hui, our executive Director for consideration of RMB1 million and US\$197 (equivalent to approximately RMB1,538.3), respectively. On the same date, Wu Xiu Juan and Lin Qing Mei each acquired a 2.96% interest in Fujian Sanai for consideration of RMB1.5 million each and Cyberstop for consideration of US\$296 (equivalent to approximately RMB2,311.4) each, from Fujian Province Hezhong Investment Company Limited.

On December 10, 2003, Tang Xiao Hong transferred approximately 0.83% interest in Cyberstop to Liu Dao Hua for consideration of US\$83 (equivalent to approximately RMB648.1).

Consideration for the transfer of all interests in Cyberstop and in Fujian Sanai were based on negotiation between the parties at arm's length. No valuation report has been prepared for such transactions.

On December 30, 2003, the registered capital of Fujian Sanai increased by an additional RMB10.13 million. The then existing shareholders, with the exception of Tang Xiao Hong, subscribed for the increased registered capital in proportion to the percentage of interest held by them in Fujian Sanai. Tang Xiao Hong did not subscribe for any additional registered capital while Liu Dao Hua subscribed for approximately 0.83% interest in Fujian Sanai. As a result, the interest held by Tang Xiao Hong in Fujian Sanai was reduced to approximately 4.11%.

On January 1, 2004, Fuzhou Sanai was established as a limited liability company under the laws of the PRC. Upon its establishment, Fuzhou Sanai was 60% owned by Fujian Sanai and 40% owned by Lin Ou Wen.

HISTORY AND DEVELOPMENT

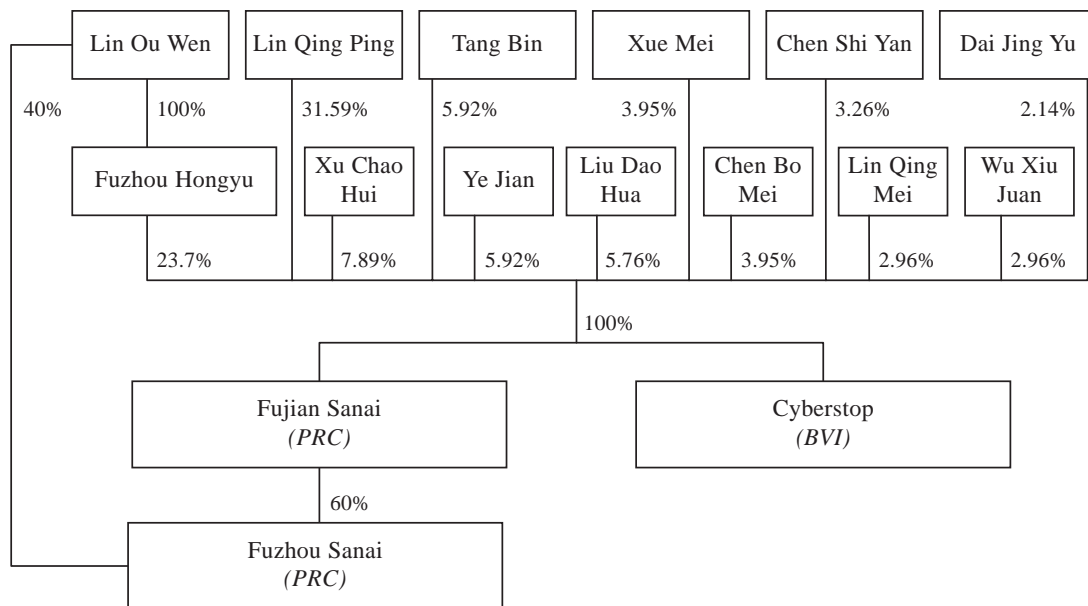
On August 27, 2004, Dai Jing Yu and Tang Xiao Hong transferred 0.82% interest and 4.11% interest, respectively, in Fujian Sanai to Liu Dao Hua for consideration of RMB0.5 million and RMB2.5 million, respectively. On August 27, 2004, Dai Jing Yu and Tang Xiao Hong transferred 0.82% interest and 4.11% interest, respectively, in Cyberstop to Liu Dao Hua for consideration of US\$82 (equivalent to approximately RMB640.3) and US\$411 (equivalent to approximately RMB3,209.4), respectively.

