OVERVIEW

We are a provider of health-related products, with a primary focus on amino acid-based nutritional supplements in the rapidly growing Chinese market. According to estimates by CCID, an Independent Third Party consulting firm that was commissioned by us, our amino acid-based nutritional supplements, namely Ruinian-branded amino acid-based tablets and Linger-branded amino acid-based tablets, both of which are manufactured by us, and liquid amino acids that are currently manufactured exclusively for us by an Independent Third Party, had a market share in China of approximately 21.6% in terms of turnover in Renminbi in 2008, which represented the largest market share of any provider in the Chinese market in that period.

We have experienced significant growth in our business in recent years. Our turnover increased from RMB 196.7 million in 2006 to RMB 405.5 million in 2007 and to RMB 632.4 million in 2008, representing a CAGR of 79.3% from 2006 to 2008. Our turnover in the nine months ended 30 September 2009 reached RMB523.7 million. We generated substantially all of our turnover from the sale of nutritional supplements and general health food products and health drinks during the Track Record Period. Our pharmaceutical segment, on the other hand, is still at an early stage of development and contributed less than 1% of our turnover in the nine months ended 30 September 2009. The following table sets forth the different groups of our products, their turnover and gross margin, as well as our net profit and net profit margin during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
(RMB in thousands, except for percentages)	Turnover	Gross Margin (%)	Turnover	Gross Margin (%)	Turnover	Gross Margin (%)	Turnover	Gross Margin (%)	Turnover	Gross Margin (%)
							(unaudited)			
Turnover										
Amino acid-based nutritional supplements	169,597	88.5	334,770	79.9	382,079	82.0	364,625	82.0	268,284	83.6
Other nutritional supplements and general health food products	27,150	82.4	70,753	72.1	124,604	63.1	115,184	65.1	141,897	49.4
Health drinks	—	—	—	—	125,674	27.4	106,920	28.0	113,453	47.1
Pharmaceutical products	—	—	—	—	—	—	—	—	38	65.8
Total	196,747	87.7	405,523	78.6	632,357	67.4	586,729	68.8	523,672	66.4
	Amount	Margin (%)	Amount	Margin (%)	Amount	Margin (%)	Amount	Margin (%)	Amount	Margin (%)
Net profit	24,515	12.5	135,208	33.3	119,979	19.0	118,600	20.2	132,366	25.3

As we provide a wide range of health-related products that target different groups of consumers with varied needs, our gross margin is strongly correlated with our product mix. Our gross margin decreased from 2006 to 2007 primarily because we began to sell liquid amino acids in order to attract cost-conscious consumers and grow the market share of our amino acid-based nutritional supplements. Liquid amino acids have a lower margin than our Ruinian-branded amino acid-based tablets since we purchase the liquid amino acids from third parties for resale. Our gross margin further decreased from 2007 to 2008 primarily because in 2008 we began to sell health drinks, which are a lower margin product than our other products, in order to benefit from the rapid growth of the RTD tea market and diversify our portfolio of health-related products.

We expanded our business into the health drink market in February 2008 by marketing and selling herbal tea, which is manufactured exclusively for us by Independent Third Parties. We plan to build our own herbal tea production line, which is expected to be completed by the fourth quarter of

2010. We also plan to launch amino acid-based drinks, which are planned to be manufactured for us by Independent Third Parties, by the end of 2010, in order to take advantage of our existing distribution channels for our herbal tea products to reach the large consumer base of beverage products in China. We entered into the pharmaceutical business in July 2009 through the acquisition of a 100% equity interest in Nanjing Ruinian, an early-stage pharmaceutical company that has obtained relevant regulatory approvals, including a pharmaceutical manufacturing permit, SFDA approval for pharmaceutical products and GMP certification for pharmaceutical products, for manufacturing two eye drop medicines and one anti-cancer medicine. Nanjing Ruinian is currently conducting marketing and selling activities to secure purchase orders for its products, and has not commenced large-scale production. In addition, we have four pharmaceutical product candidates, namely gatifloxacin eye gel, proparacaine hydrochloride eye drops, oxaliplatin injection and letrozole tablets, for which we expect to obtain the SFDA approval by the end of 2011, 2010, 2010 and 2010, respectively. See "Business — Product Candidates."

In 2006, 2007, 2008 and the nine months ended 30 September 2009, our self-produced products contributed 100%, 71.3%, 50.5% and 64.1%, respectively, of our turnover, and 100%, 71.7%, 61.5% and 78.7%, respectively, of our gross profit. During the same periods, third-party-produced products contributed nil, 28.7%, 49.5% and 35.9%, respectively, of our turnover, and nil, 28.3%, 38.5% and 21.3%, respectively, of our gross profit. The following table sets forth summary financial information of our self-produced products and third-party-produced products during the Track Record Period.

	Year ended 31 December						Nine months ended 30 September			
	2006		2007		2008		2008		2009	
(RMB in thousands, except for percentages)	Turnover	Gross Profit Margin (%)	Turnover	Gross Profit Margin (%)	Turnover	Gross Profit Margin (%)	Turnover	Gross Profit Margin (%)	Turnover	Gross Profit/ Loss Margin (%)
							(unaudited)			
Self-produced products										
Amino acid-based nutritional supplements[1]	169,597	88.5	218,214	81.3	222,442	84.1	210,614	84.4	236,020	84.8
Other nutritional supplements and general health food products[2]	27,150	82.4	70,753	72.1	96,886	77.7	90,783	79.3	99,679	73.7
Pharmaceutical products	—	—	—	—	—	—	—	—	38	65.8
Subtotal	196,747	87.7	288,967	79.0	319,328	82.1	301,397	82.9	335,737	81.5
Third-party-produced products										
Amino acid-based nutritional supplements[3]	—	—	116,556	77.4	159,637	79.1	154,011	78.6	32,264	74.8
Other nutritional supplements and general health food products[4]	—	—	—	—	27,718	11.9	24,401	11.9	42,218	(8.0)[5]
Health drinks	—	—	—	—	125,674	27.4	106,920	28.0	113,453	47.1
Subtotal	—	—	116,556	77.4	313,029	52.4	285,332	54.0	187,935	39.5

Notes:

(1) Being Ruinian-branded amino acid-based tablets and Linger-branded amino acid-based tablets.

(2) Being Ruinian-branded royal jelly tablets, Ruinian-branded osteoid sachet powder, Ruinian-branded blood lipid capsules, Ruinian-branded protein powder, Ruinian-branded collagen tablets, Ruinian-branded polypeptide tablets, Sane-branded dietary fibre and other general health food products.

(3) Being liquid amino acids.

(4) Primarily including Yixikang oral liquids and Honger oral liquids, manufactured by Zhangshu City Qiling Pharmaceutical Company Limited and Zhangshu Institute, that we began to sell in June 2008 to diversify our sources of income to mitigate the impact of the global financial crisis and economic downturn. We ceased to sell Yixikang oral liquids in August 2009 and Honger oral liquids in November 2009.

(5) Gross margin of Yixikang oral liquids and Honger oral liquids was 11.9% and 12.0%, respectively, in 2008 and negative 4.4% and negative 5.5%, respectively, in the nine months ended 30 September 2009. The negative gross margin of these products in 2009 was primarily attributable to additional packaging cost incurred as we re-packaged them to facilitate our promotional sales of these products.

We manufacture and market all of our nutritional supplements and general health food products, except for liquid amino acids that have been manufactured for us by an Independent Third

Party, and we have five nutritional supplement product candidates under development. See "Business — Our Products." Our own liquid amino acid production line was completed in December 2008 and we plan to manufacture and market our own Ruinian-branded liquid amino acids upon receipt of the GMP certification for this production line and the food production licence. We will not manufacture this product until the relevant GMP certification and the food production licence are obtained, which are expected to be granted by the end of 2010. Most of our nutritional supplements and general health food products are sold under our "Ruinian" brand, which is the leading brand in the amino acid-based nutritional supplement market in China. Turnover from the sales of liquid amino acids in the nine months ended 30 September 2009 decreased to RMB32.3 million from RMB154.0 million in the nine months ended 30 September 2008, primarily because we planned to replace this third-party-produced product gradually with our self-produced Ruinian-branded liquid amino acids. The decrease was also attributable to reduced market demand due to the global financial crisis, which in turn caused us to cut back our marketing expenses for this product.

We have an extensive network of distributors and significant distribution experience. We sell our nutritional supplements and general health food products to an extensive network of regional and local distributors in China, which in turn sell and distribute our products to a wide range of retail points of sale. As of 30 September 2009, our nutritional supplements and general health food products were sold at approximately 41,400 retail outlets, including supermarkets, convenience stores and retail pharmacies, in 29 provinces and municipalities across China. We sell our Shun-branded herbal tea to distributors, which in turn sell them to convenience stores, restaurants and supermarkets. We sell our pharmaceutical products to pharmaceutical distributors in China, which in turn sell them to hospitals.

We have dedicated brand management, market research and sales support teams to further enhance the effectiveness of our marketing efforts. We engage in consumer advertising through television commercials, which are complemented by advertisements in newspapers, magazines, billboards and other electronic media, and through celebrity spokesperson endorsements and other promotional campaigns.

We utilise a market-oriented approach in the development of our products and product candidates in order to stay current with changing market trends. We work with our advisory board, which consists of chemists, biologists and other scientists and consultants at academic and other institutions, with respect to our research, development and regulatory compliance efforts. Although these Independent Third Parties are not our employees and typically will not enter into non-competition agreements with us, they have provided valuable advice and input regarding our product development programmes. We collaborate with research companies, which we believe is a flexible and effective way to develop our new products. In addition, we also directly acquire existing developed technologies when suitable candidates are identified. We acquired the technological know-how associated with all of our current pharmaceutical products and our current pharmaceutical product candidates from Independent Third Parties. See "Business — Product Development" and "Risk Factors — Risks Related to Our Business — Risks Related to Our General Business — Risks Related to Our General Business — Our collaborations with outside scientists, consultants and research companies may be subject to restrictions and changes."

We currently own and operate a manufacturing facility in Wuxi City, Jiangsu Province, that is capable of producing nutritional supplements and general health food products in the form of tablets, capsules, liquid and powder. We have one tablet production line, one powder production line, one capsule production line and one liquid production line at our manufacturing facility in Wuxi City,

Jiangsu Province. Our standard tablets, stomach-dissolved tablets and intestine-dissolved tablets share the same tablet production line. We manufacture our ofloxacin eye drops, ciprofloxacin hydrochloride eye drops and topotecan hydrochloride capsules at our pharmaceutical manufacturing facility in Nanjing, Jiangsu Province. All our production lines in operation are GMP compliant and we plan to renew our GMP certifications before they expire. We have implemented various quality control and safety measures at these facilities. We conduct on-site inspection of the manufacturing processes of our Independent Third Party manufacturers, who manufacture liquid amino acids and herbal tea, from time to time. See "Business — Manufacturing, Quality Control and Supplies." As we do not maintain any product liability insurance, we rely on these quality control measures to manage our product liability risks.

OUR COMPETITIVE STRENGTHS

We believe our success and future prospects are based on the following competitive strengths:

Leading Position in the Rapidly Growing Amino Acid-based Nutritional Supplement Market in China

We are the largest provider of amino acid-based nutritional supplements in China in terms of turnover in Renminbi. According to CCID, our amino acid-based nutritional supplement products had a leading market share of approximately 21.6% in terms of turnover in Renminbi in 2008, compared to 4.5% for the second largest participant in the China market. With improved living standards in China, Chinese consumers are increasingly seeking a healthier lifestyle. As a result, demand for nutritional supplements in China has been growing rapidly. In particular, according to CCID, sales of amino acid-based nutritional supplements grew from RMB430 million in 2002 to RMB1.8 billion in 2008, representing a CAGR of 26.6%. With our existing portfolio of amino acid-based products and our products under development, as well as our strong marketing capabilities and distribution network, we believe we are well positioned to benefit from the rapid growth of this market in China.

Strategic Brand Positioning and Strong Nationwide Brand Recognition

Ruinian is the leading brand in the amino acid-based nutritional supplement market in China. We have achieved this by implementing a multi-faceted marketing strategy that utilises various advertising channels, including television, newspapers, magazines, billboards, electronic media, celebrity endorsements and promotional campaigns at selected retail outlets. Our Ruinian-branded amino acid-based tablets were recognised as a "Recommended Product" in both 2006 and 2007 by the Consumer Council of Wuxi, Jiangsu Province, a "Trustworthy Product of Chinese Health Supplements" by the China Health Care Association from 2005 to 2007 and a "Reputable Brand" of Jiangsu Province since 2004. They were also selected as a gift to the PRC National Assemblies ("兩會"禮品), comprising the annual general meetings of the PRC National People's Congress and the Chinese People's Political Consultative Conference, by the Periodical Office of the Chinese People's Political Consultative Conference (《中國政協》雜誌社), which was one of the entities providing services to the PRC National Assemblies, in 2006, 2007, 2008 and 2009. We believe our strong brand recognition has greatly supported our business growth and the commercial success of our amino acid-based products, provides a significant foundation for the promotion of our other products, and enables us to further penetrate the Chinese nutritional supplement market, RTD tea market and pharmaceutical market in order to achieve long-term profitability. We believe our development and marketing of new products will continue to be supported by, and will benefit from, our strong brand recognition among consumers in China.

Diversified Portfolio of Health-related Products

We provide a wide range of health-related products that target different groups of consumers with varied needs depending on their respective health conditions, ages, genders and consumption preferences. In addition to our leading amino acid-based nutritional supplement products, we also develop, manufacture and market a range of other health-related products, including other types of nutritional supplements and general health food products, health drinks and pharmaceuticals. Our nutritional supplements and general health food products are focused primarily on immunity enhancement, while our herbal tea products contribute to daily health and well-being and our pharmaceutical products provide treatments for certain medical conditions and diseases.

We believe this diversified portfolio of health-related products and products under development will help to reduce our long-term reliance on our amino acid-based products for our future turnover and demonstrates our ability to identify and take advantage of opportunities in other related product segments.

Dedication to Quality Control

We recognise the value in maintaining the high quality of our products and adopt stringent standards and measures relating to quality control throughout our production process. We are one of a limited number of companies in Jiangsu Province to attain GMP certificates for our nutritional supplement production lines. We also conduct regular checks throughout our production process to ensure full compliance with our internal quality standards and the GMP standards. In addition, we have strict criteria for the selection and testing of our raw materials.

To maintain our quality standards, we hire personnel with relevant expertise, use advanced equipment, develop and apply technological know-how and implement strict monitoring and control measures. For example, our senior management team is actively involved in setting internal quality control policies and monitoring our product quality control process, and our quality control team provides regular training to our production personnel to ensure that production processes meet our quality inspection and other quality control standards. In order to minimise the risk of contamination and improve the safety of our eye drops, we use a manufacturing system that is capable of molding plastic bottles, filling them with sterile eye drops solution and sealing them in one step. Also, in order to control the quality of key products we purchase from third parties, such as liquid amino acids and herbal tea, our quality control employees inspect our suppliers' manufacturing processes on-site from time to time. We believe these and other continuous quality control efforts will help us to maintain and enhance our reputation and market position.

Extensive Network of Distributors and Significant Distribution Experience

We have been developing, manufacturing and marketing nutritional supplements in China for over a decade and have established an extensive network of distributors, which were selected based on their reputation, market coverage, sales experience and the size of their marketing and distribution resources. The number of retail outlets selling our products has grown rapidly during the Track Record Period. As of 31 December 2006, 2007 and 2008, our nutritional supplements and general health food products were sold at approximately 25,000, 41,000 and 40,400 retail outlets, respectively. Our extensive network of distributors has enabled us to cost-effectively market our products in 29 provinces and municipalities across China and allows us to both benefit from economies of scale and achieve higher efficiencies in the distribution of our products. We believe that our established

distribution network provides us with a solid foundation to continue to expand in our target markets through enhancing the market awareness of our products.

Effective and Proven Product Development

We utilise a market-oriented approach in the development of our products and product candidates in order to stay current with changing market trends. Our sales and marketing professionals collect feedback from end-users regarding our products and work closely with our product development department to evaluate and identify attractive market opportunities for potential new products. When considering the viability of a potential nutritional supplement, our product development department consults with our advisory board of industry experts.

