Substantially all of our business and assets are based in the PRC, and we have established two foreign-invested enterprises in the PRC to conduct our operations. Our operations in the PRC are subject to the strict supervision of the national and local authorities of the PRC. As confirmed by our PRC counsel, Grandall Legal Group (Shanghai), each of our PRC subsidiaries has obtained all approvals and permits for its operations and is in compliance with all PRC regulatory requirements in China.

REGULATORY FRAMEWORK OF THE NUTRITIONAL SUPPLEMENT INDUSTRY

According to the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) promulgated by the MOC and the NDRC, which became effective on 1 December 2007, foreign investments in various industries are classified into four categories: encouraged, permitted, restricted and prohibited. Foreign investment in the encouraged category is entitled to certain preferential treatment and incentives extended by the government, while foreign investment in the restricted category is permitted but subject to certain restrictions under PRC law. Foreign investment in the prohibited category is not allowed. Subject to a few exceptions that fall into the encouraged category, the nutritional supplement and health food industry is generally not included in any of these three categories and is therefore in the permitted category.

The nutritional supplement and health food industry in the PRC is regulated by the SFDA, the Ministry of Health, the PRC General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) and the State Administration for Industry and Commerce and their respective local agencies. PRC laws and regulations governing the nutritional supplement and health food industry primarily include:

- PRC Law on Food Safety (中華人民共和國食品安全法), promulgated by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) on 28 February 2009 and effective as of 1 June 2009;
- PRC Law on Production Safety (中華人民共和國安全生產法), promulgated by the Standing Committee of the National People's Congress of the PRC on 29 June 2002 and effective as of 1 November 2002;
- Regulations on the Implementation of the PRC Law on Food Safety (食品安全法實施條例) promulgated by the State Council on 20 July 2009 and effective as of the same day.
- Measures on the Administration of Nutritional Supplements (保健食品管理辦法), promulgated by the Ministry of Health on 15 March 1996 and effective as of 1 June 1996;
- Good Manufacturing Practices for Nutritional Supplements (保健食品良好生產規範), promulgated by the Ministry of Health on 5 May 1998 and effective as of 1 January 1999;
- Measures on the Registration of Nutritional Supplements (for Trial Implementation) (保健食品註冊管理辦法(試行)), promulgated by the SFDA on 30 April 2005 and effective as of 1 July 2005.

As confirmed by our PRC legal counsel, Grandall Legal Group (Shanghai), we have complied with all the above regulations in all material respects during the Track Record Period. We intend to apply for renewal of relevant certifications and licences prior to their expiration dates to ensure that we maintain valid certifications and licences required for our operations in China.

MEASURES ADOPTED BY OUR COMPANY TO ENSURE FUTURE COMPLIANCE OF OUR OPERATIONS

Our Group has taken various measures to ensure ongoing compliance with the relevant requirements for our operations, including SFDA and GMP certification standards. We have adopted and put in place a comprehensive set of procedures and guidelines for our operations, which are based on the laws and regulations and related to our business and cover all aspects of our operations, including detailed descriptions of officer and employee responsibilities, internal controls and inspection, quality control and distributor selection.

PERMITS AND LICENCES FOR MANUFACTURERS OF FOOD PRODUCTS

Food Hygiene Permit

Food products are products edible or drinkable by human beings and include nutritional supplements. The Ministry of Health, the Administration of Quality Supervision, Inspection and Quarantine, the SFDA and the Administration of Industry and Commerce have the authority to regulate food products. Prior to 1 June 2009, a manufacturer of food products, including general health food products, must obtain a food hygiene permit, which was valid for a term of four years, from the local agency of the Ministry of Health. For nutritional supplements, this permit was issued by the provincial agency of the Ministry of Health. 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. Our food hygiene permit was renewed on 6 June 2008 and will expire on 27 May 2012.

In addition, all manufacturers exporting food from the PRC are required to obtain hygiene certificates from the local agency of the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. Once obtained, this certificate is valid for three years. If an offshore hygiene certificate is also required by the importing country, the manufacturer must obtain a recommendation from the PRC Certification and Accreditation Administration and then apply to the relevant agencies of the importing country. We have obtained a hygiene certificate, but have not applied for, and have not been required to apply for, hygiene registration in any other countries or regions outside the PRC.