On August 27, 2004, Fuzhou Li Yade Trading Company Limited transferred its entire 5.92% interest in Fujian Sanai and Cyberstop to Xu Chao Hui, our executive Director for consideration of RMB3.6 million and US\$592 (equivalent to approximately RMB4,622.8), respectively.

On August 27, 2004, the 12 Founding Shareholders became the shareholders of Fujian Sanai and Cyberstop.

In 2005, the minority shareholders made capital contributions in the amount of RMB9.1 million.

The diagram below sets forth the shareholding structure of Fujian Sanai and Fuzhou Sanai from August 27, 2004 to July 31, 2006:



Fujian Zenith Law Firm, our PRC legal advisor, confirms that all the transfers of interest in Fujian Sanai and Fuzhou Sanai as disclosed are valid and made in full compliance with applicable PRC laws and regulations.

OUR REORGANIZATION

We underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. Our Reorganization involved the following steps:

On March 7, 2006, Wuyi BVI was incorporated in BVI as a limited liability company. On March 31, 2006, the 11 Founding Shareholders and Lin Ou Wen through their investment companies incorporated in BVI, incorporated the Company to hold 100% interest in Wuyi BVI.

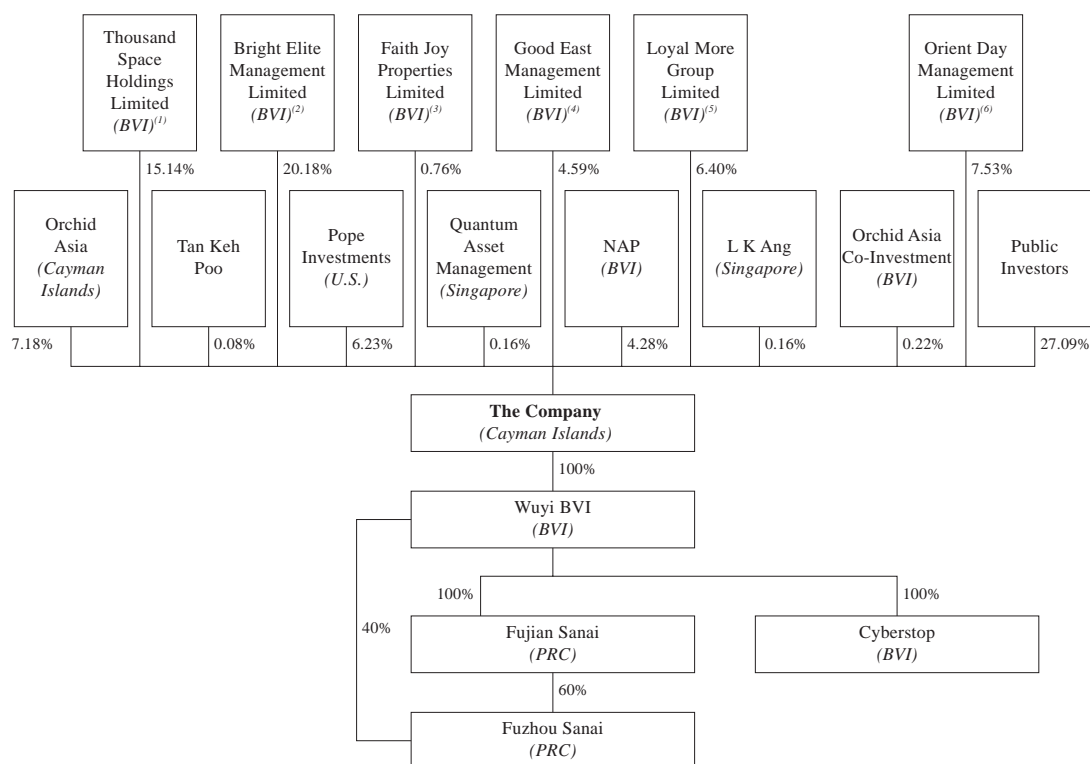
On May 15, 2006, Wuyi BVI entered into an equity interest transfer agreement with the 12 Founding Shareholders for the acquisition of all of the equity interests in Fujian Sanai from the Founding Shareholders for consideration of RMB128,000,000, its net asset value as at January 31, 2006, which was paid out of the proceeds from the issue of Convertible Bonds to the Investors. See “— Investment by the Investors.” On August 1, 2006, Fujian Sanai was converted into a wholly foreign-owned enterprise of Wuyi BVI.