All of our experts, including Mr. XU Huafeng (徐華鋒), the Secretary-General from the China Health Care Association (中國保健協會), Mr. CHEN Ning (陳寧), a professor in the Department of Bio-engineering at the Tianjin University of Science and Technology (天津科技大學), Mr. WU Lvqing (武履青), the former Secretary-General from the Amino Acids Committee of the China Pharmaceutical Industry Association (中國化學製藥工業協會氨基酸專業委員會) and Mr. XU Qishou (徐琪壽), a researcher focusing on nutritional supplements from the Academy of Military Medical Science in China (中國人民解放軍軍事醫學科學院), have expertise relating to amino acids and nutritional products in general. If our advisory board determines that a potential product is viable from both a technological and commercial perspective, we will then share our market analysis on such product with a research company in China, so that it can initiate specific research and development activities relating to that product. We believe our collaboration with these research companies is a flexible and effective way to develop our new products, as it allows us to leverage their research facilities, testing capabilities and expertise to develop products that we have identified through our in-depth market research.

As a result, we are able to effectively respond to constantly changing demands for new products. For example, we have successfully developed topotecan hydrochloride capsules, a medicine that has not been previously sold in China. We are also developing several nutritional supplement product candidates and pharmaceutical product candidates that we plan to launch between 2011 and 2012. We believe our market-oriented product development activities will continue to provide us with attractive product opportunities and a strong pipeline of products that can contribute to our long-term growth. See "Business — Product Development."

Experienced Management Team

Our management team has successfully led our operations and increased our turnover during the Track Record Period. Our senior executives and management have an average of approximately 10 years of experience in the nutritional supplement business in China and extensive experience in business management.

We believe the technical knowledge and operating experience of our senior executives, their relationships with many industry participants and their knowledge of, and experience in, the nutritional supplement industry, RTD tea industry and pharmaceutical industry in China allow us to better understand and respond to industry trends and technological developments and provide a strong foundation for our future growth. For example, Mr. WANG Fucai, our founder, chairman and chief executive officer, has been in the nutritional supplement industry since 1997. He is a vice counsel of China Food and Drug Administration Magazine and a permanent member of the Association of Hong Kong & Kowloon Practitioners of Chinese Medicine Limited. Several members of our management

team have been working together for approximately seven years at our Group and have contributed to the discovery, development and approval of multiple product candidates. Some members of our management team are experts in the marketing of pharmaceutical products in China. For example, Mr. YI Lin, general manager of Nanjing Ruinian, has over 20 years of experience in marketing and selling pharmaceutical products. In addition, other senior management members of Nanjing Ruinian have extensive experience in marketing pharmaceutical products and have previously worked at leading international pharmaceutical companies.

OUR STRATEGIES

Our objectives are to be the market leader for the development and manufacture of nutritional supplements and to be a leading market participant in the development and manufacture of medical eye drops, anti-cancer drugs and health drinks. We intend to achieve these objectives by pursuing the following strategies:

Strengthen Our Leading Market Position in the Amino Acid-based Nutritional Supplement Market in China

We are focused on growing the market share of our amino acid-based nutritional supplements throughout China. As the leading provider of amino acid-based nutritional supplements in China, we believe that the successful development of our business is to a large extent dependent on the overall development of the market for these products. In order to help to grow this overall market, we intend to focus a large part of our marketing efforts on promoting the general public awareness of the benefits of amino acid-based nutritional supplements.

We plan to enhance the market recognition of our Ruinian-branded amino acid-based tablets as high-end and high-quality nutritional supplements primarily through television advertising. We also plan to focus on developing new amino acid-based products to attract cost-conscious consumers, such as our Ruinian-branded liquid amino-acids. In addition, we intend to expand our customer base by entering into more second and third-tier cities in China, including major cities in rural provinces and smaller cities in affluent regions. With the increase of our economies of scale and as we undertake this geographic expansion, we believe we will be able to leverage our relationships with distributors to increase market penetration across China. We also expect that wider customer coverage will help to promote public awareness of the benefits of amino acid-based nutritional supplements.

We intend to attract new end-users with different needs by offering diversified products that can achieve a variety of health benefits. We also plan to work with research companies on the research and development of different types and combinations of amino acid-based nutritional supplements that are tailored to the varied demands and preferences of end-users of different genders, ages, income levels and consumption preferences.

Enhance Our Diversified Portfolio of Health-related Products and Promote Synergies across Different Product Segments

We will continue to leverage on our leading position in the amino acid-based nutritional supplement industry, significant marketing experience and extensive distribution network as a foundation for promoting our other types of nutritional supplements and general health food products, health drinks and pharmaceutical products. We believe that, as a result of these advantages, we are well positioned to benefit from the rapid growth of the pharmaceutical market and RTD tea market in

China, and that the expansion of our pharmaceutical and health drink businesses will in turn help to strengthen our image and reputation as a leader in the nutritional supplement market. We also believe our entering into the pharmaceutical business will reduce our susceptibility to economic fluctuations due to the lower demand elasticity of pharmaceutical products, and thus will help optimise our turnover pattern.

To expand our pharmaceutical business, we will concentrate on the manufacture and distribution of eye drops and anti-cancer pharmaceuticals, as we believe demand for these two types of pharmaceuticals will continue to grow in China. We intend to focus our marketing efforts on promoting our pharmaceutical products to key hospitals in China through in-person presentations at seminars and academic conferences.

To enhance our health drink business, we plan to build a new herbal tea production line with an annual production capacity of 200 million cans of herbal tea. The new herbal tea production line is expected to be completed by the fourth quarter of 2010. We believe that the new herbal tea production line will enable us to better manage the production process to achieve higher margins for this product. See "Future Plans and Use of Proceeds from the Global Offering." We further plan to launch amino acid-based drinks to take advantage of our existing distribution channels for our herbal tea products and reach the vast consumer base for beverage products in China. We believe the launch of amino acid-based drinks will help expand our consumer base, promote the general public awareness of the benefits of amino acid-based products and contribute to our long-term growth.

We will continue to invest in the research and development of new products that can promote a variety of health and medical benefits, especially for cross-segment products that can leverage on our existing know-how and sales channels and promote synergies and cooperation among our various product segments. We will continue to collect information regarding market trends through our extensive distribution network and leverage our relationships with research companies to develop new products. We will also continue to move toward providing a wider range of health-related products and to manage our product portfolio better in order to capture future growth opportunities, reduce product concentration risks and improve our financial performance.

Continue to Enhance Our Brand Recognition by Effective and Multi-faceted Marketing

We plan to continue to implement a multi-faceted marketing strategy to promote our brands and products through various advertising channels. We intend to aggressively promote our brands as we enter into new geographic markets and reach new end-user bases. We will continue to enhance the effectiveness of our branding efforts by devoting resources to customer services through the establishment of end-user databases during our promotional campaigns and conducting in-person or phone interviews with end-users to collect feedback. We also work with our regional distributors to promote our brand and products in different regions throughout China and provide them with advertising support when required.

In light of the varied characteristics of our different health-related products, we will continue to focus on different channels for the marketing of each of our product lines. We plan to significantly increase our promotional campaigns to educate the public on the benefits of amino acid-based nutritional supplements, such as through advertisements on television and in newspapers, in particular through our cooperation with Healthtimes, a newspaper widely distributed across China with an average circulation of over 600,000 copies, on special editions regarding amino acids. We plan to

promote our Shun-branded herbal tea through hosting tasting events at large residential communities and promotional events in restaurants. In relation to our pharmaceutical products, we intend to organise seminars and sponsor academic conferences to promote the awareness of the efficacies of our pharmaceuticals. We also plan to publish advertisements in professional medical magazines for these products.

Expand Our Distribution Network

We plan to expand our distribution network by increasing the number of our regional distributors, local distributors and retail outlets, thereby enabling us to further penetrate our existing markets and to expand into new markets. We believe there is a significant opportunity to increase our sales of nutritional supplements and general health food products in second and third-tier cities in China. We also intend to strengthen our efforts to market our amino acid-based tablets and herbal tea in Hong Kong. We have recently started negotiations with certain potential distributors in Hong Kong and have engaged in advertising activities, such as placing billboards at a number of subway stations in Hong Kong, to increase market awareness of our brands and products. We have already entered into distribution agreements with a distributor based in Macau and plan to pursue other similar arrangements in other foreign jurisdictions the future. We have obtained the relevant permits for exporting our products to Macau, including a customs inspection registration certificate issued by Wuxi Entry-Exit Inspection and Quarantine Bureau (無錫出入境檢驗檢疫局), which will expire on 18 September 2012; a customs declaration registration certificate issued by the Wuxi Customs District, the PRC (中華人民共和國無錫海關), which will expire on 20 July 2010; and a sanitation registration certificate issued by the Certification and Accreditation Administration of the PRC (中國國家認證認可監督管理委員會), which will expire on 23 September 2010.

In addition, we intend to increase the penetration of our Shun-branded herbal tea in the Yangtze River Delta region and to expand our distribution network to other areas throughout China. We believe the expansion of our distribution network will allow us to have access to a larger consumer base and therefore achieve higher sales and market shares for more of our products. With respect to our pharmaceutical products, we intend to focus on introducing them to an initial target of 400 key hospitals in China to promote awareness of these products as an initial step in building our distribution network for them.

Continue to Retain and Attract Talented Personnel

We believe the successful implementation of our business and growth strategies depends upon our ability to hire and cultivate experienced, motivated and well-trained members of our management team, as well as employees at all levels with appropriate expertise and dedication to our company. We intend to continue to attract and retain talented individuals by providing attractive remuneration packages and extensive and targeted training to our personnel. We will continue to offer our management members and employees a range of incentives, including bonuses and entitlements to our Pre-IPO Share Option Scheme and Share Option Scheme to encourage loyalty of our employees and to promote a customer-focused corporate culture. For details of the Pre-IPO Share Option Scheme and Share Option Scheme, please refer to the section headed "Other Information — Pre-IPO Share Option Scheme" and the section headed "Other Information — Share Option Scheme" in Appendix VIII to this prospectus.

REGULATION AND COMPLIANCE

We have adopted various measures to comply with applicable laws, regulations and procedures, and we intend to conduct our operations in accordance with any future laws, regulations and procedures once they become available and effective.

- *SFDA approval for nutritional supplements*: All nutritional supplements must be approved by the SFDA. There is no definite expiry date for our SFDA approvals except for our Ruinian-branded liquid amino acids, which will expire on 26 May 2014. We plan to renew our SFDA approvals before they expire as required under the relevant laws. According to our PRC legal counsel, Grandall Legal Group (Shanghai), there is no regulatory obstacle to renewing such approvals.
- *Food hygiene permit*: Prior to 1 June 2009, a manufacturer of food products, including general health food products, was required to obtain and maintain a food hygiene permit, which was valid for four years and required to be renewed before expiration. Our current food hygiene permit was renewed on 6 June 2008 and will expire on 27 May 2012. The requirement for food hygiene permits was abolished on 1 June 2009, but food hygiene permits issued before 1 June 2009 will remain valid until expiration.
- *Food production licence*: According to the Implementation Regulations of the PRC Food Safety Law, following the abolition of the requirement for food hygiene permits on 1 June 2009, a manufacturer of food products is required to obtain a food production licence. However, as of the date of this prospectus, the regulatory authorities have not promulgated any procedures regarding the application process for food production licences. We plan to apply for and maintain an effective food production licence when such procedures are available.
- *GMP certification for nutritional supplements*: A manufacturer of nutritional supplements in China must be GMP compliant. All our production lines in operation are GMP compliant and we plan to renew our GMP certification before it expires. According to a notice issued by Jiangsu Municipal Health Bureau in February 2008, the GMP certification process for nutritional supplement manufacturers in Jiangsu Province is integrated into the renewal approval process of food hygiene permits and there are no separately issued GMP certificates. As a result, with the renewal of our food hygiene permit on 6 June 2008, all our production lines in operation are GMP compliant.

  Due to the integration of GMP certification with food hygiene permits in Jiangsu Province and upon the abolition of the requirement for food hygiene permits on 1 June 2009, there is currently no law, regulation or guidance regarding how to renew our GMP certification for our production lines upon the expiration of our food hygiene permits. In addition, we are not required to apply for a food hygiene permit for our own liquid amino acid production line and it remains unclear how to obtain the GMP certification for such production line. Furthermore, the GMP certification of the Independent Third Party which manufactures liquid amino acids for us expired on 4 January 2010. The manufacturer applied to the relevant regulatory authority in Jiangxi Province, where the GMP certification procedures are not integrated into the food hygiene system, to renew its GMP certification, and expects to receive the renewed GMP certification by the end of February 2010. All liquid amino acids we have purchased from this manufacturer were manufactured before 4 January 2010 and, therefore, as advised by our PRC legal counsel, Grandall Legal Group (Shanghai), the expiration of this manufacturer's GMP certification does not prevent us from selling such liquid amino acids in the market and will not have

any material adverse impact on our business. If this manufacturer has not renewed its GMP certification when we sell the remaining liquid amino acids in our inventory, we plan to source the relevant products from other manufacturers which have all required permits to ensure business continuity. In the event that no qualified suppliers can be identified, we will refrain from selling this product until our GMP certification is obtained or this manufacturer's GMP certification is renewed.

- *Pharmaceutical manufacturing permit*: A pharmaceutical manufacturer in China is required to obtain and maintain a pharmaceutical manufacturing permit issued by the relevant provincial branch offices of the SFDA. We were granted a pharmaceutical manufacturing permit by Jiangsu Food and Drug Administration on 25 August 2009, which allows us to manufacture all our three pharmaceuticals. This permit will expire on 31 December 2010. We plan to renew the Pharmaceutical Manufacturing Permit before it expires by following the procedures set forth in the relevant laws and regulations. According to our PRC legal counsel, Grandall Legal Group (Shanghai), there is no regulatory obstacle to renewing this permit.
- *SFDA approval for pharmaceutical products*: Each pharmaceutical product must be approved by the SFDA. The approvals are valid for five years. All our pharmaceutical products are approved by the SFDA, and we plan to renew our SFDA approvals before they expire. According to our PRC legal counsel, Grandall Legal Group (Shanghai), there is no regulatory obstacle to renewing such approvals.
- *GMP certification for pharmaceutical products*: A pharmaceutical manufacturer in China must maintain effective GMP certification for its production lines. All our pharmaceutical production lines are GMP compliant, and we plan to renew our GMP certifications before they expire. According to our PRC legal counsel, Grandall Legal Group (Shanghai), there is no regulatory obstacle to renewing our GMP certification.

The following table sets forth our products, their description, launch time, relevant permits and approvals and certifications obtained during the Track Record Period:

	Food Hygiene Permit	SFDA Approval	GMP Certification	Description	Launch Time
Nutritional Supplements and General Health Food Products					
Nutritional Supplements					
Ruinian-branded amino acid-based tablets	To expire on and be renewed by 27 May 2012	Granted on 30 April 2004	To expire on and be renewed by 27 May 2012	Designed to enhance the immune system	2004
Linger-branded amino acid-based tablets	To expire on and be renewed by 27 May 2012	Granted on 21 January 1999	To expire on and be renewed by 27 May 2012	Designed to enhance the immune system	1998 (as a general health food product) 1999 (as a nutritional supplement)
Liquid amino acids[1]	To expire on and be renewed by 6 June 2010	Granted on 21 January 2004	Expired on 4 January 2010	Designed to enhance the immune system	2007
Ruinian-branded liquid amino acids	N/A	Granted on 27 May 2009	Not received[2]	Designed to enhance the immune system	Not received[2]
Ruinian-branded royal jelly tablets	To expire on and be renewed by 27 May 2012	Granted on 15 April 2004	To expire on and be renewed by 27 May 2012	Designed to slow down the effects of the aging process	2005
Ruinian-branded osteoid sachet powder	To expire on and be renewed by 27 May 2012	Granted on 6 June 2001	To expire on and be renewed by 27 May 2012	Designed to increase bone density	2005
Ruinian-branded blood lipid capsules	To expire on and be renewed by 27 May 2012	Granted on 4 June 2002	To expire on and be renewed by 27 May 2012	Designed to lower blood lipid and enhance the immune system	2005
General Health Food Products					
Ruinian-branded protein powder	To expire on and be renewed by 27 May 2012	N/A	To expire on and be renewed by 27 May 2012	Designed as a protein supplement	2006
Ruinian-branded collagen tablets	To expire on and be renewed by 27 May 2012	N/A	To expire on and be renewed by 27 May 2012	Designed as a collagen supplement	2005
Ruinian-branded polypeptide tablets	To expire on and be renewed by 27 May 2012	N/A	To expire on and be renewed by 27 May 2012	Designed as a polypeptide supplement	2005
Sane-branded dietary fibre	To expire on and be renewed by 27 May 2012	N/A	To expire on and be renewed by 27 May 2012	Designed as a fibre supplement	2005
Health Drinks					
Shun-branded herbal tea[1]	To expire on and be renewed by dates ranging from 22 August 2010 to 1 April 2013	N/A	N/A	Designed to promote general health	2008

	Pharmaceutical Manufacturing Permit	SFDA Approval	GMP Certification	Main Curative Effects	Launch Time
Pharmaceutical Products					
Ofloxacin eye drops	To expire on and be renewed by 31 December 2010	To expire on and be renewed by 3 May 2013	To expire on and be renewed by 30 May 2014	Designed to cure external ocular infections, including bacterial conjunctivitis, keratitis, corneal ulcers, acryocystitis and post-operative infections	2009
Ciprofloxacin hydrochloride eye drops	To expire on and be renewed by 31 December 2010	To expire on and be renewed by 3 May 2013	To expire on and be renewed by 30 May 2014	Designed to cure corneal ulcers and bacterial conjunctivitis	2009
Topotecan hydrochloride capsules[3]	To expire on and be renewed by 31 December 2010	To expire on and be renewed by 30 August 2012	To expire on and be renewed by 21 January 2013	Designed to treat small cell lung cancer	2009

Notes:

(1) Products in shading are produced by Independent Third Parties exclusively for us. All the relevant approvals and certifications are granted to those Independent Third Parties which manufacture these products.