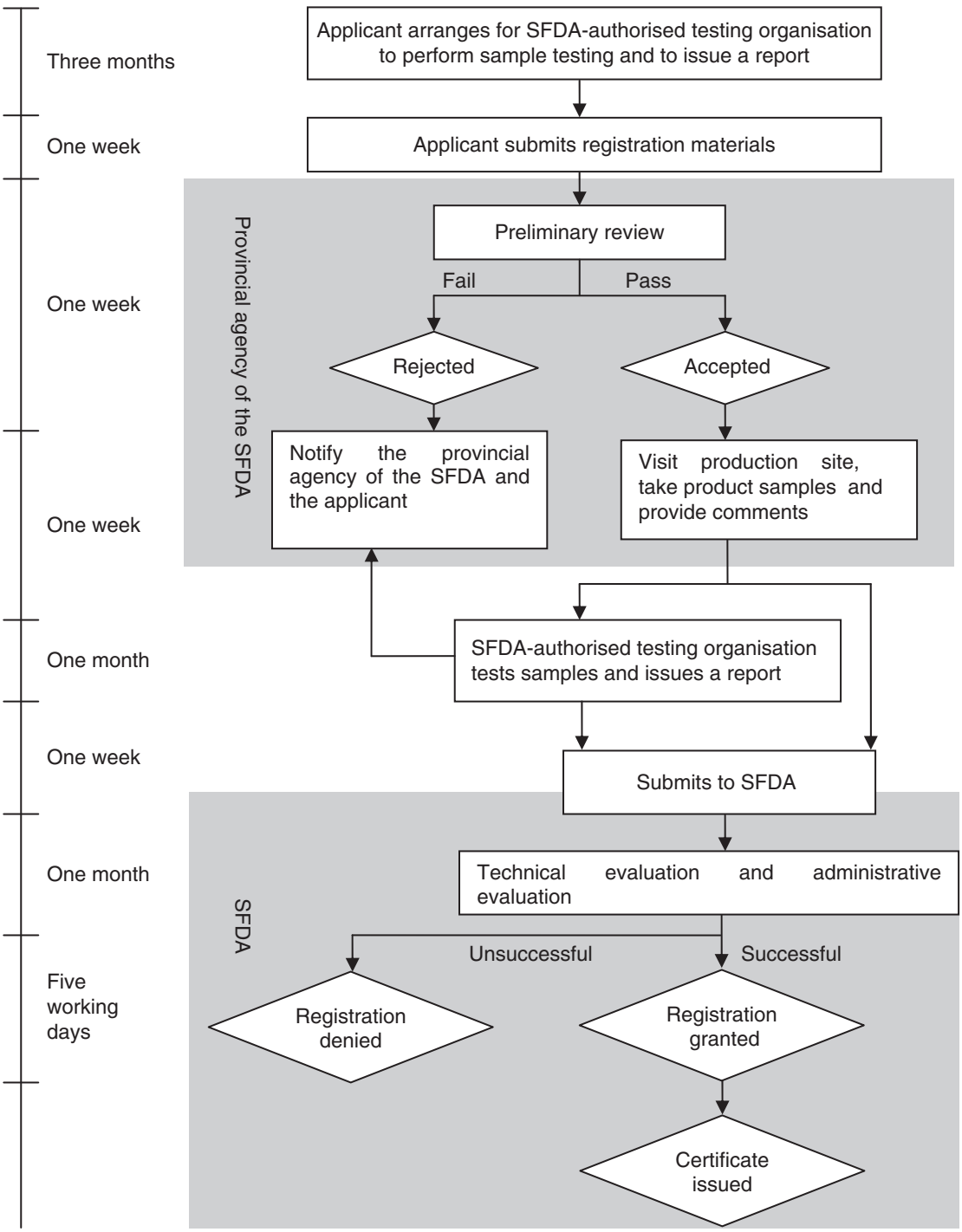
The PRC Law on Food Safety, promulgated by the PRC Standing Congress on 28 February 2009 and effective as of 1 June 2009, provides that a food product manufacturer must obtain a food production permit issued by an agency of the PRC General Administration of Quality Supervision, Inspection and Quarantine. A new regulation governing food production licensing is being drafted by the PRC General Administration of Quality Supervision, Inspection and Quarantine. Once it is promulgated, we will apply for the food production permit accordingly. We do not expect the promulgation of this law to have any material impact on our operations.

APPROVAL AND REGISTRATION OF NUTRITIONAL SUPPLEMENTS

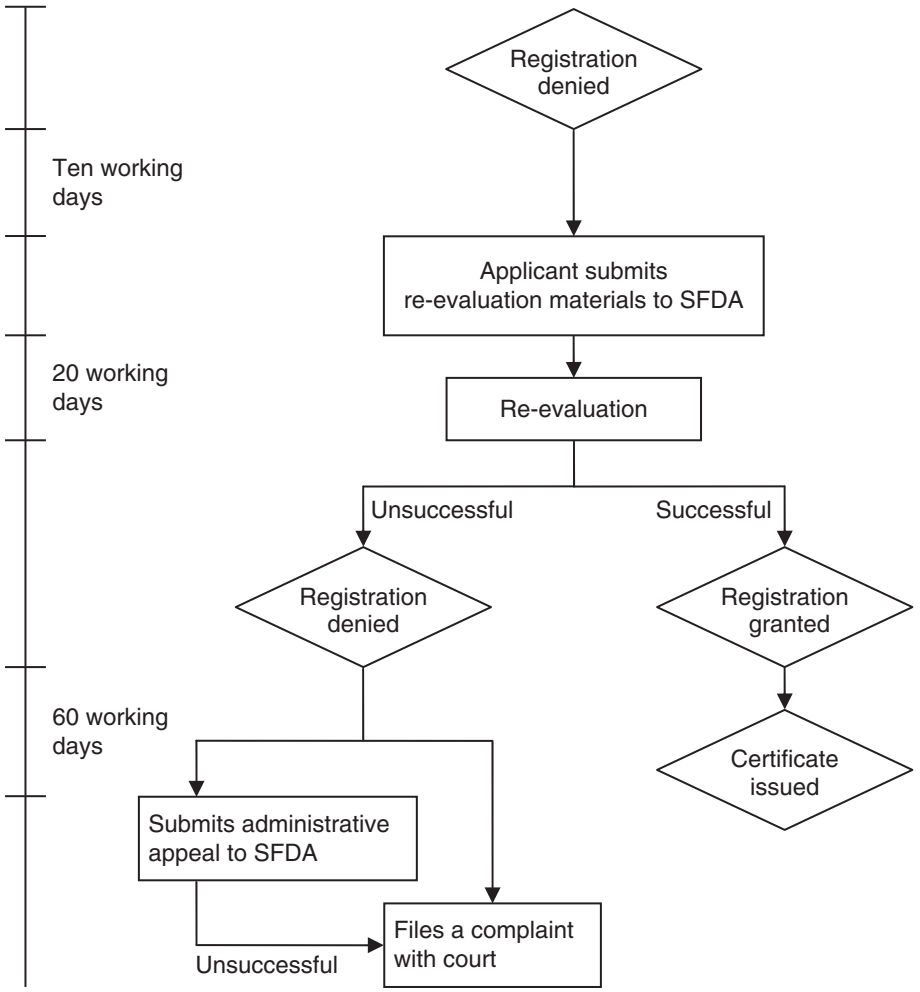
If a manufacturer intends to claim particular functions of a food product, the manufacturer must obtain an approval from the SFDA. Once the approval is obtained, such food product could be sold as a nutritional supplement. Both the Ministry of Health and the SFDA have the authority to regulate nutritional supplements. All nutritional supplements must be approved by the SFDA. SFDA approvals granted before 1 July 2005 do not specify an expiry date and an approval obtained after 1 July 2005 will be valid for five years and must be renewed at least three months before its expiration. A nutritional supplement, once approved by the SFDA, is permitted to use the nutritional supplement