On August 8, 2006, Wuyi BVI entered into an equity transfer agreement pursuant to which Wuyi BVI acquired the 40% interest in Fuzhou Sanai from Lin Ou Wen for consideration of US\$8,000,000 (equivalent to approximately RMB62,469,600) which was agreed between Lin Ou Wen and Wuyi BVI on an arm’s length basis based on a valuation report as at June 30, 2006 prepared by an Independent Third Party using the method of calculating the present value of future income at a discount. Fuzhou Sanai became our wholly owned subsidiary upon approval of such acquisition on November 14, 2006.

For further details regarding our restructuring, see “The Reorganization” included in Appendix VI to this prospectus.

HISTORY AND DEVELOPMENT

The diagram below sets forth our shareholding and corporate structure immediately following the Global Offering assuming the Over-allotment Option is not exercised:



Notes:

- (1) Thousand Space Holdings Limited is an investment holding company whose entire share capital is wholly owned by Lin Ou Wen.
- (2) Bright Elite Management Limited is an investment holding company whose entire share capital is wholly owned by Lin Qing Ping.
- (3) Faith Joy Properties Limited is an investment holding company, the share capital of which is owned by Ye Jian as to 53.73%, Wu Xiu Juan as to 26.87% and Dai Jing Yu as to the remaining 19.4%, all of whom are among our 11 Founding Shareholders.
- (4) Good East Management Limited is an investment holding company, the share capital of which is owned by Tang Bin, our non-executive Director, as to 64.52% and Chen Shi Yan as to the remaining 35.48%, both of whom are among our 11 Founding Shareholders.
- (5) Loyal More Group Limited is an investment holding company, the share capital of which is owned by Xu Chao Hui, our executive Director, as to 66.67% and Chen Bo Mei as to the remaining 33.33%, both of whom are among our 11 Founding Shareholders.
- (6) Orient Day Management Limited is an investment holding company, the share capital of which is owned by Liu Dao Hua as to 45.45%, Xue Mei as to 31.17% and Lin Qing Mei as to the remaining 23.38%, all of whom are among our 11 Founding Shareholders.

INVESTMENT BY THE INVESTORS

Convertible Bond offering

On May 22, 2006, the Investors, the 11 Founding Shareholders, Lin Ou Wen and the Original Shareholders entered into a subscription agreement (the “Subscription Agreement”) as amended by a supplemental agreement dated June 20, 2006 (the “Supplemental Agreement”) with Wuyi BVI, our wholly owned subsidiary, pursuant to which Wuyi BVI issued convertible bonds due on July 12, 2008 (the “Convertible Bonds”) to the Investors in an aggregate principal amount of US\$18 million (equivalent to approximately RMB140,556,600) convertible into the ordinary shares of Wuyi BVI at an initial conversion price of US\$8,200.456 (equivalent to approximately RMB64,034.9) per share. The Convertible Bonds bear interest at a rate of the greater of (i) 6% per annum or (ii) an amount corresponding with dividends or asset distributions on or after January 1, 2006.

On July 11, 2006, the Investors, Wuyi BVI, the Original Shareholders, the 11 Founding Shareholders, and Lin Ou Wen and NAP entered into the Investment Agreement to define their rights and obligations as shareholders of Wuyi BVI. The Investment Agreement gave the Investors the right to require Wuyi BVI to repurchase all the shares in Wuyi BVI held by them in the event that the Company failed to complete the initial offer for subscription of the Shares to the public within six months from the date of converting the Convertible Bonds into the shares of Wuyi BVI (“Put Option 1”). The aggregate purchase price at which the Investors may have required Wuyi BVI to repurchase Wuyi BVI’s shares under Put Option 1 was equal to the price at which the Investors acquired Wuyi BVI’s shares pursuant to the Subscription Agreement plus a premium equivalent to a compound return of 6% per annum for the period from the date of issuance of the Convertible Bonds until the date of the exercise of Put Option 1.