(2) Our amino acid-based liquid production line was completed in December 2008, and we plan to launch this product after receiving the GMP certification and the food production licence, which are expected to be granted by the end of 2010.

(3) Our topotecan hydrochloride capsules are subject to a monitoring period, which will expire on 30 August 2011.

OUR PRODUCTS

The following is a description of our current key nutritional supplements, general health food products, health drinks and pharmaceutical products:

Self-produced Nutritional Supplements

We manufacture and market five principal nutritional supplements that have been approved by the SFDA.

Ruinian-branded Amino Acid-based Tablets (瑞年牌氨基酸片)

As our principal product, this amino acid-based supplement was approved by the SFDA on 30 April 2004 as a nutritional supplement and is designed to improve the immune system of the human body. We launched this product in 2004 as a nutritional supplement, and have not previously sold this product as a general health food product. Turnover of this product amounted to RMB132.4 million, RMB195.3 million, RMB182.9 million and RMB192.9 million, respectively, in 2006, 2007, 2008 and the nine months ended 30 September 2009, representing 67.3%, 48.2%, 28.9% and 36.8%, respectively, of our turnover during the same periods.

This product has been named a "Reputable Brand" of Jiangsu Province since 2004 and was selected as a gift to the PRC National Assemblies ("兩會" 禮品) by the periodical office of the Chinese People's Political Consultative Conference in 2006, 2007, 2008 and 2009. Amino acids are essential to the metabolism of the human body. Unlike some of the other amino acid-based nutritional supplements on the market, we derive the amino acids used in this product from silkworm chrysales. We believe that amino acids derived from silkworm chrysales contain a more complete range of amino acids as compared to those derived from soy beans. In addition, this product contains dextrin, sodium CMC, light calcium carbonate and carmine. We supply this product in six sizes of boxes, containing 36, 45, 54, 72, 90 and 108 tablets, respectively. The recommended retail selling price of this product ranges from RMB82 to RMB204 per box depending on the number of tablets contained in the box, and we sell this product to our distributors at prices ranging from RMB22.0 to RMB109.0 per box. The average dosage volume is three tablets to be taken twice a day and a doctor's recommendation is not required for the consumption of this product. This product has a shelf life of 24 months.

Linger-branded Amino Acid-based Tablets (靈兒牌氨基酸片)

Our Linger-branded amino acid-based tablets are targeted specifically to children and teenagers. This product has been approved by the SFDA on 21 January 1999 as a nutritional supplement designed to enhance the immune system and promote the growth of the human body. We believe this product is one of the first amino acid-based nutritional supplements specifically designed for children and teenagers in the PRC and is well positioned to capture the growing market of children's health supplements. We sold this product as a general health food product from March 1998 to December 1998 and launched this product as a nutritional supplement in 1999. Turnover of this product amounted to RMB37.2 million, RMB22.9 million, RMB39.5 million and RMB43.1 million, respectively, in 2006, 2007, 2008 and the nine months ended 30 September 2009, representing 18.9%, 5.7%, 6.2% and 8.2%, respectively, of our turnover during the same periods.

This product contains compound amino acid powder, dextrin, sodium CMC, calcium carbonate and lingonberry red. We supply this product in four sizes of boxes, containing 27, 90, 180 and 198 tablets, respectively. The recommended retail selling price of this product ranges from RMB48 to RMB262 per box depending on the number of tablets contained in the box, and we sell this product to our distributors at prices ranging from RMB27.0 to RMB145.0 per box. The average dosage volume is 3 tablets to be taken twice a day and a doctor's recommendation is not required for the usage of this product. This product has a shelf life of 24 months.

Ruinian-branded Osteoid Sachet Powder (瑞年牌骨質寶沖劑)

This product was approved by the SFDA on 6 June 2001 as a nutritional supplement designed to increase bone density and is mainly targeted to middle-aged to elderly adults who are at risk of

problems relating to weak bone structure. We believe that the PRC market for bone supplement products is highly fragmented with no leading product and that this product has a high potential for success. Turnover of this product amounted to RMB21.4 million, RMB29.0 million, RMB28.5 million and RMB26.4 million, respectively, in 2006, 2007, 2008 and the nine months ended 30 September 2009, representing 10.9%, 7.1%, 4.5% and 5.0%, respectively, of our turnover during the same periods.

This product contains hydro collagen and calcium lactate. We supply this product in two sizes of boxes, containing 30 packets and 33 packets, respectively. Each packet contains seven grams of powder. The recommended retail selling price of this product is RMB148 per box for 30-packet packaging and RMB156 per box for 33-packet packaging, and we sell this product to our distributors at prices ranging from RMB73.0 to RMB84.0 per box. The average dosage volume is one packet to be taken once or twice a day, and a doctor's recommendation is not required for the usage of this product. This product has a shelf life of 24 months.

We acquired the technological know-how associated with this product from Wuxi Zhongya Bio-technology Co., Ltd. (無錫中亞生物技術有限責任公司) for a consideration of RMB10.0 million in November 2004. We launched this product in 2005 as a nutritional supplement, and we have not previously sold this product as a general health food product.

Ruinian-branded Royal Jelly Tablets (瑞年牌蜂王漿含片)

This product is derived from royal jelly and was approved by the SFDA on 15 April 2004 as an anti-aging nutritional supplement. Royal jelly is a honey bee secretion that is fed to bee larvae to develop them into queen bees. We obtained the invention patent for this product in 31 July 2003 in the PRC and launched this product in 2005 as a nutritional supplement. We have not previously sold this product as a general health food product. Turnover of this product amounted to RMB0.5 million, RMB3.2 million, RMB29.1 million and RMB35.2 million, respectively, in 2006, 2007, 2008 and the nine months ended 30 September 2009, representing 0.2%, 0.8%, 4.6% and 6.7%, respectively, of our turnover during the same periods.

This product contains lyophilised royal jelly powder, soybean phospholipid, mannitol and lactose powder. We supply this product in four sizes of boxes, containing 27, 54, 72 and 162 tablets, respectively. The recommended retail selling price of this product ranges from RMB66 to RMB365 per box depending on the number of tablets included in the box, and we sell this product to our distributors at prices ranging from RMB51.0 to RMB73.0 per box. The average dosage volume is three tablets to be taken twice a day, and a doctor's recommendation is not required for the usage of this product. This product has a shelf life of 24 months.

Ruinian-branded Blood Lipid Capsules (瑞年牌金多康膠囊)

This product was approved by the SFDA on 4 June 2002 as a nutritional supplement designed to lower blood lipid levels and to enhance the immune system. We acquired the technological know-how associated with this product from Wuxi Zhongya Bio-technology Co., Ltd. for consideration of RMB1.0 million in November 2004. We launched this product in 2005 as a nutritional supplement, and we have not previously sold this product as a general health food product. Turnover of this product amounted to RMB2.5 million, RMB1.1 million, RMB1.7 million and RMB1.9 million, respectively, in 2006, 2007, 2008 and the nine months ended 30 September 2009, representing 1.3%, 0.3%, 0.3% and 0.4%, respectively, of our turnover during the same periods.

This product contains soy isoflavone, zinc lactate, vitamin E and starch. We supply this product in boxes containing 60 capsules each. The recommended retail selling price of this product is RMB112 per box, and we sell this product to our distributors at RMB73.0 per box. The average dosage volume is one capsule to be taken three times a day, and a doctor's recommendation is not required for the usage of this product. This product has a shelf life of 24 months.

Self-produced General Health Food Products

We also manufacture and market four key general health food products to complement our nutritional supplements. All of the general health food products we manufacture are covered under our current food hygiene permit, which will expire on 27 May 2012.

Ruinian-branded Protein Powder (瑞年牌蛋白質粉)

This product is a protein supplement that contains non-genetically modified soy protein, whey protein and essential minerals including calcium, iron, zinc and selenium. We launched this product in late 2006 as a general health food product. We plan to apply for SFDA approval for this product as a nutritional supplement and expect that our application will require at least three to five years to be approved. Turnover of this product amounted to RMB0.1 million, RMB29.3 million, RMB34.6 million and RMB34.1 million in 2006, 2007, 2008 and the nine months ended 30 September 2009,

respectively, representing 0.1%, 7.2%, 5.5% and 6.5%, respectively, of our turnover during the same periods.

This product is marketed to all end-user groups and is one of our key products developed to enter into second and third-tier cities in China. We supply this product in two sizes of containers, containing 250 grams and 450 grams, respectively. The recommended retail selling prices of this product are RMB78 and RMB133 depending on the grams of powder included in the container, and we sell this product to our distributors at prices ranging from RMB40.0 to RMB75.0 per container. The average dosage volume is 10 grams each time. This product has a shelf life of 24 months.

Ruinian-branded Collagen Tablets (瑞年膠原蛋白片)

This is a collagen supplement that contains collagen powder, starch, sodium CMC and dextrin. It is mainly marketed to women seeking to improve their skin condition and people seeking to increase bone density. We supply this product in bottles containing 600 tablets per bottle. The recommended retail selling price of this product is RMB632 per bottle, and we sell this product to our distributors at RMB168.0 per bottle. The average dosage volume is four tablets taken three times a day. This product has a shelf life of three years.

We launched this product in 2005 as a general health food product. We are currently applying for SFDA approval for our collagen complex tablets, a more advanced version of this product, as a nutritional supplement and expect to receive the SFDA approval by the end of 2010. We intend to focus our marketing efforts on our collagen complex tablets once they are approved for sale as a nutritional supplement, but plan to also continue to manufacture and sell this product as it has established a solid market share.

Ruinian-branded Polypeptide Tablets (氨基多肽片)

This product contains amino acids derived from silkworm chrysales, colostrum powder and calcium. Both amino acids and calcium are essential nutrients for the human body, while colostrum is high in carbohydrates and protein and low in fat. The recommended retail selling price of this product is RMB198.0 per box, and we sell this product to our distributors at the price of RMB79.0 per box. The average dosage volume is three tablets, to be taken twice a day. This product has a shelf life of 24 months. We launched this product as a general health food product in 2005. We plan to apply for SFDA approval of this product as a nutritional supplement and expect to receive the approval by the end of 2011.

Sane-branded Dietary Fibre (賽尼膳食纖維)

This product contains dietary fibre, oats and fruit gelatin and aims at enhancing digestion and facilitating weight management. It is mainly marketed to people who are over weight, or have digestion or blood circulation problems. We supply this product in three sizes of boxes, containing 16, 20 and 30 packets, each packet containing seven grams of granules. The recommended retail selling price of this product ranges from RMB64 to RMB193, and we sell this product to our distributors at RMB156.0 per box. The average dosage volume is one packet each time. This product has a shelf life of 18 months. We launched this product in 2005 as a general health food product. We plan to apply for SFDA approval for this product as a nutritional supplement and expect that our application will require at least three to five years to be approved.

In addition, our food hygiene permit also allows us to produce the following products as general health food products: Linger-branded nutritional candies (靈兒牌高級營養糖), nutrient oatmeal (營養麥片), Sane-branded complex nutrients (賽尼牌複合營養餐) and Linger-branded milk tablets

(靈兒牌奶片). While they are not currently sold on a stand-alone basis, we utilise some of them from time to time as promotional gifts with our principal products and will launch commercial production when we believe there is a profitable market for these products.

Self-produced Pharmaceutical Products

We acquired Nanjing Ruinian in July 2009. As a result of the acquisition, we obtained the right to manufacture ofloxacin eye drops, ciprofloxacin hydrochloride eye drops and topotecan hydrochloride capsules. Nanjing Ruinian obtained SFDA approvals for these three pharmaceutical products in May 2008, May 2008 and August 2007, respectively. The two eye drop medicines are marketed under the brand "Lilaotuo" (力勞妥), and the anti-cancer medicine is marketed under the brand "Xinze (欣澤)."

Ofloxacin Eye Drops (氧氟沙星滴眼液)

This pharmaceutical product is an isotonic sterile, aqueous ophthalmic solution and is used for the treatment of external ocular infections, including bacterial conjunctivitis, keratitis, corneal ulcers, acryocystitis and post-operative infections. The primary antibacterial function of ofloxacin is believed to inhibit the growth of bacterial DNA gyrase, the enzyme responsible for introducing negative supercoils into the bacterial DNA. Ofloxacin is used in the treatment of infections caused by a wide range of Gram-positive and Gram-negative pathogenic bacteria. Nanjing Ruinian acquired the technological know-how associated with this product from Nanjing Shuangke Medicine Development Co., Ltd. (南京雙科醫藥開發有限公司) for a consideration of RMB2.0 million in December 2005, and obtained the SFDA approval to manufacture and sell ofloxacin eye drops in May 2008. This product is subject to a retail price ceiling of RMB15 per box which contains ten vials. This product is currently included in the Medical Insurance Catalogues and has a shelf life of 24 months.

Ciprofloxacin Hydrochloride Eye Drops (鹽酸環丙沙星滴眼液)

This pharmaceutical product is a quinolone antibiotic solution and is used for the treatment of corneal ulcers and bacterial conjunctivitis. Ciprofloxacin inhibits bacterial enzymes, essential in the replication of bacterial DNA, and ultimately leads to the destruction of the bacteria. Ciprofloxacin is used in the treatment of infections caused by a wide range of bacteria, in particular by Gram-negative pathogenic bacteria. Nanjing Ruinian acquired the technological know-how associated with this product from Nanjing Shuangke Medicine Development Co., Ltd. for a consideration of RMB1.5 million in November 2005, and obtained the SFDA approval to manufacture and sell ciprofloxacin hydrochloride eye drops in May 2008. This product is subject to a retail price ceiling of RMB6 per box

which contains one bottle of 5 ml. This product is currently included in the Medical Insurance catalogues and has a shelf life of 24 months.

Topotecan Hydrochloride Capsules (鹽酸拓撲替康膠囊)

This pharmaceutical product is an oral formulation of the hydrochloride salt of topotecan and is used for the treatment for small cell lung cancer. Topotecan selectively inhibits topoisomerase I activity, thereby inhibiting religation of topoisomerase I-mediated single-strand DNA breaks and producing potentially lethal double-strand DNA breaks. Nanjing Ruinian acquired the technological know-how associated with this product from Nanjing Shuangke Medicine Development Co., Ltd. for a consideration of RMB25.0 million in February 2004, and obtained the SFDA approval to manufacture and sell topotecan hydrochloride capsules in August 2007. Nanjing Ruinian has also been granted a monitoring period by the SFDA until 30 August 2011, during which period the SFDA will not accept applications for new medicine certificates for pharmaceuticals with the same chemical structure, dosage form and indication. We are the first pharmaceutical company to manufacture and sell an oral formulation of topotecan hydrochloride in China. The recommended retail price of this product ranges from RMB120 to RMB347 per box. This product has a shelf life of 24 months.

Third-party-produced Nutritional Supplements

Liquid Amino Acids (氨基酸口服液)

This product is an amino acid-based liquid supplement which is currently manufactured jointly by Zhangshu City Qiling Pharmaceutical Company Limited and Zhangshu Institute, both of which are independent from us, our shareholders, Directors and senior management and their respective associates. Zhangshu Institute obtained SFDA approval for this product to be manufactured as a

nutritional supplement designed to enhance the immune system of the human body. We entered into an agreement, dated 1 August 2007, with these parties under which we agreed to purchase from these parties and these parties agreed to sell exclusively to us a certain quantity of liquid amino acids at a fixed price for a term of three years up to 31 July 2010. We have the right to terminate this agreement at any time prior to its expiry date if we are able to commence commercial production of our own Ruinian-branded liquid amino acids. These parties permitted us to use the SFDA approval for, and the related technological know-how associated with, the liquid amino acids for the purposes of selling such product. We were not involved in the development of such technological know-how. We allow these parties to use our "Ruinian" logo on this product under the same agreement. We began to sell this product in September 2007, using both the "Haosheng" logo, which trademark is owned by Zhangshu City Qiling Pharmaceutical Company Limited, and our "Ruinian" logo on the package. We believe that the use of our "Ruinian" logo, together with our significant marketing experience and our established distribution network, enhances the marketing of this product. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that we are entitled to authorise these parties to use our logo.