logo specified by the Ministry of Health. Our Ruinian-branded amino acid-based tablets, Ruinian-branded royal jelly tablets, Ruinian-branded osteoid sachet powder, Ruinian-branded blood lipid capsules and Linger-branded amino acid-based tablets have all been approved by the SFDA. All these approvals were granted prior to 1 July 2005 and do not specify an expiry date. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that it has consulted with the SFDA and confirmed that all SFDA approvals for our Ruinian-branded amino acid-based tablets, Linger-branded amino acid-based tablets, Ruinian-branded royal jelly tablets, Ruinian-branded osteoid sachet powder and Ruinian-branded blood lipid capsules remain valid. We received the SFDA approval for our Ruinian-branded liquid amino acids on 27 May 2009, which will expire on 26 May 2014. We will apply for renewal for all our SFDA approved products upon request by the SFDA or prior to its expiration date, as applicable, to ensure continuity in keeping valid approvals and registrations required for the manufacture and sale of our nutritional supplements in China. See "Risk Factors — Risks Related to Our Industry — The nutritional supplement industry is heavily regulated."

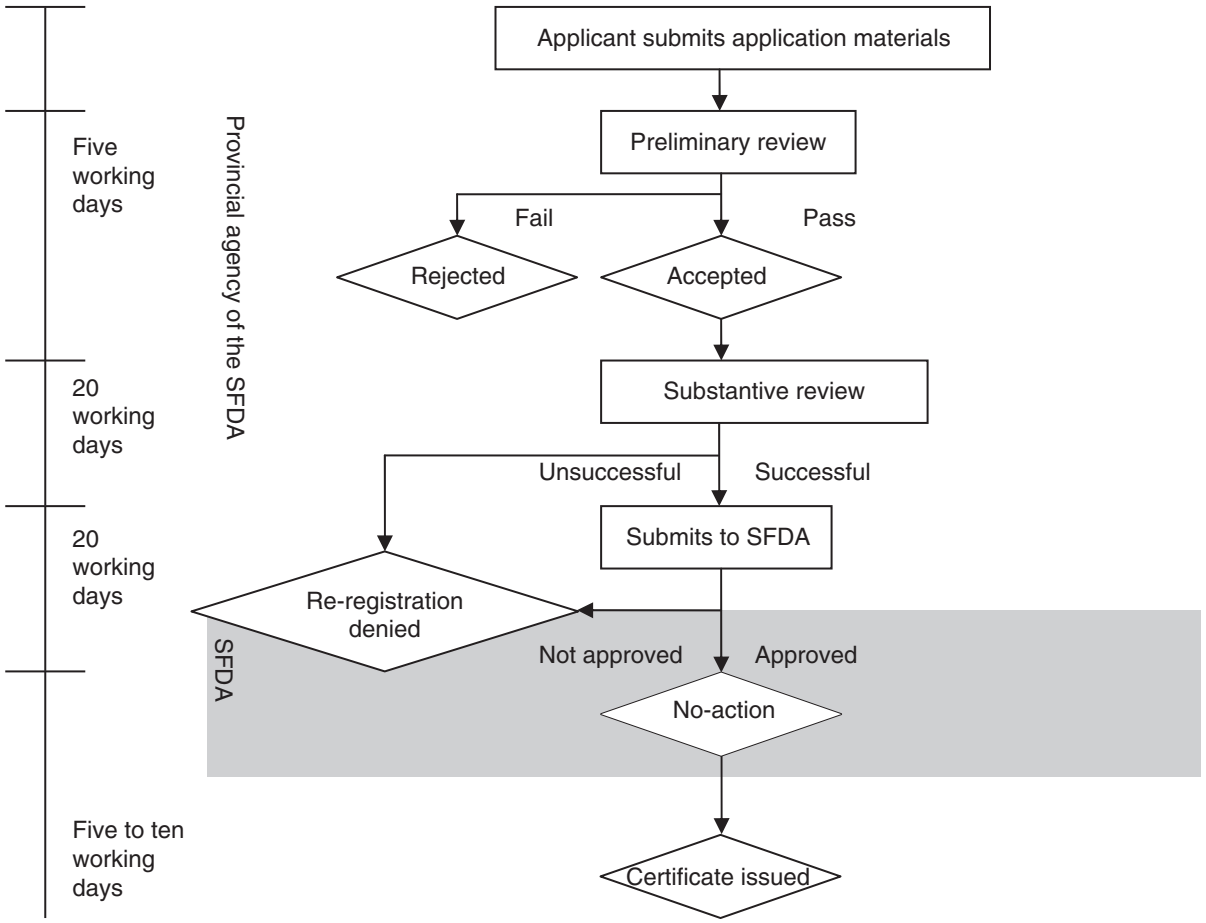
The following chart sets forth the application procedure and time frame for the registration of a new nutritional supplement, which can require up to seven and a half months for completion, based on PRC laws and regulations:



The following chart sets forth the procedure an applicant may take after its application for the registration of a new nutritional supplement has been denied:



The following chart sets forth the application procedure and time frame for the renewal of a nutritional supplement registration, which typically takes approximately two months:



APPLICATION OF A GENERAL HEALTH FOOD PRODUCT AS A NUTRITIONAL SUPPLEMENT

Prior to 1 June 2009, a manufacturer of a general health food product was required to obtain a food hygiene permit. 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. In addition, the same general health food product may be sold as a nutritional supplement if it has been approved by the SFDA. See "— Permits and Licences for Manufacturers of Food Products" and "— Approval and Registration of Nutritional Supplements" regarding the relevant regulations. Accordingly, the ingredients of a general health food product may be the same before and after the application for it to be approved as a nutritional supplement, provided that these ingredients meet the requirements of the SFDA. Our PRC counsel, Grandall Legal Group (Shanghai), has advised us that it is legal for us to manufacture and sell a new product with necessary approval and registration as a general health food product before such product is approved by the SFDA as a nutritional supplement.

GMP CERTIFICATIONS

A manufacturer of nutritional supplements in China must pass GMP certification to cover all aspects of its production. GMP certification criteria include qualifications related to staff, production premises and facilities, raw materials, production management, product distribution, hygiene

conditions and quality controls. Our tablet production line received GMP certification for nutritional supplements in March 2004, and our capsule production line received GMP certification for nutritional supplements in August 2005. According to a notice issued by the Jiangsu Municipal Health Bureau in February 2008, the GMP certification process for nutritional supplement manufacturers in Jiangsu Province is integrated into the renewal process of food hygiene permits and there are no separately issued GMP certificates. As a result, our powder production line is not required to receive GMP certificate for nutritional supplements. Our food hygiene permit was renewed on 6 June 2008 and will expire on 27 May 2012. As a result, with the renewal of our food hygiene permit, all our production lines are GMP compliant. The requirement for food hygiene permits was abolished on 1 June 2009, and the regulatory authorities have not promulgated any procedures for the application and renewal of GMP certification. Once such procedures are promulgated, we plan to renew our GMP certification accordingly. We have not applied for, and have not been required to apply for, product manufacturing standards in other countries, such as product approvals from the United States Food and Drug Administration.

MANUFACTURING OF NUTRITIONAL SUPPLEMENTS AND GENERAL HEALTH FOOD PRODUCTS

Product Packaging

Packaging materials and containers in direct contact with food, including nutritional supplements and general health food products, are required to comply with national standards. Product packaging must be included in the application materials for approval of a new nutritional supplement and reviewed by the SFDA. All packaging materials used on our products are compliant with the relevant laws and regulations.

Labelling

The labels of a nutritional supplement are required to state, among other things, the brand name, the common name and a brief description of the product, all of which must follow the terminologies promulgated by the SFDA. The labels are also required to state the intended therapeutic applications, dosage, storage, active ingredients and the licence number, if applicable, of the product. The contents of the labels must be true and accurate. All labels used on our nutritional supplements have complied with such requirements.

Product Liability

Product liability claims may arise if the products sold have any harmful effects on consumers. The injured party can claim for damages or compensation. The General Principles of the Civil Law of the PRC (中華人民共和國民法通則), which became effective as of 1 January 1987, states that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities.

The Product Quality Law of the PRC (中華人民共和國產品質量法) was enacted in 1993 and amended in 2000 to strengthen quality control of consumer products and protect consumers' rights. Under this law, manufacturers and distributors who produce and sell defective products may be subject to the confiscation of earnings from such sales, the revocation of business licences and imposition of fines, and in severe circumstances, may be subject to criminal liability.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) was promulgated on 31 October 1993 and became effective as of

1 January 1994 to protect consumers' rights in relation to purchase or use of goods and services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. In extreme situations, manufacturers and distributors may be subject to criminal liabilities if their goods or services result in the death or injury of customers or other third parties.

We have not been and are currently not subject to any material product liability claims and have not experienced any material product quality claims.

REGULATORY FRAMEWORK OF FOOD PRODUCTS IN HONG KONG

Food products sold in Hong Kong are regulated by different ordinances, depending on their ingredients. Food products which do not contain Chinese medicines or western medicines are regulated under the Public Health and Municipal Services Ordinance, which requires such food products to be suitable for human consumption and to comply with certain safety and labelling standards. No registration, licensing or permit is required for importing or selling such food products, and the Food and Environmental Hygiene Department is responsible for the enforcement of the relevant laws and regulations. It may take samples of all kinds of food products at their points of entry to Hong Kong and may prohibit or restrict importation of a food product if it is found to be harmful to public health. Chinese herbal medicines (中藥材) and food products containing proprietary Chinese medicines (中成藥) are further regulated under the Chinese Medicine Ordinance. Such products must be registered with the Medicines Board under the Chinese Medicine Council before they can be imported to and sold in Hong Kong and must meet certain safety, quality and efficacy standards. Wholesalers and importers of such food products must also carry valid licences required by the relevant authorities. Food products containing western medicines are regulated under the Pharmacy and Poisons Ordinance, and must be registered with the relevant authorities before they can be sold in Hong Kong. Such food products must meet certain safety, quality and efficacy standards in order to be registered. Importers of such food products must also be registered and licensed with the relevant authorities. The labels of such food products are required to state the ingredients, dosage and method of usage. The Department of Health is generally responsible for the enforcement of the relevant laws and regulations.

Advertisements of food products must observe the Undesirable Medical Advertisement Ordinance, which prohibits advertisements from claiming curative or preventive effects on certain diseases, and the Public Health and Municipal Services Ordinance, which prohibits advertising which falsely describes any food or drug or is likely to be misleading as to the nature, substance or quality of any food or drug, as well as some other general regulations on advertisement.