As a result of the acquisition by NAP from Loyal More Group Limited on June 2, 2006 of 18 ordinary shares representing an approximately 0.14% interest in Wuyi BVI, assuming the Convertible Bonds have been fully converted, for consideration of US\$150,000 (equivalent to approximately RMB1,171,305), NAP has undertaken to comply with the Investment Agreement as if it is a party to the Investment Agreement.

On October 27, 2006, Wuyi BVI, the Investors, the 11 Founding Shareholders, Lin Ou Wen and the Original Shareholders entered into a supplemental deed to the Subscription Agreement, as amended, pursuant to which the Investors exercised their conversion rights under the Convertible Bonds, which caused the Company, rather than Wuyi BVI, to issue 230,400,000 Shares to the Investors at a conversion price of US\$0.078125 each (equivalent to approximately RMB0.610). Based on the lower end of the Offer Price, the conversion price is discounted at a rate of approximately 49%.

During the life of the Convertible Bonds, the 11 Founding Shareholders and Lin Ou Wen acted as guarantors for the performance by each of the Original Shareholders and Wuyi BVI of all their obligations, commitments and undertakings under the Convertible Bonds. Such guarantees from the 11 Founding Shareholders and Lin Ou Wen were released. For the principal terms and conditions of the Convertible Bonds, see “Terms and Conditions of the Convertible Bonds” included in Appendix VI to this prospectus.

The proceeds from such Convertible Bond offering were used for the acquisition of interests in Fujian Sanai and for our general working capital requirements.

On October 27, 2006, Wuyi BVI, the Investors, the 11 Founding Shareholders, Lin Ou Wen, the Original Shareholders and NAP entered into a termination agreement terminating the Investment Agreement. On October 27, 2006, the Company, the Original Shareholders, the 11 Founding Shareholders, Lin Ou Wen, NAP and the Investors entered into the New Investment Agreement pursuant to which the Company granted to the Investors an option (“Put Option 2”) which gives the Investors the

HISTORY AND DEVELOPMENT

right to require the Company to repurchase all the Shares held by the Investors in the event that the Company fails to complete the Hong Kong Public Offer within six months from October 27, 2006. The aggregate purchase price at which the Investors may require the Company to repurchase all the Shares under Put Option 2 will be equal to the price at which the Investors acquired all the Shares pursuant to the supplemental deed to the Subscription Agreement, as amended, plus a premium equivalent to a compound return of 6% per annum for the period from the date of the New Investment Agreement to the date of the exercise of Put Option 2. NAP was not included as one of the Investors. Although NAP was a party to the Investment Agreement, the parties commercially agreed that Put Option 2 was not granted to NAP.

The Shares held by the Investors are subject to a lock-up period of six months commencing from the Listing Date.

The following table sets forth the principal amount subscribed by each Investor upon offering of the Convertible Bonds, the number of Shares issued to each Investor upon conversion and the number of Shares held by each Investor immediately following the Global Offering:

Name of the Investors	Principal amount subscribed		Number of Shares issued upon conversion	Percentage of shareholding in the Company upon conversion	Number of Shares held immediately following the Global Offering	Percentage of shareholding in the Company following the Global Offering (assuming the Over-allotment Option is not exercised)
	(in US\$)	(RMB equivalent)				
Orchid Asia . . .	9,215,000	71,957,170	117,952,000	9.2%	117,952,000	7.2%
Pope Investments	<u>8,000,000</u>	<u>62,469,600</u>	<u>102,400,000</u>	8.0%	<u>102,400,000</u>	6.2%
Orchid Asia Co-Investment . .	285,000	2,225,480	3,648,000	0.3%	3,648,000	0.2%
L K Ang	<u>200,000</u>	<u>1,561,740</u>	<u>2,560,000</u>	0.2%	<u>2,560,000</u>	0.2%
Quantum Asset Management .	200,000	1,561,740	2,560,000	0.2%	2,560,000	0.2%
Tan Keh Poo . .	<u>100,000</u>	<u>780,870</u>	<u>1,280,000</u>	0.1%	<u>1,280,000</u>	0.1%
Total	<u>18,000,000</u>	<u>140,556,600</u>	<u>230,400,000</u>		<u>230,400,000</u>	

Directors of Wuyi BVI

The following persons are the directors of Wuyi BVI:

- Lin Ou Wen, our executive Director, Chairman and Chief Executive Officer;
- Lin Qing Ping, our executive Director, General Manager and Chief Operating Officer;
- Xu Chao Hui, our executive Director;
- Dennis Nguyen, our executive Director;
- Tang Bin, our non-executive Director; and
- John Yang Wang, our non-executive Director.