Turnover of this product amounted to nil, RMB116.6 million, RMB159.6 million and RMB32.3 million in 2006, 2007, 2008 and the nine months ended 30 September 2009, respectively, representing nil, 28.7%, 25.2% and 6.2%, respectively, of our turnover during the same periods.

This product contains compound amino acid powder and certain traditional Chinese medicine ingredients. We supply this product in 10 ml and 250 ml bottles which are packaged in boxes containing ten bottles (10 ml), two bottles (250 ml) or one bottle (250 ml). The recommended retail selling price of this product ranges from RMB38 to RMB85 per box depending on the number of bottles per box and the volume per bottle, and we sell this product to our distributors at prices ranging from RMB13.0 to RMB36.0 per box. The average dosage volume is 20 ml to be taken three times a day, and a doctor's recommendation is not required for the usage of this product. This product has a shelf life of 24 months.

The GMP certification held by Zhangshu City Qiling Pharmaceutical Company Limited expired on 4 January 2010, and it has applied to the relevant regulatory authority to renew its GMP certification and expects to receive the renewed GMP certification in February 2010. All liquid amino acids we have purchased from this manufacturer were manufactured before 4 January 2010 and, therefore, as advised by our PRC legal counsel, Grandall Legal Group (Shanghai), the expiration of this manufacturer's GMP certification does not prevent us from selling such liquid amino acids to the market and will not have any material adverse impact on our business. If Zhangshu City Qiling Pharmaceutical Company Limited has not renewed its GMP certification when we sell the remaining liquid amino acids in our inventory, we plan to source the relevant products from other manufacturers which have all required permits to ensure business continuity. In the event that no qualified suppliers can be identified, we will refrain from selling this product until our GMP certification is obtained or this manufacturer's GMP certification is renewed.

We do not intend to continue distributing and selling the liquid amino acids manufactured by the third parties after our current agreement with them expires on 31 July 2010, as our own Ruinian-branded amino acid-based liquids will provide us with higher margins and allow us to better plan and control supply during peak sales periods.

Our Ruinian-branded liquid amino acids are targeted for self-use by cost-conscious consumers. This product was approved by the SFDA in May 2009 as a nutritional supplement designed to enhance

the immune system of the human body and contains compound amino acid powder, xylitol, cyclodextrin and various flavours. Our amino acid-based liquid production line was completed in December 2008 and has an annual production capacity of 28.8 million 250 ml bottles of liquid based on two eight-hour shifts per day and 300 working days per year. We plan to launch this product after receiving the GMP certification and the food production licence as required by the Implementation Regulations of the PRC Food Safety Law, which we estimate to be by the end of 2010, and we intend to source the relevant products from other manufacturers who have all required valid permits if the procedures regarding the application process for a food production licence are still not promulgated upon the expiration of our food hygiene permits. In the event that no qualified suppliers can be identified, we intend to continue refraining from producing this product until we receive the GMP certification and the food production licence as required by the Implementation Regulations of the PRC Food Safety Law if they cannot be issued by the regulatory authorities by the estimated time. See "— Product Development." We plan to supply this product in 250 ml bottles which are packaged in boxes containing one bottle or two bottles. The average dosage volume is 30 ml to be taken twice a day and a doctor's recommendation is not required for the usage of this product. This product has a shelf life of 24 months.

Third-party-produced General Health Food Products

We began to sell certain other products, including Yixikang oral liquids and Honger oral liquids, which were approved by the SFDA as nutritional supplements and were manufactured by Zhangshu City Qiling Pharmaceutical Company Limited and Zhangshu Institute in June 2008, to diversify our sources of income to mitigate the impact of the global financial crisis and economic downturn. Turnover of Yixikang oral liquids amounted to RMB9.7 million and RMB14.1 million in 2008 and the nine months ended 30 September 2009, respectively, representing 1.5% and 2.7%, respectively, of our turnover during the same periods. Turnover of Honger oral liquids amounted to RMB7.7 million and RMB13.4 million in 2008 and the nine months ended 30 September 2009, respectively, representing 1.2% and 2.6%, respectively, of our turnover during the same periods. Gross margin of Yixikang oral liquids and Honger oral liquids was 11.9% and 12.0%, respectively, in 2008 and negative 4.4% and negative 5.5%, respectively, in the nine months ended 30 September 2009. Due to their low profit margins and decreased sales, we decided to discontinue the sale of these products and sell our remaining inventory of these products at lower prices. We ceased to sell Yixikang oral liquids in August 2009 and Honger oral liquids in November 2009.

Third-party-produced Health Drinks

We commenced the sale of health drinks in February 2008. We commenced to sell and market the Shun-branded herbal tea, which is manufactured and sold exclusively to us by Independent Third Parties, in July 2008.

Shun-branded Herbal Tea (順牌涼茶)

This product contains water, sugar, licorice and various Chinese herbs, and is targeted at a wide range of consumers. As of 30 September 2009, this product was manufactured by five manufacturers located in different geographical areas. All of these manufacturers are Independent Third Parties. We have entered into agreements with these manufacturers under which they agreed to manufacture exclusively for us Shun-branded herbal tea in accordance with the formula provided by us and we agreed to purchase from them Shun-branded herbal tea at fixed prices for one year. Under these agreements, we agreed to provide such manufacturers with our herbal tea formula and packages bearing the "Shun" logo, which trademark we have applied to register and is pending approval by the PRC Trademark Office of the State Administration for Industry and Commerce. We obtained the irrevocable exclusive right to manufacture and sell Shun-branded herbal tea, at no expense to us, for a term of 20 years commencing on 15 June 2008 from Mr. WANG Fucai. Mr. WANG Fucai obtained the irrevocable exclusive right to use the formula for a term of 20 years from Guangzhou Jinhulu Herbal Tea Co., Ltd. (廣州金葫蘆涼茶有限公司) for a consideration of RMB1.2 million on 15 June 2008. We supply this product in 310 ml cans, 480 ml bottles and 250 ml boxes. The recommended retail selling price of this product is RMB2.0 per box or RMB3.6 per can or per bottle, and we sell this product to our distributors at prices ranging from RMB1.3 to RMB1.4 per box, RMB2.3 to RMB2.5 per can and RMB2.5 per bottle. This product has a shelf life of 24 months. We launched this product in July 2008. We do not intend to apply for SFDA approval for this product as a nutritional supplement.

PRODUCT CANDIDATES

Nutritional Supplement Product Candidates

We have five nutritional supplement product candidates. The following table summarises these nutritional supplement product candidates, all of which we can produce and sell as general health food products under our current food hygiene permit:

Product Candidates	Description	Status of nutritional supplement approval
E-jiao gelatin with heme iron capsules	Iron supplement	Sample submitted to SFDA, pending product testing
Collagen complex tablets	Collagen supplement	Sample submitted to SFDA, pending product testing
Colostrum tablets	General health supplement	In preparation for SFDA application
Natural gingko capsules	General health supplement	In preparation for SFDA application
Polypeptide tablets	General health supplement	In preparation for SFDA application

E-Jiao Gelatin with Heme Iron Capsules (阿膠血紅素鐵膠囊)

This product candidate contains soluble protein powder and several Chinese medicine ingredients that are believed, based on traditional Chinese medicine principles, to have a positive effect on anemia, including e-jiao. We believe there are currently few similar products in the PRC health product market. We expect this product to have a shelf life of 24 months. We submitted samples to testing organisations authorised by the SFDA to conduct product testing. We expect product testing on this product candidate to be completed by June 2010, and we expect the SFDA approval for this product candidate as a nutritional supplement to be granted by the end of 2010. We plan to launch product sales shortly after receiving such approval. We can manufacture this product candidate as a general health food product under our food hygiene permit but have not launched it into the market as we intend to continue improving this product candidate and continue to focus our current marketing efforts on promoting our existing products.

Collagen Complex Tablets (複合膠原蛋白片)

This product candidate contains soluble protein powder and several traditional Chinese medicine ingredients. It utilises a more advanced formula than that of Ruinian-branded collagen tablets which we currently sell as a general health food supplement. We expect this product candidate to have a shelf life of 24 months. We have submitted samples to testing organisations authorised by the SFDA to conduct product testing. We expect product testing on this product candidate to be completed by June 2010, and we expect the SFDA approval for this product candidate as a nutritional supplement to be granted by the end of 2010. We plan to launch product sales shortly after receiving such approval. We can manufacture this product candidate as a general health food product under our food hygiene permit, but have not launched it into the market as we intend to continue improving this product and continue to focus our current marketing efforts on promoting our existing products.

Colostrum Complex Tablets (複合牛初乳片)

This product candidate contains milk powder, amino acids, DHA and several traditional Chinese medicine ingredients. Colostrum contains natural elements that are believed to enhance the immune system of the human body. We expect this product to have a shelf life of 24 months. We can manufacture this product candidate as a general health food product under our food hygiene permit, but have not yet launched it into the market as we intend to continue improving this product before its commercial launch and continue to focus our current marketing efforts on promoting our existing products. We also plan to apply for approval for this product as a nutritional supplement and expect the SFDA approval to be granted by the end of 2011.

Natural Gingko Capsules (天然銀杏粉膠囊)

This product candidate contains natural ginkgo biloba powder and traditional Chinese medicine ingredients. Gingko has long been used as a traditional Chinese medical substance and is widely used in memory enhancement supplements. We expect this product to have a shelf life of 24 months. We can manufacture this product candidate as a general health food product under our food hygiene permit, but have not yet launched it into the market as we intend to continue improving the formula and function of this product candidate before its commercial launch and continue to focus our current marketing efforts on promoting our existing products. We also plan to apply for approval for this product candidate as a nutritional supplement and expect the SFDA approval to be granted by the end of 2011.

Polypeptide Tablets (氨基多肽片)

We have sold the current version of this product as a general health food product. See "— General Health Food Products — Ruinian-branded Polypeptide Tablets." We are currently collaborating with research and development companies to further improve this product and plan to apply for SFDA approval of the enhanced version of this product as a nutritional supplement product. We also plan to apply for the SFDA approval for this product candidate as a nutritional supplement and expect to receive the approval by the end of 2011.

For details of application requirements and procedures for new nutritional supplements, see "Regulation — Approval and Registration of Nutritional Supplements."

We have developed all our five nutritional supplement product candidates introduced above in collaboration with Bei Yi Ke Tai, an Independent Third Party research company which conducts research and testing for product candidates identified by us. Established in June 1999, Bei Yi Ke Tai specialises in the research and development of pharmaceutical products and nutritional supplements. We have engaged Bei Yi Ke Tai to develop the technologies and know-how associated with these product candidates for a consideration of RMB27.6 million and are entitled to a full refund of the price of the relevant product candidates if the SFDA does not grant approval for such product candidates due to any fault of Bei Yi Ke Tai.

Health Drink Product Candidate

Amino Acid-Based Drinks (氨基酸飲料)

This product candidate contains water, caster sugar and certain kinds of amino acids, and we plan to market this product to a wide range of consumers. We are currently negotiating with a number of third-party manufacturers and intend to purchase from selected manufacturers at fixed prices amino acid-based drinks manufactured exclusively for us, using formula and packages bearing the "Shun" logo provided by us. We plan to launch Shun-branded amino acid-based drinks by the end of 2010 and expect this product to have a shelf life of twelve months.

Pharmaceutical Product Candidates

The following table summarises our pharmaceutical product candidates:

Product Candidate	Description	Status of Application for SFDA Approval
Gatifloxacin eye gel	Designed for the treatment of acute bacterial conjunctivitis	Expect to obtain SFDA approval by the end of 2011
Proparacaine hydrochloride eye drops	Designed as a rapid-acting topical anesthetic	Expect to obtain SFDA approval by the end of 2010
Oxaliplatin injection	Designed for the treatment of colorectal cancer	Expect to obtain SFDA approval by the end of 2010
Letrozole tablets	Designed as a nonsteroidal inhibitor of aromatase enzyme	Expect to obtain SFDA approval by the end of 2010

Gatifloxacin Eye Gel (加替沙星眼用凝膠)

Gatifloxacin is an antibiotic that is used for the treatment of acute bacterial conjunctivitis caused by antibiotic-resistant bacteria. Nanjing Ruinian acquired the technological know-how associated with this pharmaceutical product candidate from Nanjing Shuangke Medicine Development

Co., Ltd. for a consideration of RMB8.0 million in December 2005. As of 30 September 2009, RMB6.0 million has been paid and the remaining balance of RMB2.0 million will be settled upon obtaining the relevant SFDA approval. We have submitted the required application documents and expect to obtain SFDA approval for gatifloxacin eye gel by the end of 2011.

Proparacaine Hydrochloride Eye Drops (鹽酸丙美卡因滴眼劑)

Proparacaine is a rapid-acting topical anesthetic. Nanjing Ruinian acquired the technological know-how associated with this pharmaceutical product candidate from Nanjing Shuangke Medicine Development Co., Ltd. for a consideration of RMB0.8 million in November 2005. We have submitted the required application documents and expect to obtain SFDA approval for proparacaine hydrochloride eye drops by the end of 2010.

Oxaliplatin Injection (注射用奧沙利鉑)

Oxaliplatin is a chemotherapy medicine used for the treatment of colorectal cancer. Nanjing Ruinian acquired the technological know-how associated with this pharmaceutical product candidate from Nanjing Zhenru Medicine Technology Co., Ltd. (南京真如醫藥科技有限公司) for a consideration of RMB6.6 million in June 2005. We have submitted the required application documents and expect to obtain SFDA approval for oxaliplatin injection by the end of 2010.

Letrozole Tablets (來曲唑片)

Letrozole is a nonsteroidal inhibitor of the aromatase enzyme, which produces estrogen in postmenopausal women. As a result, letrozole helps to starve breast cancer cells by depriving them of estrogen. Letrozole is used for the treatment of postmenopausal women with hormone receptor-positive breast cancer. Nanjing Ruinian acquired the technological know-how associated with this pharmaceutical product candidate from Beijing Dezhongwanquan Medicine Technology Co., Ltd. (北京德眾萬全醫藥科技有限公司) for a consideration of RMB1.6 million in July 2005. We have submitted the required application documents and expect to obtain SFDA approval for letrozole tablets by the end of 2010.

MANUFACTURING, QUALITY CONTROL AND SUPPLIES

Manufacturing of Nutritional Supplements and General Health Food Products

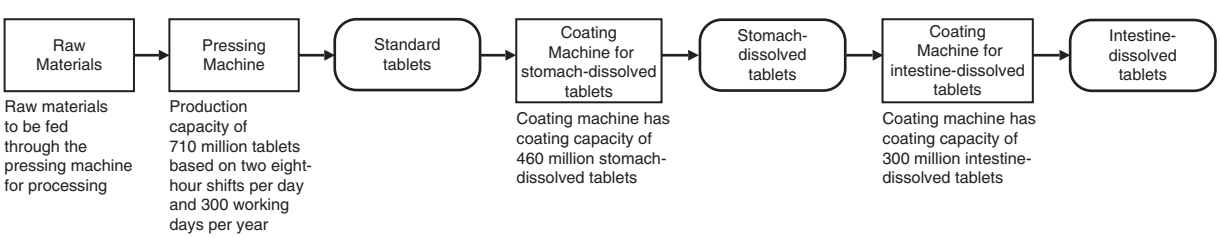
The liquid amino acids we currently market and sell are manufactured exclusively for us by an Independent Third Party, which has obtained and maintain all permits and approvals required under PRC law for manufacturing nutritional supplements (including business licences and SFDA approvals), except for the GMP certification, which is in the renewal process. Such Third Party Manufacturer expects to receive the renewed GMP certification in February 2010. In order to control the quality of the products we purchase from third party manufacturers, our quality control employees supervise their manufacturing processes on-site. See "Business — Our Products — Nutritional Supplements and General Health Food Products — Nutritional Supplements." We manufacture all of our other nutritional supplements and general health food products through our GMP-certified production lines located in Wuxi City, Jiangsu Province. This manufacturing facility is capable of producing products in the form of tablets, capsules, liquid and powder. A portion of our production lines are equipped with automated machinery and equipment, which significantly reduce the number of workers required during the production process, and can be used to produce different kinds of products in the same

physical dosage form without the need to significantly modify the current production facilities and equipment.