A seller of food products may also be subject to tortious or contractual liabilities under common law for any negligence or breach of warranties or misrepresentation in relation to the sale of its products or in its advertisement.

REGULATORY FRAMEWORK OF THE PHARMACEUTICAL INDUSTRY

According to the Catalogue of Industries for Guiding Foreign Investment, the production of the following types of medicines is in the encouraged category: new compound medications or active composition medications, including bulk drugs and their preparation, new anti-cancer medications and new medications manufactured with bioengineering technology. In addition, the production of new formulation using technologies of sustained-release, controlled-release, targeting and percutaneous absorption and production of new diagnosis reagent are also in the encouraged category.

The principal laws and regulations governing the pharmaceutical industry in the PRC include the Drug Administration Law of the PRC (中華人民共和國藥品管理法) promulgated in September 1984 and amended in February 2001 and the Regulations on the Implementation of the Drug Administration Law of the PRC (中華人民共和國藥品管理法實施條例) promulgated in August 2002. The Drug Administration Law and Regulations on the Implementation of the Drug Administration Law, together with other relevant laws and regulations, form the legal framework governing the production and sales of pharmaceutical products in the PRC, including but not limited to the manufacture, sales, packaging, pricing and advertising of pharmaceutical products.

In the PRC, the SFDA is the authority that regulates pharmaceutical products and medical appliances and equipment. The SFDA's predecessor, the State Drug Administration, or the SDA, was established on 19 August 1998 as an organisation under the State Council to assume the responsibilities previously handled by the Ministry of Health, the State Pharmaceutical Administration Bureau of the PRC and the State Administration of Traditional Chinese Medicine of the PRC. The SFDA was founded in March 2003 to replace the SDA and was merged into the Ministry of Health in 2008. The major responsibilities of the SFDA include, among others, classifying drugs and medical devices for the purposes of regulation, approving applications for registration of new and generic pharmaceuticals, approving applications for the production of pharmaceutical products or medical devices, as well as conducting GMP certification.

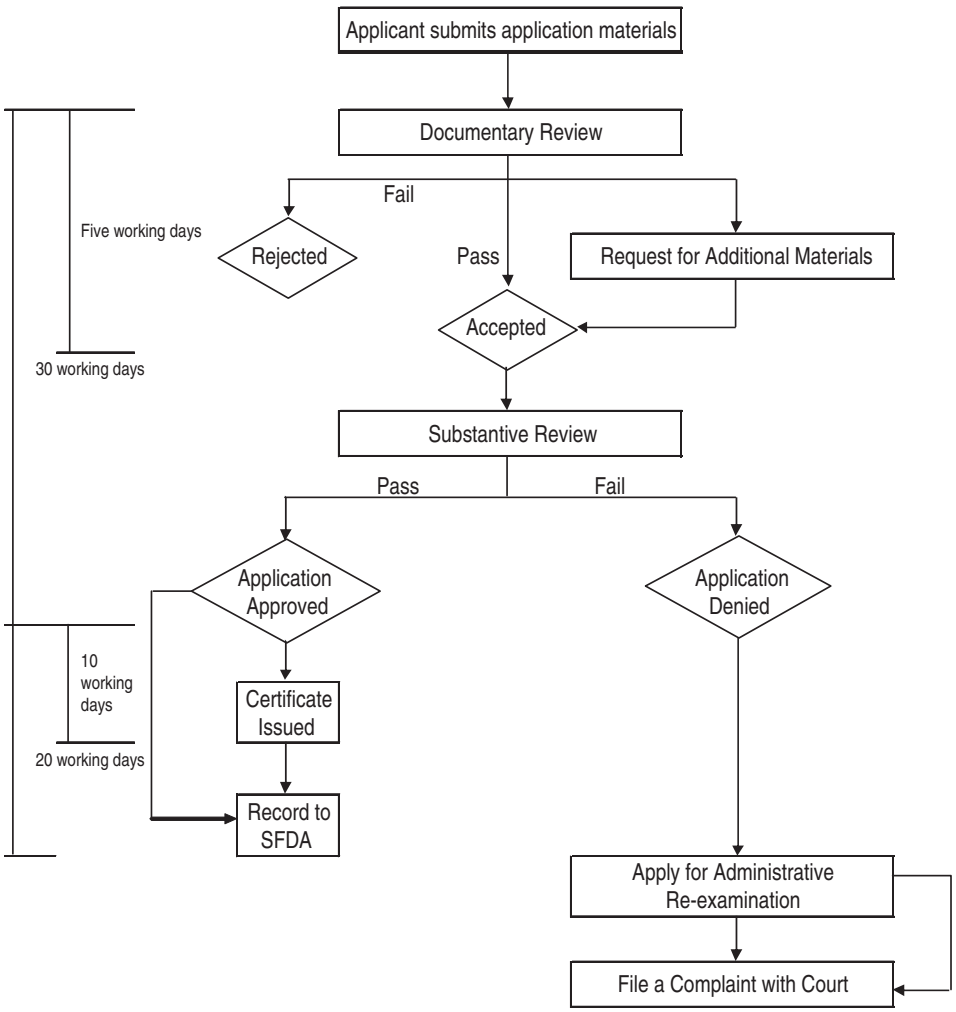
PERMITS AND LICENCES FOR PHARMACEUTICAL MANUFACTURERS

Pharmaceutical Manufacturing Permit

All enterprises engaged in the production of pharmaceutical products in the PRC are required to obtain and maintain a Pharmaceutical Manufacturing Permit (藥品生產許可證) issued by the relevant provincial branch offices of the SFDA. According to the Measures for the Supervision over and Administration of Pharmaceutical Production (藥品生產監督管理辦法), the provincial branch offices of the SFDA will only issue a Pharmaceutical Manufacturing Permit to a pharmaceutical manufacturing enterprise if such enterprise meets the following requirements:

- it has legally qualified pharmaceutical and engineering professionals and the necessary technical staff;
- it has the premises, facilities and hygienic environment required for pharmaceutical manufacturing;
- it has the facilities and personnel to implement quality control and to undertake testing for the pharmaceuticals to be produced; and
- it has implemented sufficient internal quality control procedures to ensure the quality of the pharmaceuticals to be produced.