Other investors

On May 22, 2006, Faith Joy and its shareholders Ye Jian, Wu Xiu Juan and Dai Jing Yu entered into a sale and purchase agreement with NAP and its executive officer, Dennis Nguyen, pursuant to which NAP agreed to purchase 200 ordinary shares, representing an approximately 1.64% interest of Wuyi BVI, assuming the Convertible Bonds have been fully converted, with a nominal value of US\$1.00 (equivalent to approximately RMB7.8087) each in the share capital of Wuyi BVI for consideration of HK\$1.00 subject to the terms and conditions set forth in the sale and purchase agreement. The consideration was on normal commercial terms negotiated between the parties at arm's length. The basis of such consideration was determined by the parties by reference to the contribution made by Dennis Nguyen to the Group. Dennis Nguyen has introduced the investors to the Group and advised the Group on the international corporate financial market, the reorganization and management system. The transfer is, however, conditional upon the completion of the Subscription Agreement and the conversion of any Convertible Bond by the Investors. On October 27, 2006, Faith Joy and its shareholders Ye Jian, Wu Xiu Juan and Dai Jing Yu and NAP and Dennis Nguyen entered into a supplemental agreement to the sale and purchase agreement, pursuant to which NAP agreed to purchase 20,983,605 Shares, instead of 200 ordinary shares of Wuyi BVI, and all other terms and conditions remain unchanged. On October 27, 2006, NAP exercised the options granted by Faith Joy and acquired 20,983,605 Shares representing an approximately 1.64% interest of the Company.

On May 22, 2006, Good East Management Limited and its shareholders Tang Bin and Chen Shi Yan entered into a sale and purchase agreement with NAP and Dennis Nguyen, pursuant to which NAP agreed to purchase 200 ordinary shares, representing an approximately 1.64% interest of Wuyi BVI, assuming the Convertible Bonds have been fully converted for consideration of HK\$1.00 subject to the terms and conditions set forth in the sale and purchase agreement. The consideration was on normal commercial terms negotiated between the parties at arm's length. The basis of such consideration was determined by the parties by reference to the contribution made by Dennis Nguyen to the Group. Dennis Nguyen introduced investors to invest in the Group and advised the Group on the international corporate financial market, the reorganization and management system. The transfer is, however, conditional upon the completion of the Subscription Agreement and the conversion of any Convertible Bonds by the Investors. On October 27, 2006, Good East Management Limited and its shareholders Tang Bin and Chen Shi Yan and NAP and Dennis Nguyen entered into a supplemental agreement to the sale and purchase agreement, pursuant to which NAP agreed to purchase 20,983,605 Shares, instead of 200 ordinary shares of Wuyi BVI, and all other terms and conditions remain unchanged. On October 27, 2006, NAP exercised the options granted by Good East Management Limited and acquired 20,983,605 Shares representing an approximately 1.64% interest of the Company.

On May 22, 2006, Orient Day Management Limited and its shareholders Liu Dao Hua, Xue Mei and Lin Qing Mei entered into a sale and purchase agreement with NAP and Dennis Nguyen, pursuant to which NAP agreed to purchase 88 ordinary shares, representing an approximately 0.72% interest of Wuyi BVI, assuming the Convertible Bonds have been fully converted for consideration of HK\$1.00 subject to the terms and conditions set forth in the agreement. The consideration was normal commercial terms negotiated between the parties at arm's length. The basis of such consideration was determined by the parties by reference to the contribution made by Dennis Nguyen to the Group. Dennis Nguyen introduced investors to invest in the Group and advised the Group on the international corporate financial market, the reorganization and management system. The transfer is, however, conditional upon the completion of the Subscription Agreement and the conversion of any Convertible Bonds by the Investors. On October 27, 2006, Orient Day Management Limited and its shareholders Liu Dao Hua, Xue Mei and Lin Qing Mei and NAP and Dennis Nguyen entered into a supplemental agreement to the sale and purchase agreement, pursuant to which NAP agreed to purchase 9,232,788 Shares, instead of 88 ordinary shares of Wuyi BVI, and all other terms and conditions remain unchanged. On October 27, 2006, NAP exercised the option granted by Orient Day Management Limited and acquired 9,232,788 Shares representing an approximately 0.72% interest of the Company.