We have experienced significant seasonal fluctuation of demand for nutritional supplements and general health food products, and demand for these products is also affected by the general economic conditions, such as the recent global financial crisis. To adjust our production based on market demand, our production lines often reached full capacity during the periods immediately prior to the holiday seasons. We plan to upgrade our existing production facilities and build additional production lines in anticipation of our future business growth and to meet these seasonal peaks in demand during which our current production facilities have reached full utilisation. See "Future Plans and Use of Proceeds from the Global Offering — Use of Proceeds" for more detailed descriptions of our plan to use the proceeds from this Global Offering. In order to absorb the additional production capacity from our new production lines to be constructed, we plan to expand our distribution network and increase our promotional campaigns to further penetrate our existing markets and to expand into new markets. Our amino acid-based liquid production line was completed in December 2008 and we plan to commence commercial production of our own Ruinian-branded liquid amino acids after we receive the GMP certification and the food production licence as required by the Implementation Regulations of the PRC Food Safety Law for this product, which we expect will be granted by the end of 2010.

We have one tablet production line, one powder production line, one capsule production line and one liquid production line at our manufacturing facility in Wuxi City, Jiangsu Province.

Our standard tablets, stomach-dissolved tablets and intestine-dissolved tablets share the same tablet production line. The following chart is a summary of our tablet production process:



The production capacity of standard tablets includes the production capacity of all finished tablets and semi-finished products which are further processed into stomach-dissolved tablets and intestine-dissolved tablets. The production capacity of stomach-dissolved tablets includes the production capacity of all finished stomach-dissolved tablets and semi-finished products which are further processed into intestine-dissolved tablets. Our tablet production line has an annual production capacity of 710 million tablets, up to 460 million of which can be processed into stomach-dissolved tablet, up to 300 million of which can be further processed into intestine-dissolved tablets, all based on two eight-hour shifts per day and 300 working days per year.

Our powder production line and our capsule production line have an annual production capacity of 40 million sachets and 240 million capsules, respectively, based on two eight-hour shifts per day and 300 working days per year.

Our liquid production line has an annual production capacity of 28.8 million 250 ml bottles of liquid based on two eight-hour shifts per day and 300 working days per year.

The following table is a summary of the actual production volume and utilisation rates of our major production lines during the Track Record Period:

(In thousands, except for utilisation rates)	Nine months ended 30 September 2009					
	1st Quarter	Utilisation rate(1)	2nd Quarter	Utilisation rate	3rd Quarter	Utilisation rate
Standard tablets	113,529	64.0%	38,501	21.7%	83,758	47.2%
Stomach-dissolved tablets	106,375	92.5%	34,625	30.1%	53,170	46.2%
Intestine-dissolved tablets	84,291	112.4%	31,529	42.0%	36,600	48.8%
Sachets of powder (packets)	2,940	29.4%	1,020	10.2%	5,690	56.9%
Capsules (pieces)(2)	440	0.7%	30	0.1%	32	0.1%

	Year ended 31 December 2008							
	1st Quarter	Utilisation rate	2nd Quarter	Utilisation rate	3rd Quarter	Utilisation rate	4th Quarter	Utilisation rate
Standard tablets	120,564	67.9%	100,844	56.8%	18,886	10.6%	30,856	17.4%
Stomach-dissolved tablets	100,429	87.3%	77,289	67.2%	17,622	15.3%	29,370	25.5%
Intestine-dissolved tablets	74,843	99.8%	59,593	79.5%	12,222	16.3%	25,612	34.1%
Sachets of powder (packets)(3)	4,875	97.5%	—	—	2,032	40.6%	4,583	91.7%
Capsules (pieces)(2)	720	1.2%	60	0.1%	60	0.1%	660	1.1%

	Year ended 31 December 2007							
	1st Quarter	Utilisation rate	2nd Quarter	Utilisation rate	3rd Quarter	Utilisation rate	4th Quarter	Utilisation rate
Standard tablets	64,323	36.2%	17,949	10.1%	86,476	48.7%	92,972	52.4%
Stomach-dissolved tablets	63,281	55.0%	17,949	15.6%	85,046	74.0%	91,394	79.5%
Intestine-dissolved tablets	52,494	70.0%	15,999	21.3%	74,270	99.0%	74,917	99.9%
Sachets of powder (packets)	2,597	51.9%	1,691	33.8%	4,122	82.4%	4,790	95.8%
Capsules (pieces)(2)	376	0.6%	393	0.7%	—	—	591	1.0%

	Year ended 31 December 2006							
	1st Quarter	Utilisation rate	2nd Quarter	Utilisation rate	3rd Quarter	Utilisation rate	4th Quarter	Utilisation rate
Standard tablets	35,720	20.1%	11,462	6.5%	57,769	32.5%	77,269	43.5%
Stomach-dissolved tablets	35,720	31.1%	11,462	10.0%	56,662	49.3%	76,346	66.4%
Intestine-dissolved tablets	33,052	44.1%	10,313	13.8%	41,426	55.2%	56,909	75.9%
Sachets of powder (packets)	4,953	99.1%	1,400	28.0%	1,682	33.6%	4,145	82.9%
Capsules (pieces)(2)	—	—	100	0.2%	1,114	1.9%	1,026	1.7%

Notes:

(1) All utilisation rates in this table are calculated by dividing the quarterly production volume of a production by the quarterly pro-rata portion of the annual production capacity of that production. The production volume of standard tablets includes the production volume of all finished tablets and semi-finished products that are further processed into stomach-dissolved tablets and intestine-dissolved tablets. The production volume of stomach-dissolved tablets includes the production volume of all finished stomach-dissolved tablets and semi-finished products that are further processed into intestine-dissolved tablets.

(2) The low utilisation rate of our capsule production line during the Track Record Period was primarily because we have been manufacturing only one product, our blood lipid capsules, which was not a primary focus of our past advertising campaigns, from this production line. We intend to manufacture other capsule products using this production line and expect to increase its utilisation rate in the future.

(3) We did not manufacture any sachets of powder in the second quarter of 2008 because our inventory of work in progress of sachets of powder as of 31 March 2008 was sufficient to meet our sales demand in the second quarter of 2008.

Manufacturing of Pharmaceutical Products

We currently manufacture three products at Nanjing Ruinian, namely ofloxacin eye drops, ciprofloxacin hydrochloride eye drops and topotecan hydrochloride capsules. Nanjing Ruinian received GMP certification for our ofloxacin eye drops and ciprofloxacin hydrochloride eye drops in May 2009 and for our topotecan hydrochloride capsules in January 2008. As of 30 September 2009, in respect of our pharmaceuticals, we had an annual production capacity of approximately 43.2 million 0.4 ml vials of ofloxacin eye drops, 144 million 5 ml bottles of ciprofloxacin hydrochloride eye drops and 500 million topotecan hydrochloride capsules based on two eight-hour shifts per day and 300 working days per year. These production lines are fully operational and are capable of supporting full scale commercial production. As of the Latest Practicable Date, Nanjing Ruinian had received confirmed orders from distributors for delivery of over 2.0 million vials of ofloxacin eye drops, approximately 1.4 million bottles of ciprofloxacin hydrochloride eye drops and over 50,000 boxes of topotecan hydrochloride capsules by the end of March 2010.

Quality Control

Nutritional Supplements

We carry out quality control procedures, including testing of raw materials we purchase from third parties, in compliance with GMP standards and SFDA regulations and in accordance with our internal policies to ensure the consistency and high quality of our nutritional supplements. Our senior management team is actively involved in setting internal quality control policies and monitoring our product quality control process. As of 30 September 2009, we had a dedicated team of three employees overseeing our quality control procedures. Our quality control team is responsible for the testing of our products to ensure that we comply with all applicable regulations, standards and internal policies during the manufacturing process. We apply our quality control system at each key stage of our manufacturing process, from raw material procurement to production and delivery. We inspect and test raw materials before manufacturing and test intermediate products based on various criteria, such as physical appearance, cleanliness, ingredient composition and weight. Raw materials are inspected by our quality control department before they are put into production. Defective raw materials are returned to our suppliers. During the production process, defective intermediate products are taken out from the production line and may be reprocessed or destroyed based on the recommendations of our technical department. We also conduct final product testing and inspection before distributing our products to our distributors. We destroy all defective products under the supervision of our quality control team. Raw materials, intermediate products, reprocessed products and finished products are separately labelled and stored. The storage of any defective products may not exceed one month. We rely on these quality control measures to manage our product liability risks.

In addition, our quality control team provides regular training to our production personnel to ensure that production processes meet our quality inspection and other quality control measures. In relation to the products we purchase from third parties, such as liquid amino acids, our quality control employees supervise our suppliers' manufacturing process on-site. We have also set up a hygiene management system, which applies to our production facilities, warehouses, laboratories and offices. As advised by our PRC legal counsel, Grandall Legal Group (Shanghai), such third-party manufacturers are responsible for any product liability claims and we are only liable for losses associated with our marketing and selling activities. Although we have not been subject to any product liability claim relating to our nutritional supplements and general health food products over the Track Record Period, we may be subject to such claims in the future. See "Risk Factors — Risks Relating to

Our Business — Risks Related to Our General Business — We may incur losses resulting from product liability claims or product recalls."

Pharmaceutical Products

The quality control measures for our pharmaceutical products cover all aspects of our operations from the design and construction of our manufacturing facility, management of manufacturing equipment and personnel, procurement of raw materials and packaging materials, quality check of raw materials, intermediate products and finished products, monitoring of adverse drug reactions and verification of documents to comply with GMP standards and requirements. As of 30 September 2009, two out of our 31 employees at Nanjing Ruinian were responsible for overseeing our quality control procedures and both of them are skilled technicians. Defective raw materials and packaging materials are returned to the relevant suppliers within one month, without being put into production. Defective intermediate products are taken out from the production lines and then reprocessed or destroyed based on the recommendations of our technical department. We also inspect our equipment, production facility, warehouses and laboratories on a regular basis to endure that they continuously meet the various hygiene and safety requirements relating to the manufacture of pharmaceutical products. Although we have not been subject to any product liability claims relating to our pharmaceutical products over the Track Record Period, we may be subject to such claims in the future. See "Risk Factors — Risks Relating to Our Business — Risks Related to Our General Business — We may incur losses resulting from product liability claims or product recalls."

Supplies

Nutritional Supplements and General Health Food Products

We use more than 36 types of raw materials for our nutritional supplements and general health food products. The principal raw materials used as active ingredients include amino acid granules, collagen, delayed release (enteric) coatings and soy protein. For each type of raw material used by us, there are sometimes differences in the concentration levels or ingredients among raw materials provided by different suppliers, but such differences are insignificant. The principal packaging materials for our nutritional supplements and general health food products include plastic bottles for capsule and tablet products, and external packaging and printed instructions. We source these raw materials, as well as packaging materials, from 29 suppliers in China, all of which are independent from us and our Directors and substantial shareholder, and their respective associates. We select our suppliers based on the quality of the raw materials, pricing and their proximity to our manufacturing facilities. We typically enter into written agreements with our suppliers for a one-year term, and the purchase price for the relevant raw material or packaging material is negotiated on an annual basis. In 2006, 2007, 2008 and the nine months ended 30 September 2009, we purchased an aggregate of 67.1%, 87.2%, 74.4% and 57.5%, respectively, of our total supplies from our five largest suppliers, and we purchased 31.9%, 42.8%, 40.1% and 21.6%, respectively, of our total supplies from our largest supplier. Our five largest suppliers in the nine months ended 30 September 2009 were Shenzhen City Shenhui Enterprises Co., Ltd. (深圳市深暉企業有限公司), Fujian Province Taifu Food Co., Ltd. (福建省台福食品有限公司), Zhangshu City Qiling Pharmaceutical Co., Ltd. (樟樹市齊靈藥業有限公司), Wuxi City Tongyi Industry Packaging Co., Ltd. (無錫統一實業包裝有限公司) and Foshan City Guang Liang Beverage and Food Products Co., Ltd. (佛山市廣糧飲料食品有限公司). The length of our business relationships with these largest suppliers ranges from one to three years.

We purchase liquid amino acids and herbal tea from Independent Third Party manufacturers. We do not intend to continue distributing and selling the liquid amino acids manufactured by the third party after our current agreement with them expires on 31 July 2010. We purchased certain other nutritional supplements, such as Yixikang oral liquids and Honger oral liquids manufactured by Independent Third Parties between June 2008 and November 2009.

According to our internal quality control policies and the GMP standards, all potential suppliers are required to provide us with copies of the certificates required for their business operations, such as Food Production Enterprise Certificates from raw material suppliers for our nutritional supplement products and Food Packaging Material Production Permits from packaging material providers, and business licences. All potential suppliers are also required to provide their sample products to us for inspection and evaluation. We conduct laboratory testing on such sample products when needed to ensure there are no harmful substances or contamination. Raw materials and packaging materials that are found to not meet the national or industrial standards are returned to the relevant suppliers. We have not experienced any difficulties in returning defective products to our suppliers in the limited instances in which such issue has arisen.

We generally maintain at least two vendors for most of major raw materials in order to diversify our vendor base and help to ensure a reliable supply of raw materials at reasonable prices. We also maintain a supplier evaluation programme through which potential vendors are evaluated based on a number of factors including quality, timely delivery, cost and technical capability. During the Track Record Period, we have not experienced any material raw material shortages or price fluctuations. We did not enter into any raw material hedging contracts during the Track Record Period.

Pharmaceutical Products

We use approximately 12 types of raw materials for our pharmaceutical products. The principal raw materials used as active ingredients include topotecan hydrochloride, ofloxacin, pharmaceutical starch and sodium chloride. The principal packaging materials for our pharmaceutical products include plastic pellets, internal and external packaging and printed instructions. We source these raw materials and packaging materials from nine suppliers in China, all of which are independent from us and our directors and substantial shareholder, and their respective associates. We select our suppliers based on the quality of the raw materials and packaging materials, pricing and their proximity to our manufacturing facilities. We typically enter into written agreements with our suppliers and the purchase price for the relevant raw materials or packaging materials is negotiated on a regular basis.

All potential suppliers are required to provide us with copies of the certificates required for their business operations and to provide their sample products to us for inspection and evaluation. We conduct laboratory testing on such sample products when needed to ensure there are no harmful substances or contamination. Raw materials and packaging materials that are found to not meet the national or industrial standards are returned to the relevant suppliers.

As at the Latest Practicable Date, none of the persons who are (1) Directors; (2) their associates; or (3) Shareholder which to the knowledge of the Directors will own more than 5% of the Company's issued share capital immediately upon completion of the International Offering and the Hong Kong Public Offering (assuming the Over-allotment Option is not exercised) had interest in the five largest suppliers of the Group.

MARKETING AND DISTRIBUTION

Marketing

Nutritional Supplements and General Health Food Products

We have over a decade of experience in marketing nutritional supplements in China. Our marketing department is organised into our marketing management team at our headquarters and our distribution channel team. Our marketing management team is in charge of our overall marketing strategy, brand management, market research efforts, after-sale services, and the management and supervision of the operations of our distribution channel team. Prior to December 2006, Ruinian Sales was the entity that was responsible for the marketing of our products, and it primarily engaged in conducting promotional campaigns at retail outlets, as well as conducting distributor conferences for our products in different cities in China.

To implement the restructuring of our Group in preparation for the Global Offering and to focus more on television advertising, we ceased the operations of Ruinian Sales in December 2006. Since the dissolution of Ruinian Sales, we have retained sales and marketing personnel at the management level, who are supported by staff we hire through third-party employment agencies. Most of these short-term sales and marketing personnel were previously employed by Ruinian Sales and as a result are familiar with our products. We typically hire more of such short-term sales and marketing personnel to assist in our marketing campaigns during peak sales periods. They have fixed salaries as provided in the short-term agreements, and are also compensated with volume-based sales commissions. We are not required to contribute amounts to any pension or benefit schemes on behalf of these short-term sales and marketing personnel. These sales and marketing personnel organise regular distributor conferences in various regions to which 100 to 130 participants, mainly sales representatives of our distributors, are invited. Presentations on our products, marketing strategies and distribution policies are given at these conferences. Larger scale conferences that last for two to three days are also organised once a year. These conferences include a day of promotional events followed by a day or two days of sales meetings between our sales and marketing team and distributors to have detailed discussions on our products and strategies. Approximately 200 to 300 participants are invited to these events and participants include sales representatives of our distributors, media representatives and special guest speakers.