The following chart sets forth the procedures for the application for a pharmaceutical manufacturing permit:



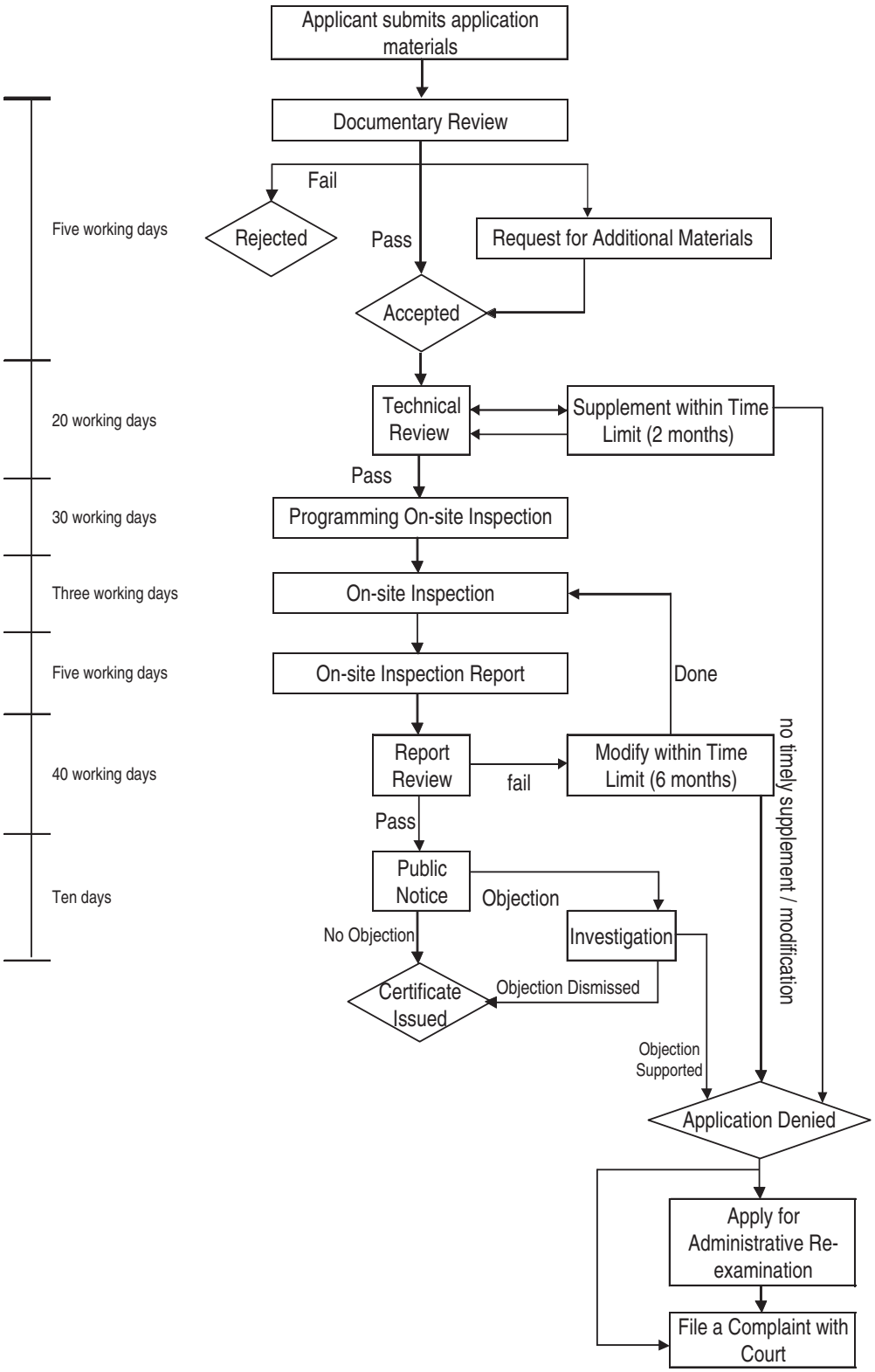
A Pharmaceutical Manufacturing Permit is valid for a period of five years, and it sets out the scope of production activities in which a pharmaceutical company is permitted to engage. A pharmaceutical company that has already been granted a Pharmaceutical Manufacturing Permit is required to apply for renewal of its Pharmaceutical Manufacturing Permit no later than six months prior to the expiration date of the company's existing Pharmaceutical Manufacturing Permit. Any such renewal will be subject to review by the relevant provincial branch offices of the SFDA. The renewal requirements and procedures are the same as for initial applications.