HISTORY AND DEVELOPMENT

Based on the lower end of the Offer Price, the aggregate consideration in the amount of US\$1,500,000 (equivalent to approximately RMB11,713,050) and HK\$3.0 for the 70,400,000 Shares acquired by NAP under the sale and purchase agreements with Faith Joy, Good East Management Limited and Orient Day Management Limited dated May 22, 2006, as amended by their respective supplemental agreements, and the Option Deed, as amended by the two supplemental option deeds, was discounted at a rate of approximately 86.15%.

On June 2, 2006, Loyal More Group Limited and NAP entered into a sale and purchase agreement, pursuant to which NAP agreed to purchase from Loyal More Group Limited 18 ordinary shares, representing an approximately 0.14% interest of Wuyi BVI, assuming the Convertible Bonds have been fully converted for consideration of US\$150,000 (equivalent to approximately RMB1,171,305), which is based on the valuation of the Group for the financial year ended 31 December 2005. The transfer of such ordinary shares was effected on June 3, 2006.

On June 2, 2006, Loyal More Group Limited and its shareholders, Xu Chao Hui, our executive Director, and Chen Bo Mei entered into an option deed (the “Option Deed”) with NAP and Dennis Nguyen. Pursuant to the principal terms and conditions under the Option Deed, NAP acquired an option to purchase 165 ordinary shares, representing an approximately 1.35% interest of Wuyi BVI, assuming the Convertible Bonds have been fully converted for consideration of US\$1,350,000 (equivalent to approximately RMB10,541,745). The exercise of the option, however, is conditional upon the completion of the Subscription Agreement by the Investors.

On August 1, 2006, Loyal More Group Limited and NAP, entered into a sale and purchase agreement pursuant to which NAP agreed to purchase from Loyal More Group Limited 18 ordinary shares, representing an approximately 0.14% interest of Wuyi BVI, assuming the Convertible Bonds have been fully converted, for consideration of US\$150,000 (equivalent to approximately RMB1,171,305). The transfer of such ordinary shares was effected on August 1, 2006.

On August 1, 2006, Loyal More Group Limited, its shareholders, Xu Chao Hui, our executive Director, Chen Bo Mei, and NAP and Dennis Nguyen entered into a supplemental option deed to the Option Deed, granting NAP an option to purchase 147 ordinary shares in the share capital of Wuyi BVI for consideration of US\$1,200,000 (equivalent to approximately RMB9,370,440).

On October 27, 2006, Loyal More Group Limited, its shareholders, Xu Chao Hui, our executive Director, Chen Bo Mei, and NAP and Dennis Nguyen entered into a second supplemental option deed to the Option Deed, amended as aforesaid granting NAP an option to purchase 15,422,950 Shares, instead of 147 ordinary shares of Wuyi BVI, and all other terms and conditions remain unchanged. On October 27, 2006, NAP exercised the option to purchase 15,422,950 Shares representing an approximately 1.20% interest of the Company.

The Shares held by NAP are subject to a lock-up period of six months commencing from the Listing Date.

Restriction on disposal

On October 27, 2006, the Company, the Original Shareholders, NAP, the 11 Founding Shareholders, Lin Ou Wen and the Investors entered into the New Investment Agreement. Pursuant to the New Investment Agreement:

- (a) each of them will not permit or suffer any direct or indirect disposal of, or the creation of any encumbrance over, any of its shares in the Company (except for disposal of the Sale Shares as disclosed in this Prospectus) during a period of (i) in relation to the Investors, up to six months from the Listing Date; (ii) in relation to the Original Shareholders, 11 Founding Shareholders and Lin Ou Wen, 12 months from the Listing Date; and (iii) in relation to NAP, six months from the Listing Date; and
- (b) each of them will enter into an escrow arrangement with escrow agent(s) acceptable to the Stock Exchange, or another recognized stock exchange, and place in escrow, with such escrow agent, the shares in the Company in compliance with applicable rules and regulations of the Stock Exchange or such other recognized stock exchange.