These sales and marketing personnel also conduct promotional campaigns to end-users at retail outlets and focus on expanding our distribution network, particularly in respect of products targeted at consumers in second and third-tier cities in China. Such promotional events include setting up booths at retail outlets where our sales and marketing personnel explain the benefits and characteristics of our products, conducting small promotional games and distributing product samples or other promotional souvenirs. Our sales and marketing personnel also work closely with our distributors to implement our marketing strategy and organise promotional events by conducting joint promotional conferences, particularly in regions in which we intend to increase the penetration of our products. At these joint promotional conferences, we, together with our distributors, host in-person presentations to promote and generate awareness of our products. The scale of our promotional campaigns range from a single retail outlet to an entire province, depending on the type of promotion, region and season. We believe that these promotional campaigns help us in establishing direct contact with end-users of our products, thereby enhancing our brand image as well as allowing us to obtain direct customer feedback. We also distribute marketing posters and souvenirs.

Our Chinese brand name "Ruinian" is a registered trademark in China and was recognised as a "Reputable Brand" of Jiangsu Province since 2004. To enhance customer awareness and brand recognition, we advertise our products on both national and regional television networks. We have launched a nation-wide advertisement campaign on major television stations in China, including China Central Television, or CCTV, and more than ten national satellite television stations. We also engage in consumer advertising and educational campaigns in newspapers, magazines, billboards and electronic media, and through celebrity spokesperson endorsements and promotional campaigns. Mr. CHEN Baoguo (陳寶國), a well-known PRC actor, has been our spokesperson since 2007. In our efforts to promote our Shun-branded herbal tea, we also appointed Mr. GE You (葛優), a well-known PRC actor, as our brand spokesperson in 2008. In 2008, as a result of the global financial crisis and economic downturn, we decided to decrease our planned television advertising efforts and re-negotiated with our advertising agencies, all of which are Independent Third Parties, and received a refund of our prepayments for media airtime of RMB172.3 million.

Pharmaceutical Products

As all of our pharmaceutical products are prescription medicines, we believe the acceptance of our pharmaceutical products among healthcare professionals is critical to the development of our pharmaceutical business. In order to promote the market awareness and acceptance of our pharmaceutical products, our marketing professionals plan to visit 200 key hospitals in China and host in-person presentations to explain the therapeutic value of our pharmaceutical products and to keep healthcare professionals up to date as to any developments relating to such pharmaceutical products. We also intend to focus our marketing efforts on promoting our pharmaceutical products to healthcare professionals through organising seminars and sponsoring academic conferences.

Distribution

We sell substantially all of our products to distributors in China, all of which are independent from us, our substantial shareholders, Directors and members of senior management and their respective associates and are liable for their own misconduct. We used to engage Hubei Kaidi, a related-party controlled by a family member of our chairman and chief executive officer, as one of our distributors. Upon the expiration of our distribution agreement with Hubei Kaidi in December 2009, we have ceased our business relationship with Hubei Kaidi. Total turnover from this distributor in 2006, 2007, 2008 and the nine months ended 30 September 2009 were RMB5.0 million, RMB29.7 million, RMB25.0 million and RMB11.3 million, respectively, accounting for 2.5%, 7.3%, 4.0% and 2.1%, respectively, of our turnover during the same periods. We do not own or control any of our distributors and retail outlets.

As at the Latest Practicable Date, none of the persons who are (1) Directors; (2) their associates; or (3) Shareholder which to the knowledge of the Directors will own more than 5% of the Company's issued share capital immediately upon completion of the International Offering and the Hong Kong Public Offering (assuming the Over-allotment Option is not exercised) had interest in the five largest customers of the Group.

We classify our distributors into two categories, regional and local, based on their size, geographic reach and annual sales targets. We generally have two or more regional distributors to cover a specific geographic region. Each regional distributor may distribute our products within a designated region, either directly to large retail outlets or through a designated retail channel to local

distributors and/or small- and medium-sized retail outlets. In addition to obtaining our products through regional distributors, some local distributors directly obtain products from us for distribution. Local distributors may distribute our products to retail outlets within their designated local areas.

The following table summarises the number of our regional and local distributors and changes to our distribution network during the Track Record Period.

	Year ended 31 December			Nine months ended 30 September
	2006	2007	2008	2009
Regional Distributors				
Beginning balance	24	44	55	61
Number of new regional distributors	20	17	17	—
Number of regional distributors who became local distributors	—	1	10	—
Number of terminated regional distributors[1]	—	5	1	—
Ending balance	44	55	61	61
Local Distributors				
Beginning balance	183	231	559	614
Increase (decrease) of number of local distributors	48	328	55	(231)[2]
Ending balance	231	559	614	383

Notes:

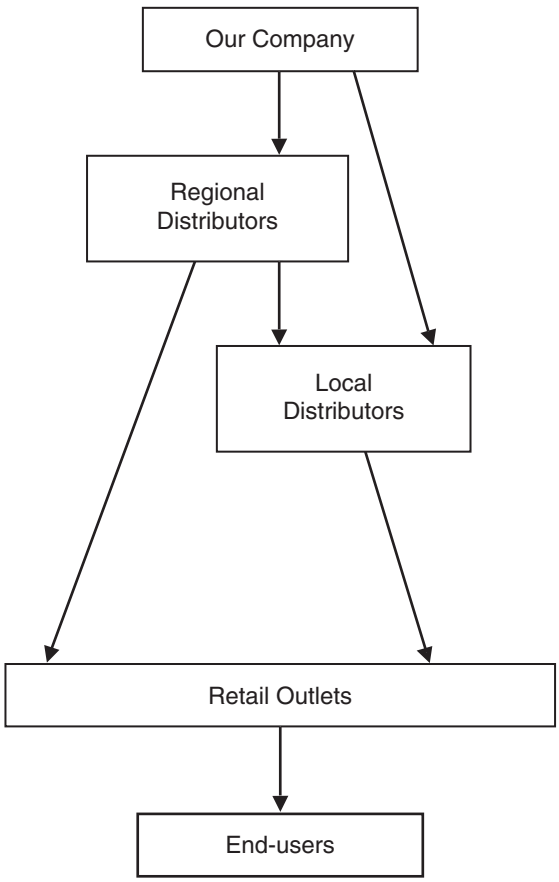
(1) We terminated business relationships with these regional distributors because they were dissolved and no longer exist.

(2) The number of our local distributors decreased significantly in 2009 primarily because, in early 2009, we started to implement a policy to encourage our local distributors to purchase our products from regional distributors when their distribution agreements with us expired or after they have settled payments with us. This policy, which was adopted to reduce our transportation costs and other selling and distribution costs, enabled local distributors to receive better after-sales support from regional distributors, such as quicker delivery services, more flexible ordering procedures and opportunities to participate in promotional activities organised by regional distributors.

Total turnover from the independent regional distributors in 2006, 2007, 2008 and the nine months ended 30 September 2009 were RMB160.9 million, RMB329.0 million, RMB555.8 million and RMB434.8 million, respectively, while total turnover from local distributors during the same periods were RMB30.8 million, RMB46.8 million, RMB51.6 million and RMB77.6 million, respectively.

In 2006, 2007, 2008 and the nine months ended 30 September 2009, turnover from our five largest distributors accounted in aggregate for approximately 46.8%, 48.0%, 43.1% and 44.6%, respectively, of our turnover, and turnover from our largest distributor accounted for approximately 18.1%, 10.9%, 11.0% and 13.0%, respectively, of our turnover. Turnover from our largest distributor, Wuxi Lianren Trading Co., Ltd., accounted for 13.0% of our turnover in the nine months ended 30 September 2009. The length of our business relationships with our five largest distributors in 2006, 2007, and 2008 and the nine months ended 30 September 2009 range from one year to seven years. For example, our five largest distributors in the nine months ended 30 September 2009, Wuxi Lianren Trading Co., Ltd., Huizhou Huaren Pharmaceutical Co., Ltd. (惠州市華仁醫藥有限公司), Hubei Jiu Zhou Tong Pharmaceutical Company Limited (湖北九州通醫藥有限公司), Heilongjiang Beidou Pharmaceutical Distribution Company Limited (黑龍江省北斗醫藥經銷有限公司) and Wuxi Zongwei Logistics Co., Ltd. (無錫縱緯物流有限公司), are all Independent Third Parties and have had business relationships with us for at least three years. Retail outlets purchase our products either through regional distributors or local distributors depending on where retail outlets are located, since not all retail outlets may have access to regional distributors. We do not have any direct contractual relationships with retail outlets.

The following chart sets forth the flow of our products through the distributors to the end-users:



Management of Our Distributors

We select our distributors based on their reputation, market coverage, sales experience and the scale of their marketing and distribution resources. We typically enter into written one-year distribution agreements with our distributors that are generally renewable annually. It typically takes one to three months from commencing initial negotiations to the formal execution of a distribution agreement. These distribution agreements generally set out our pricing policy, as well as guidelines for the sale and distribution of these products, including restrictions on the regions in which these products may be sold. We also set out non-binding sales targets on an annual basis for our distributors under our distribution agreements. In 2007, we offered certain distributors of liquid amino acids sales volume rebates and our aggregate sales volume rebates amounted to RMB5.2 million, representing 1.3% of our turnover in the same period. The amount of such rebates to which a distributor was entitled was determined based on its aggregate sales volume of liquid amino acids, which in turn was calculated based on the monthly sales record compiled by our sales personnel. Sales volume rebates were not offered in other periods during the Track Record Period and all sales volume rebates had been fully settled by 31 December 2009. We do not require an up-front lump sum purchase when entering into a distribution agreement. The selling prices to the distributors are usually set with reference to the economic development, purchasing power, size and distribution network of the region or area covered by the distributor and the relative sales volumes of the distributor.

Our distributors are prohibited from selling any counterfeit products which are similar to our products. We provide necessary advertising budgets and training to our regional distributors and

require each distributor to work closely with and support our marketing team and its activities, including the provision of end-user feedback and market information.

Turnover from sales of our products are recognised when the title of such products has passed to the distributor, which generally coincides with the time when we deliver the products to the distributor and the distributor confirms receipt. Prior to January 2008, we generally billed our distributors upon shipment, with a typical 45-day credit term, or a 90-day credit term to customers purchasing our newly introduced products. Since January 2008, we changed our credit terms to distributors from 45 days to 90 days to facilitate our efforts to increase product penetration and expand our products' geographic reach. Before we extend credit to our distributors, we perform checks on their credit histories and also require them to provide copies of business, tax and related certificates to verify their identities. We issue an invoice to the distributor when our products are delivered and generally require payments to be made within 90 days from the date of delivery and we send out reminders on unpaid accounts on a monthly basis. As of 30 September 2009, our trade and bills receivables amounted to RMB295.7 million, of which RMB 287.1 million had been settled as of 31 December 2009.

Our distributors have the right to replace products with defective packages within three days from the date of delivery. Prior to 2009, certain of our distributors may also request a replacement of our products during the period of 12 months after their production date and six months before their expiry date, if the packaging of these products is still intact. Since January 2009, we have the discretion to respond to product replacement requests in a similar manner.

Our distributors have the right to return any defective products to us at our costs if the defects are not caused by the distributor. In addition, if the business relationship with a distributor terminates, such distributor may return to us any products with more than one year remaining before their expiry dates and whose packaging remains intact.

In addition, we have agreed to provide favourable terms in relation to replacement and return of our products to two of our regional distributors which are large-scale distributors and considered as our key distributors, namely Pudong Branch of Shanghai Nan Pu Food Company Limited (上海南浦食品公司浦東分公司) and Shanghai Da Run Fa Company Limited (上海大潤發有限公司). These distributors have the right to request return or replace any products purchased from us at any time if they are not satisfied with the quality of the products delivered.

In 2006, 2007, 2008 and the nine months ended 30 September 2009, sales returns from our distributors amounted to RMB1.1 million, RMB3.0 million, RMB5.8 million and RMB2.9 million, respectively, representing 0.6%, 0.7%, 0.9% and 0.6%, respectively, of our turnover during the same periods. As of 30 September 2009, our trade and bills receivables amounted to RMB295.7 million, of which RMB287.1 million had been settled as of 31 December 2009. Such sales returns were mainly from Pudong Branch of Shanghai Nan Pu Food Company Limited and Shanghai Da Run Fa Company Limited, which accounted for 0.4%, 0.7%, 0.3% and 0.6% of our turnover in 2006, 2007, 2008 and the nine months ended 30 September 2009, respectively.

We have an established distributor management policy, which provides detailed guidelines on introducing our products to consumers and handling customer complaints. Our sales and marketing personnel also monitor and work with the distributors to ensure compliance with this policy through conducting regular visits to our major distributors. We have a specialised team to maintain the data of

our distributors and to update their credit records each year. The team members visit certain major distributors each week to understand, among others, their sales of our products and their inventory levels, and report to our management. They also conduct further investigations if a distributor continues to order our products without making payments to us in time. The initiation of a liquidation process or a breach of any provision of the distribution agreement by a party will entitle the other party to terminate the agreement. As at the Latest Practicable Date, we had not experienced any material losses caused by our distributions.

Distribution of Nutritional Supplements and General Health Food Products

For our nutritional supplements and general health food products, we have at least one regional distributor covering distribution to pharmacies and another covering distribution to supermarkets and other general retail outlets in a specific geographic region. Our nutritional supplements and general health food products are sold to retail outlets, operated either by our distributors or third-party retailers including supermarkets, convenience stores and retail pharmacies. While our agreements with distributors set forth our pricing policy, we are not able to effectively enforce the implementation of this pricing policy by the retail outlets. We are not aware of any material non-compliance with our pricing policy during the Track Record Period. As of 31 December 2006, 2007 and 2008 and 30 September 2009, our nutritional supplements and general health food products were sold at approximately 25,000, 41,000, 40,400 and 41,400 retail outlets, respectively. As we expand our overseas sales, we plan to cooperate with selected overseas distributors. For example, we have entered into agreements with Macau First Pharmaceutical Factory Co., Ltd. in Macau under which it has agreed to purchase from us certain quantities of amino acid granules at an agreed upon price. In some cases, distributors of our nutritional supplements and general health food products are also distributors of our health drinks.

Distribution of Pharmaceutical Products

Our marketing professionals plan to visit 200 key hospitals in China and host in-person presentations to explain the therapeutic value of our pharmaceutical products and to keep healthcare professionals up to date as to any developments relating to such pharmaceutical products. Once our pharmaceutical products are accepted by hospitals, we plan to sell these products through distributors designated by the hospitals. We do not expect distributors for our pharmaceutical products to significantly overlap with those for our nutritional supplements and general health food products and health drinks.

PRICING

Our nutritional supplement products, general health food products and health drinks are not subject to government price controls by the PRC government. Therefore, we are able to price these products based on market demand, our costs and our marketing strategy for the particular product. We sell these products to all our distributors at wholesale prices determined based on the sales volumes of each distributor and require our distributors to comply with our pricing policy. If we discover any of our distributors to have violated our pricing policy, we will send these distributors a warning letter, discontinue the supply of our nutritional supplements and general health food products to them and demand a penalty from the relevant distributor equal to ten times the value of the products sold under the recommended price.

Two of the pharmaceuticals that we manufacture, namely ofloxacin eye drops and ciprofloxacin hydrochloride eye drops, are included in the Medical Insurance Catalogues and therefore are subject to price controls in the form of retail price ceilings, which vary from province to province. See "Regulation—Price Controls" for more detailed information on the price control systems in the PRC. Although the PRC government authorities impose no control over the prices at which manufacturers sell their products to their distributors, the prices at which manufacturers sell pharmaceutical products to distributors are impacted by the relevant retail price ceilings. As of the date of this prospectus, topotecan hydrochloride capsules have not been included in the Medical Insurance Catalogues. We have priced this product based on market demand, the prices of competing pharmaceuticals in the market and our gross margin. We will also comply with pricing guidelines promulgated by the regulatory authorities in local provinces. We will apply with the relevant governmental authorities to include topotecan hydrochloride capsules into the Medical Insurance Catalogues, and it will be subject to price controls if our application is approved.

PRODUCT DEVELOPMENT

Our ongoing product development efforts focus on the modification of existing products to meet market demand and the development of new products to promote our customers' general health. We work with chemists, biologists and other scientists and consultants at academic and other institutions with respect to our research, development and regulatory compliance efforts. These Independent Third Parties have provided valuable advice and input regarding our product development programmes. However, they are not our employees and typically will not enter into non-competition agreements with us. In order to develop new products, we utilise a market-oriented approach in the development of our products. We perform thorough market analysis before commencing any development project to determine whether the product is commercially viable and is able to achieve widespread acceptance in the marketplace. Our sales and marketing professionals collect feedback from end-users regarding our products and work closely with our senior management as well as our product development department to identify market opportunities for potential new products. We conduct market research, perform analyses on comparable products, conduct surveys with distributors, discuss with experts in the nutritional supplement sector and obtain feedback from our distribution channel monitoring team to determine whether there is a profitable market for each particular product.