GMP Certificate

Pursuant to the Drug Administration Law, the Good Manufacturing Practice for Pharmaceuticals (藥品生產質量管理規範) promulgated in June 1999, or the GMP Standards, and the Measures for the Supervision over and Administration of Pharmaceutical Production, all pharmaceutical manufacturers in the PRC are required to comply with GMP Standards and are required to obtain a GMP Certificate. The GMP Certification and Evaluation Standards for Pharmaceuticals (藥品GMP認證檢查評定標準) was promulgated by the SFDA on 24 October 2007 and covers areas such as staff qualification, production facilities, raw materials, hygiene, production management, quality control and customer complaints. Pursuant to the Measures on the Administration of Certification of

the GMP Standards (藥品生產質量管理規範認證管理辦法) promulgated in September 2005, a GMP Certificate is valid for five years and all pharmaceutical manufacturers who have already been granted GMP Certificates in the PRC are required to apply for the renewal of their GMP Certificates no later than six months prior to the expiration dates of their existing GMP certificates, and the renewal will be subject to reassessment by the SFDA or its relevant provincial branch offices. The renewal requirements and procedures are the same as for initial applications.

The following chart sets forth the procedures for the application for a GMP certificate for pharmaceuticals:



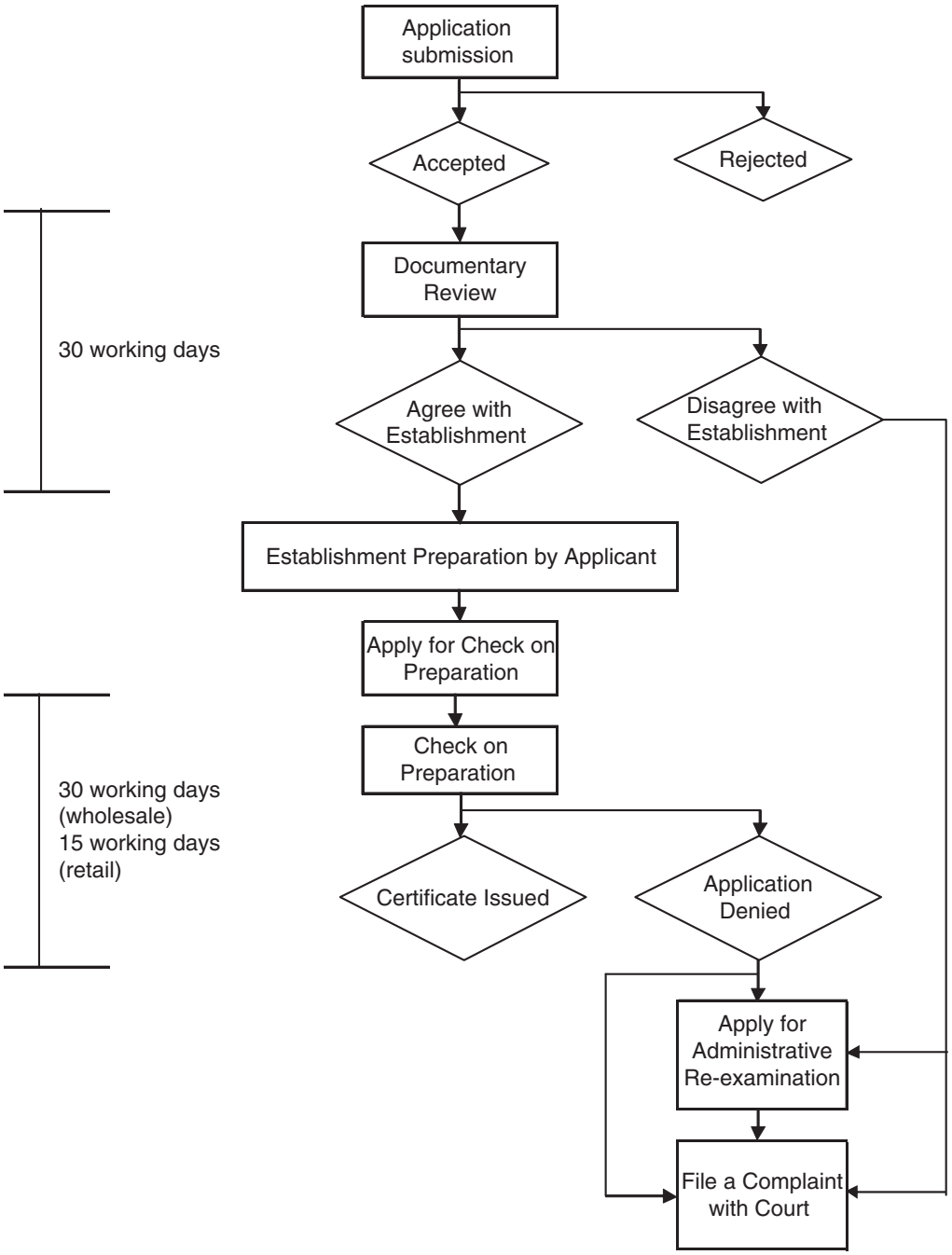
PERMITS AND LICENCES FOR PHARMACEUTICAL DISTRIBUTION

Pharmaceutical Distribution Permit

All enterprises engaged in the sales or distribution of pharmaceuticals in the PRC, whether as a distributor or retailer, are required to obtain and maintain a Pharmaceutical Distribution Permit (藥品經營許可證) issued by branch offices of the SFDA at the provincial, municipal or county levels. The branch offices of the SFDA at the provincial level and at the municipal or county level are responsible for issuing the Pharmaceutical Distribution Permits to the pharmaceutical wholesalers and retailers respectively. The Pharmaceutical Distribution Permit will only be issued if the enterprise making the application meets the following requirements:

- it has legally qualified pharmaceutical professionals;
- it has the business operation premises, equipment, warehouses and hygienic environment required for pharmaceutical distribution;
- it has the units or personnel for quality control over the pharmaceuticals to be distributed; and
- it has appropriate rules and regulations to ensure the quality of the pharmaceuticals to be distributed.