Fan Li Rong, the sole shareholder of Paradigm Capital Limited, which holds the entire share capital of NAP, has undertaken to the Company that she or the companies controlled by her will not permit or suffer any direct or indirect disposal of, or the creation of any encumbrance over, any of its shares in the Company and the shares in NAP, during a period of six months from the Listing Date.

INFORMATION ON THE INVESTORS

All the Investors are financial investors, and with the exception of Fan Li Rong, spouse of Dennis Nguyen, our executive Director, who indirectly holds the entire interest in NAP. All Investors are Independent Third Parties.

Orchid Asia

Orchid Asia is an exempted limited partnership registered under the laws of Cayman Islands on November 2, 2004. Orchid Asia is part of Orchid Asia Group Management, Ltd., an investment group that assists corporate executives of companies in the consumer service and products sectors with high growth prospects to formulate strategies to finance and expand their business enterprises. The investment group focuses in particular on companies in Asia and China. Orchid Asia is an investment partnership that has capital commitments from a group of leading institutional investors and high net worth individuals.

Pope Investments

Pope Investments is a limited liability company incorporated under the laws of Delaware, the United States, on December 15, 2005. Pope Investments is a pooled investment company that is managed by Pope Asset Management, LLC (“Pope Asset”) and serves as a complement to Pope Asset’s registered investment advisor activities by investing in private equity, small public companies, and operating companies that are better suited for a pooled fund. In managing Pope Investments, Pope Asset utilizes a global investment approach that considers securities from different asset classes, both public and private, and geographical locations. Pope Asset attempts to purchase securities at a significant discount to their inherent value, focusing on the quality of the business, the quality of management, the valuation of the business, and how well the business is positioned for future trends.

Orchid Asia Co-Investment

Orchid Asia Co-Investment is a limited liability company incorporated under the laws of BVI on November 30, 2005. Orchid Asia Co-Investment is part of Orchid Asia Group Management, Ltd. Orchid Asia Co-Investment is an investment special purpose vehicle that may invest outside of and alongside Orchid Asia in any portfolio investments.

L K Ang

L K Ang is a limited liability company incorporated under the laws of Singapore on March 9, 2000. L K Ang is a wholly owned subsidiary of L K Ang Construction Pte Ltd. incorporated in Singapore. It is an investment company that invests in companies based in China that offer high growth potential with plans to be listed on stock exchanges outside China to access international capital resources to further grow their businesses.

Quantum Asset Management

Quantum Asset Management is a limited liability company incorporated under the laws of Singapore on March 5, 2004. Quantum Asset Management is an exempt fund manager incorporated pursuant to paragraph 5(1)(d) of the Second Schedule of the Securities and Futures (Licensing and Conduct of Business) Regulations 2002 of Singapore whose primary business is to provide fund management services.

Tan Keh Poo

Dr. Tan Keh Poo is an individual investor. Dr. Tan was qualified as a medical doctor from the University of Melbourne in 1977. From October 2004, Dr. Tan joined Auric Pacific Group Limited, an investment holding company listed in Singapore whose subsidiaries' principal activities are manufacturing and distribution of food and other consumer goods with operations in Singapore, Malaysia, Indonesia and China, as an executive director. Auric Pacific Group Limited is not related to the Company.

NAP

NAP is a company incorporated under the laws of BVI on January 7, 2004. NAP is an investment firm based in Shanghai and Hong Kong with a focus on assisting Chinese companies to access the international capital markets. NAP seeks to work with experienced entrepreneurs to manage high growth businesses in industries with high entry barriers. In particular, NAP has invested in companies in the consumer, retail, medical, pharmaceutical, energy and technology services sectors. Paradigm Capital Limited, a company incorporated in BVI, holds the entire issued share capital of NAP. Fan Li Rong, the spouse of Dennis Nguyen, our executive Director, in turn holds the entire issued share capital of Paradigm Capital Limited.

All the Shares held by the Investors and NAP will not be counted as listed securities held by the public upon Listing.