When a potential nutritional supplement product is identified, our product development department collects relevant information and consults with our advisory board of experts, which includes Mr. XU Huafeng, the Secretary-General from the China Health Care Association, Mr. CHEN Ning, a professor in the Department of Bio-engineering at the Tianjin University of Science and Technology, Mr. WU Lvqing, the former Secretary-General from the Amino Acids Committee of the China Pharmaceutical Industry Association and Mr. XU Qishou, a researcher focusing on nutritional supplements from the Academy of Military Medical Science in China. All of our experts have expertise relating to amino acids and nutritional products in general. We have entered into consultation agreements with these experts under which each expert is paid by Bei Yi Ke Tai a fixed consultation fee, in an amount between RMB20,000 and RMB40,000 per year, as well as a bonus for any successful launch of a new nutritional supplement, the amount of which is determined at the discretion of Bei Yi Ke Tai primarily based on their contributions to the successful launch of the new nutritional supplements through their cooperation with Bei Yi Ke Tai. If our advisory board determines that a potential product is viable both from a commercial perspective such as novelty, feasibility of large-scale production and pricing, and a technological perspective, such as efficacy and advantages over

similar products, we then share our market analysis on such product with a research company in China so that it can initiate specific research and development activities relating to that product.

We entered into a master agreement on 10 March 2000 with Bei Yi Ke Tai, which specialises in the research and development of pharmaceutical products and nutritional supplements, to conduct product research and development. Established in June 1999 by Peking University Health Science Center (北京大學醫學部), Beijing Ke Tai New Technology Company (北京市科泰新技術公司) and two individuals, Bei Yi Ke Tai has developed various health-related products, including more than ten new pharmaceuticals, in addition to the health-related products developed for us, through its in-house expertise. To our knowledge, in addition to our five product candidates, Bei Yi Ke Tai is currently developing six pharmaceutical products, with a research team of three professors and twelve researchers with master's degree. Pursuant to our master agreement with Bei Yi Ke Tai, when a specific product is identified, we will enter into separate technology transfer agreements for the research company to initiate specific research and development on such product and to require the research company to transfer all rights associated with such product to us for a fee if it is successfully developed. The related fee was determined by arms-length negotiation between us and the research company, based on both parties' understanding of the industry and the relative complexity of the technology and costs involved in developing it. In 2006, 2007, 2008 and the nine months ended 30 September 2009, such fees amounted to RMB40.0 million, RMB27.0 million, RMB9.6 million and nil, respectively. Pursuant to this technology transfer agreement, the research company will also be responsible for the application of the relevant governmental approval on our behalf. The entire research and development cycle for new products, including the application for the relevant governmental approval, typically ranges from one to three years. During the Track Record Period, we developed and received SFDA approval for one nutritional supplement product, namely Ruinian-branded liquid amino acids, through our collaboration with Bei Yi Ke Tai. Our amino acid-based liquid production line was completed in December 2008, and we plan to launch this product after receiving the required permits, which we expect to be granted by the end of 2010.

We believe our collaboration with research companies is a flexible and effective way to develop our new products, as it allows us to leverage their research facilities, testing capabilities and expertise to develop products that we have identified through our in-depth market knowledge. For example, during the Track Record Period, we have engaged this research company to develop technologies relating to our e-jiao gelatin with heme iron capsules, collagen complex tablets, colostrum complex tablets, natural gingko capsules and polypeptide tablets, which are our nutritional supplement product candidates.

In addition to engaging this research company to develop our products, we also directly acquire existing developed technologies when suitable candidates are identified. We acquired the technological know-how associated with all of our current pharmaceutical products, namely ofloxacin eye drops, ciprofloxacin hydrochloride eye drops and topotecan hydrochloride capsules, and our current pharmaceutical product candidates, namely gatifloxacin eye gel, proparacaine hydrochloride eye drops, oxaliplatin injection and letrozole tablets, from Independent Third Parties.

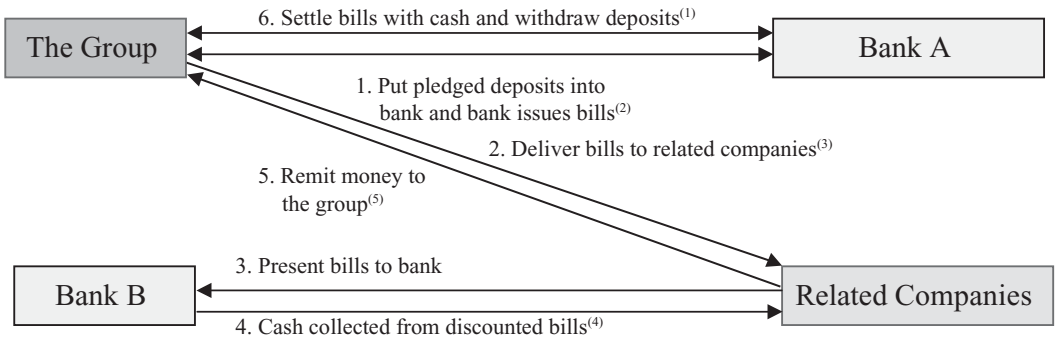
NON-COMPLIANT TRADE FINANCING WITH RELATED COMPANIES

Background

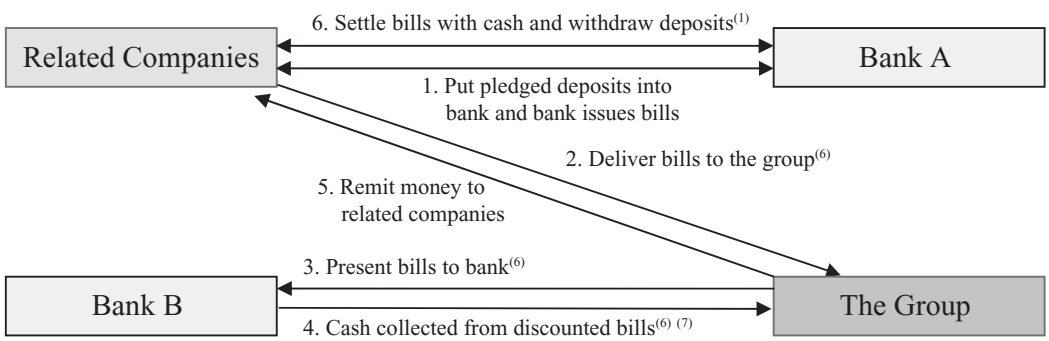
During the portion of the Track Record Period up to March 2008, each of our PRC subsidiaries, Ruinian Industry and Nanjing Ruinian, and their respective related companies, including Ruinian

Group, Qianjin and Wuxi Ruinian Biotechnology Co., Ltd. (which was deregistered on 21 May 2008), entered into trade financing transactions with certain PRC commercial banks. Such arrangements were not related to any underlying transactions and therefore were not in compliance with the relevant PRC laws. The diagram below illustrates the details of the trade financing arrangements:

Bills raised by Ruinian Industry or Nanjing Ruinian and discounted by related companies



Bills raised by related companies and discounted by Ruinian Industry or Nanjing Ruinian



Notes:

(1) Bills are typically settled within six months.
(2) The amount of the deposit was accounted as pledged bank deposits.
(3) Accounted as bills payable to related companies.
(4) The relevant interest expenses were recognised as finance costs.
(5) Representing repayment of bills payable to related companies.
(6) Accounted as borrowings related to bills discounted with recourse.
(7) The relevant interest expenses were recognised as finance costs.

The principal reason for these arrangements was to lower their overall financing costs, and to increase their overall interest income on bank deposits. Such arrangements were approved by the respective directors of Ruinian Industry and Nanjing Ruinian, including Mr. WANG Fucai, Mr. YU Yan, Mr. LI Lin, Mr. YI Lin and Mr. ZHANG Yan of Ruinian Industry in 2006, 2007 and 2008, and Mr. WANG Fucai, Mr. YU Yan, Mr. LI Lin, Ms. DONG Xue (董雪) and Ms. PENG Yin (彭尹) of Nanjing Ruinian in 2006 and 2007, and Mr. WANG Fucai, Mr. ZHANG Guohua (張國華) and Mr. MA Jialin (馬嘉琳) of Nanjing Ruinian in 2008. In 2006, 2007 and the three months ended 31 March 2008, the interest rates of the bank bills issued by Ruinian Industry and discounted by the related companies ranged from 1.9% to 4.0%, 3.1% to 4.8% and 6.7% to 8.6%, respectively. In 2006, 2007 and the three months ended 31 March 2008, the interest rates of the bank bills issued by the related companies and discounted by Ruinian Industry ranged from 1.9% to 3.6% and 3.2% to 4.8% and was 5.2%, respectively. As 31 December 2006, 2007 and 2008, the interest rates of our variable-rate bank loans ranged from 5.3% to 6.1%, 6.1% to 8.3% and 6.4% to 7.5%, respectively.

As part of these arrangements, Ruinian Industry and Nanjing Ruinian obtained bills payable to related companies under trade financing arrangements which were not related to any underlying transactions. No invoices or any underlying transaction documents had been used to facilitate such trade financing arrangements. Under these arrangements, Ruinian Industry and Nanjing Ruinian had opened accounts and pledged deposits with PRC commercial banks, which in turn issued bank bills to their related companies at certain face amounts. The amount of pledged deposits required by the bank ranged from 25% to 100% of the face amount of the bank bills. As a result, our pledged bank deposits were in aggregate lower than the total face amount of the bank bills. These bank bills typically have a term of six months. Our related companies may use such bank bills to settle payments with suppliers in the ordinary course of business, or may present such bills to other commercial banks for discounting to obtain an amount equal to the face amount of the bank bill after deducting discounted interest for remittance to Ruinian Industry or Nanjing Ruinian. Such bank bills were ultimately settled by Ruinian Industry or Nanjing Ruinian with the relevant bank. Our related companies also obtained bills payable to Ruinian Industry and Nanjing Ruinian under similar transactions.

Effect on Our Financial Position

In 2006, 2007 and the three months ended 31 March 2008, the total amount of bills payable to related companies raised by Ruinian Industry was RMB1,443.5 million, RMB1,065.7 million and RMB511.4 million, respectively, and the total amount of repayment of bills payable to related companies was RMB1,301.7 million, RMB1,099.8 million and RMB575.8 million, respectively. As these bills usually have a term of six months, bills were entered into from time to time to refinance maturing bills. The total bills payable to related companies raised and repayment of bills payable to related companies in each year represented a large number of such transactions entered into back and forth between us and our related companies, and do not correlate to the total amount of debt outstanding at any given point in time, or to our turnover over any period of time.

The interest expenses related to bank bills raised by Ruinian Industry and discounted by the related companies were absorbed by the related companies without charging the Group, and amounted to RMB3.5 million, RMB3.4 million and RMB1.3 million in 2006, 2007 and 2008, respectively. We recognised these interest expenses as finance costs, but the related payments were made by the related companies without charging our Group. Accordingly, these interest expenses were recognised as deemed contributions from the Controlling Shareholder.

The interest expenses related to bank bills raised by related companies and discounted by Ruinian Industry were absorbed by the Group, and amounted to RMB0.3 million, RMB2.0 million and RMB0.9 million in 2006, 2007 and 2008, respectively. We recognised these interest expenses as finance costs and the same amount that should have been charged back to the related companies was credited as interest income to net off the financial costs. Since these interest expenses were not charged back to the relevant related companies, they were recognised as deemed distributions to the Controlling Shareholder. The net effect of interest born by our related companies in relation to such transactions amounted to RMB3.2 million, RMB1.4 million and RMB0.4 million in 2006, 2007 and 2008, respectively.

We used the receipts/advances from trade financing arrangements as working capital to help finance part of our daily operations. However, as we had made pledged deposits in connection with our trade financing transactions, we could have used such pledged cash as working capital if we had not entered into such trade financing transactions during the Track Record Period. In addition, there were

other existing resources, such as cash generated from our operations, which we could have used to fund our working capital requirements during the Track Record Period. Moreover, as of 31 December 2006, 2007 and 2008, we had undrawn bank loan facilities of RMB131.5 million, RMB181.0 million and RMB289.7 million, respectively, and as of 30 November 2009, we had undrawn bank loan facilities of RMB327.0 million. In addition, we received capital injections of RMB149.6 million and RMB182.0 million from our shareholders in 2007 and 2008, respectively. In this respect, the Directors have confirmed that we would have had sufficient working capital if we had not made use of such trade financing arrangements during the Track Record Period. After the cessation of such trade financing arrangements on 31 March 2008, we had sufficient funds for our working capital needs based on our undrawn bank loan facilities, our shareholders' capital injections in 2007 and 2008 and the amount of pledged cash available for working capital as a result of the termination of such trade financing arrangements. In addition, we had RMB0.2 million pledged bank deposits and RMB75.2 million cash and cash equivalents as of 30 September 2009. The Directors have also confirmed that, after taking into account of estimated net proceeds of the Global Offering, we have sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this prospectus. See "Financial Information — Working Capital Confirmation."

Confirmations from Regulatory Authorities

We ceased to enter into trade financing transactions in March 2008, and as of 31 March 2008, all outstanding loans and borrowings in relation to our prior trade financing transactions had been fully settled. Our Directors have confirmed that no fraudulent activities (such as the provision of falsified contracts or receipts) were involved in obtaining such trade financing. In addition, we have received confirmations addressed to Ruinian Industry and intermediary parties participating in preparation work of the Listing from the CBRC Jiangsu Bureau, the PBOC Nanjing Branch and the relevant banks as discussed below, which cover each of our PRC subsidiaries, Ruinian Industry and Nanjing Ruinian, and their respective related parties.

On 27 September 2008 and 23 October 2009, we, together with our PRC counsel, met with the CBRC Jiangsu Bureau to make further consultations on our non-compliant trade financing activities. The CBRC Jiangsu Bureau confirmed that it will not take any punitive measures against Ruinian Industry or Nanjing Ruinian, their respective directors or senior management, or the banks involved in the non-compliant trade financing activities since such trade financing activities have not resulted in any loss on those banks and we have ceased to conduct these activities and have undertaken not to engage in such activities in the future.

We also received a written confirmations from the PBOC Nanjing Branch, dated 28 September 2008 and 19 October 2009, confirming that it will not take any punitive measures against Ruinian Industry or Nanjing Ruinian, their respective directors or senior management, or their related companies since it is not required, under PRC laws and regulations, to impose administrative penalties on enterprises that have entered into non-compliant trade financing arrangements.

We also have received confirmation letters from each relevant bank that facilitated such trade financing arrangements which states that:

— the trade finance arrangements were entered into with the consent or approval of the relevant bank;

— the trade finance arrangements have been terminated and there are no similar arrangements with the relevant bank;

— the relevant bank will not take any legal action against Ruinian Industry or Nanjing Ruinian in relation to the trade finance arrangements; and

— the trade finance arrangements will not impact the future bank credit facilities that may be granted to Ruinian Industry or Nanjing Ruinian by the relevant bank.

Opinion of Our PRC Legal Advisor

As part of our preparation for the Listing, our PRC legal counsel, Grandall Legal Group (Shanghai), advised us that the trade financing transactions we entered into were not in compliance with the PRC Negotiable Instruments Law (中華人民共和國票據法) (in particular Article 10 which states that bank bills shall be issued on the basis of actual underlying transactions) and certain banking regulations promulgated by the PBOC, including the Measures for the Implementation of the Administration of Negotiable Instruments (票據管理實施辦法), the Measures for Payment and Settlement (支付結算辦法) and the Notice of the People's Bank of China on Certain Improvements to the Negotiable Instruments Systems (中國人民銀行關於完善票據業務制度有關問題的通知).

On the basis (i) of the Directors' confirmation that no fraudulent activities (such as the provision of falsified contracts or receipts) were involved in obtaining such trade financing, (ii) of the confirmation from the CBRC Jiangsu Bureau, which, according to the PRC Banking Industry Supervising and Administration Law (中華人民共和國銀行業監督管理法), has supervisory authority over all banks in Jiangsu Province, (iii) of the confirmations from the PBOC Nanjing Branch, which according to the Law of the PRC on the People's Bank of China (中華人民共和國人民銀行法), has supervisory authority over all banks in Jiangsu Province, where Ruinian Industry and Nanjing Ruinian are located and where our trade financing transactions took place, (iv) of the confirmations from the relevant banks, (v) that Ruinian Industry and Nanjing Ruinian have repaid all amounts due to the relevant banks on time, (vi) of the telephone interviews with representatives from each of the banks involved in the trade financing activities with Ruinian Industry with Grandall Legal Group (Shanghai), and (vii) that the relevant banks have not incurred any losses relating to these transactions, Grandall Legal Group (Shanghai) has advised that (i) to its best knowledge, no fraudulent activities were involved in obtaining the trade financing; (ii) the CBRC Jiangsu Bureau and the PBOC Nanjing branch office are proper and competent authorities to provide the relevant confirmations; and (iii) such non-compliance is unlikely to lead to Ruinian Industry or Nanjing Ruinian, their respective directors or senior management being liable for any criminal offence, administrative penalty or civil claim under PRC laws, or subject to any other liabilities, fines or consequences of a material nature.

Internal Control

We ceased to enter into trade financing transactions in March 2008, and as of 31 March 2008, all outstanding loans and borrowings in relation to our prior trade financing transactions had been fully settled. Since the cessation of our trade financing transactions in March 2008, we have formulated and implemented a series of measures to ensure such trade financing arrangements with related companies will not occur in the future. We have established an audit committee comprising three independent non-executive Directors to review and supervise our internal control system. In addition, we have implemented internal guidelines and policies in August 2008 for approving, reporting and monitoring all transactions with related companies. If our senior management detects any irregular transactions pursuant to such guidelines and policies, it will be required to report them to our Board of Directors. As part of the review of our internal controls, we have engaged an independent consulting firm to examine our overall internal control systems, including our internal control policies and procedures in

relation to our bank/commercial bills transactions. With the assistance of this independent consulting firm, we have formulated and approved a series of specific internal guidelines and corporate governance measures that provide for cross checking of bank/commercial bills against underlying contracts and that all future trade financings will be properly supported by actual transactions or debtor-creditor relationships. The key measures we have implemented include:

- cross-checking mechanisms to ensure that the duties of trade financing-related matters, such as the application for and the approval of bank/commercial bills, are properly segregated; and
- mechanisms to prepare and review the bank/commercial bills receivable summary and bank/commercial bills payable summary periodically.

We believe such measures will help us monitor and prevent non-compliant trade-financing transactions in the future.

As part of our efforts to seek independent verification of our internal control system, in September 2009, we separately engaged an independent consulting firm, Protiviti Shanghai Co., Ltd., to review our internal control systems for the period between 1 January 2009 and 30 November 2009. Protiviti Shanghai Co., Ltd. reviewed the design of our internal control system, checked our internal controls, and reviewed the documents relating to our management of bank/commercial bills for the period from 1 January 2009 to 30 November 2009, and was of the view that no significant deficiency of internal control relating to trade financing activities was identified during the period of evaluation.

Indemnity from Controlling Shareholders

Pursuant to the deed of indemnity dated 1 February 2010, the Controlling Shareholders have agreed to provide an indemnity to the Group in respect of all possible losses incurred by the Group in relation to the trade financing transactions.

INTELLECTUAL PROPERTY

We rely primarily on a combination of patent, trademark and trade secret protections, as well as employee and third party confidentiality agreements, to safeguard our intellectual property and know-how. As of 30 September 2009, we held one issued invention patent and eight issued design patents, as well as one pending patent application, in China. We have obtained all necessary patents for the protection of our current intellectual property that are patentable, and we will try to obtain additional patents for any new intellectual property we acquire in the future.

The following table sets forth each of our issued and pending patents in China.

Product	Patent Type	Duration
Registered		
Royal jelly tablets	1 invention patent	31 July 2003 to 30 July 2023
	2 design patents	27 February 2008 to 26 February 2018
Amino acid-based tablets	2 design patents	28 March 2006 to 27 March 2016
Osteoid sachet powder	2 design patents	28 March 2006 to 27 March 2016
Protein Powder	2 design patents	27 February 2008 to 26 February 2018
Pending		
Osteoid sachet powder	1 invention patent	

We consider our trademarks to be valuable assets. As of 30 September 2009, for our nutritional supplements and general health food products, we maintained eight trademark registrations in China, including the Chinese characters for "Ruilian" (瑞蓮), "Ruinian" (瑞年) and "Linger" (靈兒). In addition, we have applied for 39 trademark registrations in China. Under PRC law, we have the exclusive right to use certain trademarks for products and services for which such trademarks have been registered with the PRC Trademark Office of the State Administration for Industry and Commerce. Trademark registration is valid for ten years, starting from the day the registration is approved, and is renewable upon expiration. However, our trademarks have been infringed by counterfeiters in the past. For example, in August 2008, a counterfeiter sold amino acid tablets in Hubei Province under the "Rui Nian" brand without our authorisation. Such counterfeited products were subsequently seized and removed from retail outlets by local industry and commerce departments. In relation to our pharmaceutical products, as of the date of this prospectus, we have registered six trademarks in the PRC, including the Chinese characters for "Fuyi" (氟易), "Ruijia" (瑞珈) and "Ruifuning" (瑞服寧). In addition, we also registered certain trademarks in Hong Kong, including the Chinese characters for "Ruinian Group" (瑞年集團) , "Shun" (順) and "Linger" (靈兒).

We also rely on trade secrets to protect our technology, especially where we believe patent protection is not appropriate or obtainable. All of our key research personnel have entered into confidentiality, non-competition and proprietary information agreements with us. These agreements address issues involving the protection of our intellectual property, require these individuals to assign to us all of their inventions, designs and technologies that they may develop during their periods of employment with us, and prohibit these individuals from disclosing our trade secrets within five years after their employment relationship with us is terminated. In addition, there is a strict segregation of duties among personnel involved in different stages of our production process. This serves to reduce the risk of any single staff member obtaining the technical know-how relating to the entire production process.

If our trademarks are challenged and/or our trade secrets become known by our competitors, there could be an adverse effect on our business. See "Risk Factors — Risks Related to Our Business — Risks Related to Our General Business — Our trademarks, patents and other non-patented intellectual property are valuable assets, and if we are unable to protect them from infringement, our business prospects may be harmed."

COMPETITION

For our nutritional supplements and general health food products, we face direct competition from other nutritional supplement manufacturers, including multinational companies, and indirect competition from manufacturers of traditional Chinese medicines that can be used as substitutes for certain of our products. We compete to a large extent based on the efficacy of our products, our relationship with our distributors and our brand recognition. Based on the commercial success of our amino acid-based nutritional supplements, which, according to CCID estimates, had a national market share of approximately 21.6% in terms of sales in 2008, we believe that such products have received strong market acceptance in China. As we sell all our products to distributors, it is essential that we maintain good relationships with them in order to expand the geographic reach and to deepen market penetration of our products. We have a large network of distributors, and due to the widespread recognition of our products in China, we believe we are able to leverage our brand awareness among consumers to attract and maintain distributors. However, since our distributors do not sell our products

on an exclusive basis, we compete for competent distributors with other nutritional supplement manufacturers.

For our health drinks, we face direct competition from other herbal tea manufacturers and indirect competition from manufacturers of soft drinks. Competitive factors impacting our health drink business include pricing, advertising, sales promotion programmes and brand recognition.

For our pharmaceuticals, we face direct competition from other manufacturers of cancer-fighting drugs and medical eye drops which have similar functions as our pharmaceutical products. We compete with these pharmaceutical companies on the basis of, among others, the efficacy and level of side effects of our products, our relationship with hospitals and our brand recognition.

We may face increasing competition from other manufacturers of nutritional supplements and general health food products, RTD tea and pharmaceutical products. Certain of our competitors may have greater financial, capital, technical, marketing or other resources, or more extensive research and development and technical capabilities than we do. Certain of our competitors may also have greater brand name recognition, more established distribution networks, larger customer bases, or have more extensive knowledge of our target customer groups. See "Risk Factors — Risks Related to Our Industry — We face intense competition that may prevent us from maintaining or increasing market share for our existing products and gaining market acceptance for our future products. Our competitors may develop or commercialised products before us or more successfully than us." See also "Industry Overview — Nutritional Supplement Market in China — Competitive Landscape of the Nutritional Supplement Industry in China."

EMPLOYEES

We had 1,299, 453, 526 and 545 employees as of 31 December 2006, 2007 and 2008 and 30 September 2009, respectively. The following table sets forth the number of our employees and short-term sales personnel for each of our areas of operation and as a percentage of our workforce as of the dates indicated:

	As of 31 December						As of 30 September	
	2006		2007		2008		2009	
Area of Operation	Number of employees	Percentage of total	Number of employees	Percentage of total	Number of employees	Percentage of total	Number of employees	Percentage of total
Sales and marketing	1,157	89.1%	286	63.2%	361	68.5%	379	69.6%
Manufacturing	82	6.3%	91	20.1%	81	15.4%	78	14.3%
Quality control	5	0.4%	5	1.1%	4	0.8%	5	0.9%
General and administration	50	3.8%	65	14.3%	75	14.3%	78	14.3%
Product development	5	0.4%	6	1.3%	5	1.0%	5	0.9%
Total	1,299	100%	453	100%	526	100%	545	100%

As of 30 September 2009, of the 379 sales and marketing personnel, 147 were our full-time employees while the remainder were retained by us pursuant to short-term service agreements. The decrease in employees from 1,299 as of 31 December 2006 to 453 as of 31 December 2007 was mainly due to the winding-up of Ruinian Sales, which was the entity that was previously responsible for the marketing of our products to distributors, and the change of our marketing strategy from focusing on

promotional campaigns at retail outlets to television advertising campaigns. See "— Marketing and Distribution." We enter into direct agreements with these short-term personnel under which we hire them for fixed terms. We believe that hiring such personnel on a short-term basis helps us to better manage our labour expenses and is in line with industry practice. The new Labour Contract Law, which became effective on 1 January 2008, requires employers to enter into written employment agreements with their employees. In order to comply with the new Labour Contract Law, we have either entered into written employment agreements with such temporary and supporting personnel or entered into service agreements with third-party employment agencies which in turn hire such temporary and supporting personnel. As of 30 September 2009, we had entered into written employment agreements with 305 of these employees as well as services agreements with one third-party employment agency which in turn hired 240 of such temporary and supporting personnel. According to our PRC legal counsel, Grandall Legal Group (Shanghai), the relevant governmental authorities have confirmed on 14 and 30 September 2009 that the employment practices of our PRC subsidiaries were in compliance with PRC law.

We enter into a standard one-year employment contract with most of our officers, managers and employees. Our management actively participates in the evaluation of our staff and provides timely performance feedback. To prevent our employees from being involved in any kind of corruption or improper activities, we have set forth clear prohibitions on certain activities, such as receiving gifts or entertainment that might influence business decisions, in our employee handbook. In addition, we have similar prohibitions in our distribution policies against corruption or improper activities of our distributors, such as taking kickbacks.

In accordance with applicable PRC regulations on social insurance, we currently contribute in aggregate 30.4% of our payroll to a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a workers compensation plan and a maternity plan for our full-time employees. We also make contributions to an employees' housing fund according to applicable PRC regulations. In accordance with PRC regulations, we also made contributions in 2006 and 2007 to the staff and worker's bonus welfare fund. The increase in the amount of our discretionary contribution to such fund in 2007 as compared to 2006 was determined by our Board of Directors. In the future, our Board of Directors will determine the amount we contribute to such fund on a case by case basis.

We have developed a number of employee incentives aimed at motivating our employees and retaining talent. These include the Share Option Scheme, Pre-IPO Share Option Scheme and opportunities for training and career advancement. For details of the Pre-IPO Share Option Scheme and the Share Option Scheme, please see "Directors, Senior Management and Staff — Pre IPO Share Option Scheme and Share Option Scheme," "Statutory and General Information — Other Information — Pre-IPO Share Option Scheme" and "Statutory and General Information — Other Information — Share Option Scheme" in Appendix VIII to this prospectus.

Our employees who are PRC citizens are members of a labour union that represents employees with respect to labour disputes and other employee matters. The labour union does not, however, represent employees for the purpose of collective bargaining. We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labour disputes or any difficulty in recruiting staff for our operations.

ENVIRONMENTAL AND PRODUCTION SAFETY MATTERS

Our operations are subject to extensive legislation and regulation relating to environmental and workplace safety matters, including the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the PRC Law on Production Safety (中華人民共和國安全生產法) and the Labour Law of the People's Republic of China (中華人民共和國勞動法). See "Regulation — Environmental Protection," as well as GMP standards and requirements in relation to environmental protection. We also have guidelines and rules governing environmental protection management and occupational health and safety standards, as well as the treatment and discharge of solid waste and sewage.

Given the nature of our business, we generate solid waste, sewage, exhaust fumes, and noise during our production process. To minimise impact of emissions on the environment, we implemented a comprehensive set of environmental protection measures. We utilise modern equipment, facilities and measures to minimise environmental pollution, such as inactivating topotecan hydrochloride, which may cause a decrease in the number of white blood cells, by boiling waste water containing topotecan hydrochloride and then discharging the waste water to a centralised waste water treatment centre operated by the local government and meeting national standards. We use a three-layer filtering system at our pharmaceutical manufacturing facility to cleanse the air before discharging it outdoor, and change the air filters on a regular basis and send the used air filters to a waste processing plant. We also require workers to wear gas masks and shielding smocks in our production facilities.

We expect to spend approximately RMB0.2 million on pollution control equipment for our manufacturing facilities. Our annual cost of compliance with the applicable rules and regulations was approximately RMB0.1 million during the Track Record Period. We expect such cost to increase between 20% to 30% in the near future. Our PRC legal counsel, Grandall Legal Group (Shanghai) has advised that, on the basis of an official document issued by the environmental protection authorities of Binhu District, Wuxi City, Jiangsu Province on 14 September 2009 and an official document issued by the environmental protection authorities of Jiangning District, Nanjing City, Jiangsu Province on 17 September 2009, (i) the production processes of our PRC subsidiaries are in compliance with applicable environmental protection regulations, and (ii) each of our PRC subsidiaries has not been subjected to any administrative penalty by the relevant environmental protection authorities during previous operating periods.

We have complied with the relevant production safety and environmental protection laws and regulations in the past and we did not experience any material accidents during the Track Record Period.

FACILITIES

Our corporate headquarters are located in Wuxi City, Jiangsu Province, where we hold land use rights for two parcels of land with an aggregate site area of 59,018 square metres. Our manufacturing facility, occupying 3,931 square metres of gross floor area, is located at this site. We will build a new warehouse at this site, which will have a total gross floor area of approximately 14,400 square metres and is expected to be completed by the end of 2010. We have obtained all land use rights and building ownership certificates, except for the building ownership certificates relating to approximately 200 square metres of gross floor area for a temporary staff canteen and storeroom at our facility which will be torn down and relocated to our new office building. Given the small size and immaterial functions of these facilities, and given that these facilities have not been included in the asset value of Ruinian

Industry, we believe that our failure to obtain such certificates will not have any material adverse effect on our operations or assets.

Nanjing Ruinian is located in Nanjing City, Jiangsu Province, where we hold land use rights for one parcel of land with an aggregate site area of 112,030 square metres. We have built two buildings, one for our pharmaceutical production and the other for research and development and daily administration. The total gross floor area of the two buildings is 14,536 square metres. We have obtained all land use rights and building ownership certificates relating to this parcel of land and these buildings.

We have acquired three parcels of land with an aggregate site area of approximately 131,902 square metres in Wuxi City, Jiangsu Province, on which we have commenced construction of an industrial complex for future expansion of our business. Construction of a total gross floor area of approximately 44,136 square metres is expected to be completed in June 2010. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised that there are no legal obstacles for us to obtain the land use rights and building ownership certificates relating to these properties.

INSURANCE

We maintain insurance coverage on certain properties, fixed assets, motor vehicles and other assets owned or operated by us. We do not maintain business interruption insurance or key employee insurance for our executive officers as we believe it is not the normal industry practice in China to maintain such insurance. We consider our current insurance coverage to be adequate. However, the lack of product liability insurance could potentially lead to significant product liability claim. See "Risk Factors — Risks Related to Our Business — Risks Related to Our General Business — We may incur losses resulting from product liability claims or product recalls."

As of the Latest Practicable Date, we had not made or been the subject of any insurance claims which are material to the company.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We are currently not a party to any material legal or administrative proceedings, and we are not aware of any threatened material legal or administrative proceedings against us. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

DISCONTINUED CONNECTED TRANSACTION

Ruinian Industry has entered into certain distribution agreements with Hubei Kaidi, each of which was for a term of one year. Such distribution agreements were entered into in the ordinary and usual course of business of Ruinian Industry during the Track Record Period and have been terminated. Hubei Kaidi is controlled by a brother of Mr. WANG Fucai, and therefore is our connected person. Under the distribution agreements, we sell products to Hubei Kaidi, and Hubei Kaidi then distributes the products to local distributors or retail outlets. During the Track Record Period, sales to Hubei Kaidi amounted to approximately RMB5.0 million, RMB29.7 million, RMB25.0 million and RMB11.3 million in 2006, 2007, 2008 and the nine months ended 30 September 2009, respectively. We did not enter into any distribution agreement with Hubei Kaidi in 2010 and therefore there is no distribution agreement between Ruinian Industry and Hubei Kaidi.