The following chart sets forth the procedures for the application for a pharmaceutical distribution permit:



Pursuant to the Measures on the Administration of Pharmaceutical Distribution Permits (藥品經營許可證管理辦法) promulgated in February 2004, a Pharmaceutical Distribution Permit is valid for five years and it sets out the scope of sales or distribution activities in which the enterprise is permitted to engage. All pharmaceutical sales and distribution enterprises that have already been granted the Pharmaceutical Distribution Permits are required to apply for renewal of their Pharmaceutical Distribution Permits within the six-month period prior to the expiration dates of their Pharmaceutical Distribution Permits. Any such renewal will be subject to reassessment by the branch offices of the SFDA that issued the original Pharmaceutical Distribution Permits.

Foreign-invested enterprises were previously prohibited from engaging in the sales or distribution of pharmaceuticals in the PRC. This prohibition, however, was abolished by law in December 2004.

APPROVAL AND REGISTRATION OF PHARMACEUTICAL PRODUCTS

Principal Regulation and Regulatory Authority

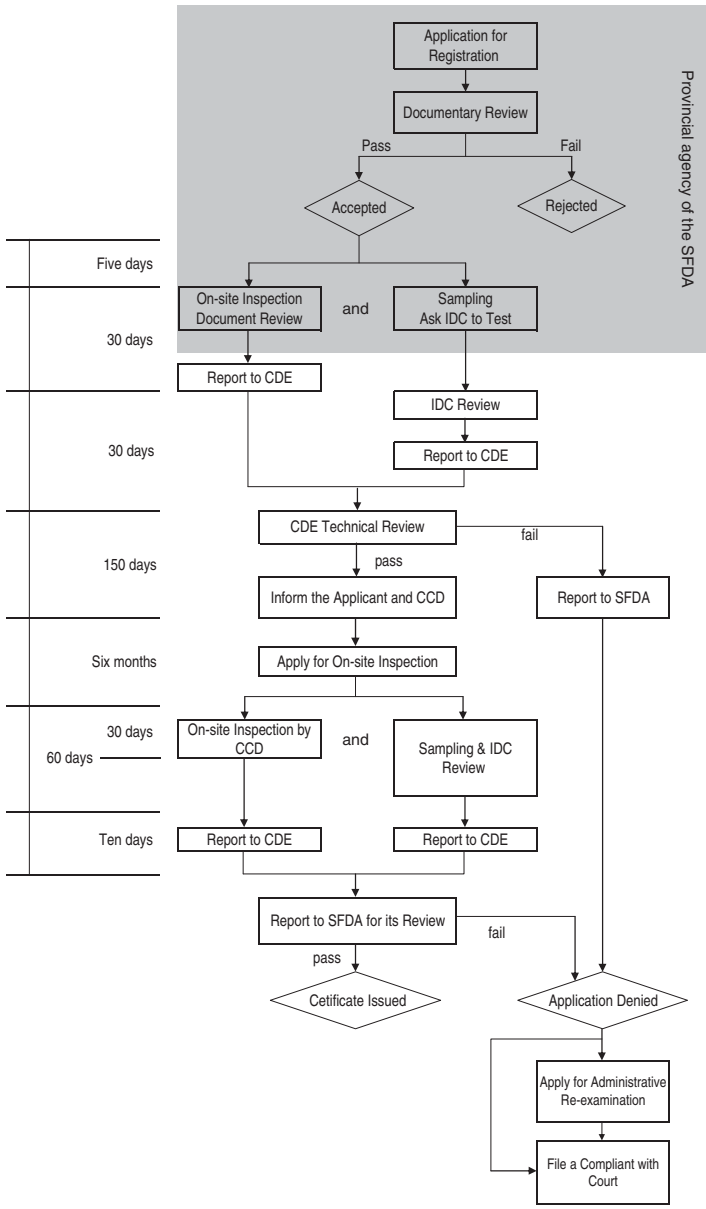
The principal regulation governing the approval and registration of pharmaceutical products in the PRC is the Administrative Measures on the Registration of Pharmaceutical Products (藥品註冊管理辦法), which was promulgated on 10 July 2007 by the SFDA and came into effect on 1 October 2007. The principal regulatory body responsible for the approval and registration of pharmaceutical products in the PRC is the SFDA. A pharmaceutical company may apply for one or more of the following types of registrations: (i) new medicine registration, (ii) generic medicine registration, (iii) imported medicine registration, (iv) supplementary registration and (v) renewal registration. All pharmaceutical manufacturers, distributors and retailers are required to obtain approvals and registrations for each of their pharmaceutical products from the SFDA before engaging in the production, sales or distribution of pharmaceuticals in the PRC.

New Medicine Registration

Only medicines which have not been previously sold in the PRC at the time of application for registration are eligible for registration as new medicines. Such registration application needs to be supported by clinical trial data. Any pharmaceutical company intending to undertake clinical trials on a new medicine must first apply for an approval from the SFDA for the clinical trials of the medicine. In determining whether to grant such approval, the SFDA will review pre-clinical trial records submitted by the applicant and conduct independent technical assessment of the medicine.

After the completion of successful clinical trials, the applicant will then need to apply for an approval from the SFDA to manufacture the new medicine, and such application involves submitting, among other things, clinical trial information for the SFDA's review and samples of raw materials for the SFDA's testing. The applicant's production facilities will be inspected to conform to GMP standards. In assessing the application, the SFDA will involve the pharmaceutical administration authority of the province where the applicant is based, as well as certain designated laboratories. If the SFDA is satisfied with the results of such assessment, a New Medicine Certificate (新藥證書), as well as a Pharmaceutical Approval Number (藥品批准文號), will be issued to the applicant with respect to the new medicine.

The following chart sets forth the procedures for new medicine registration:



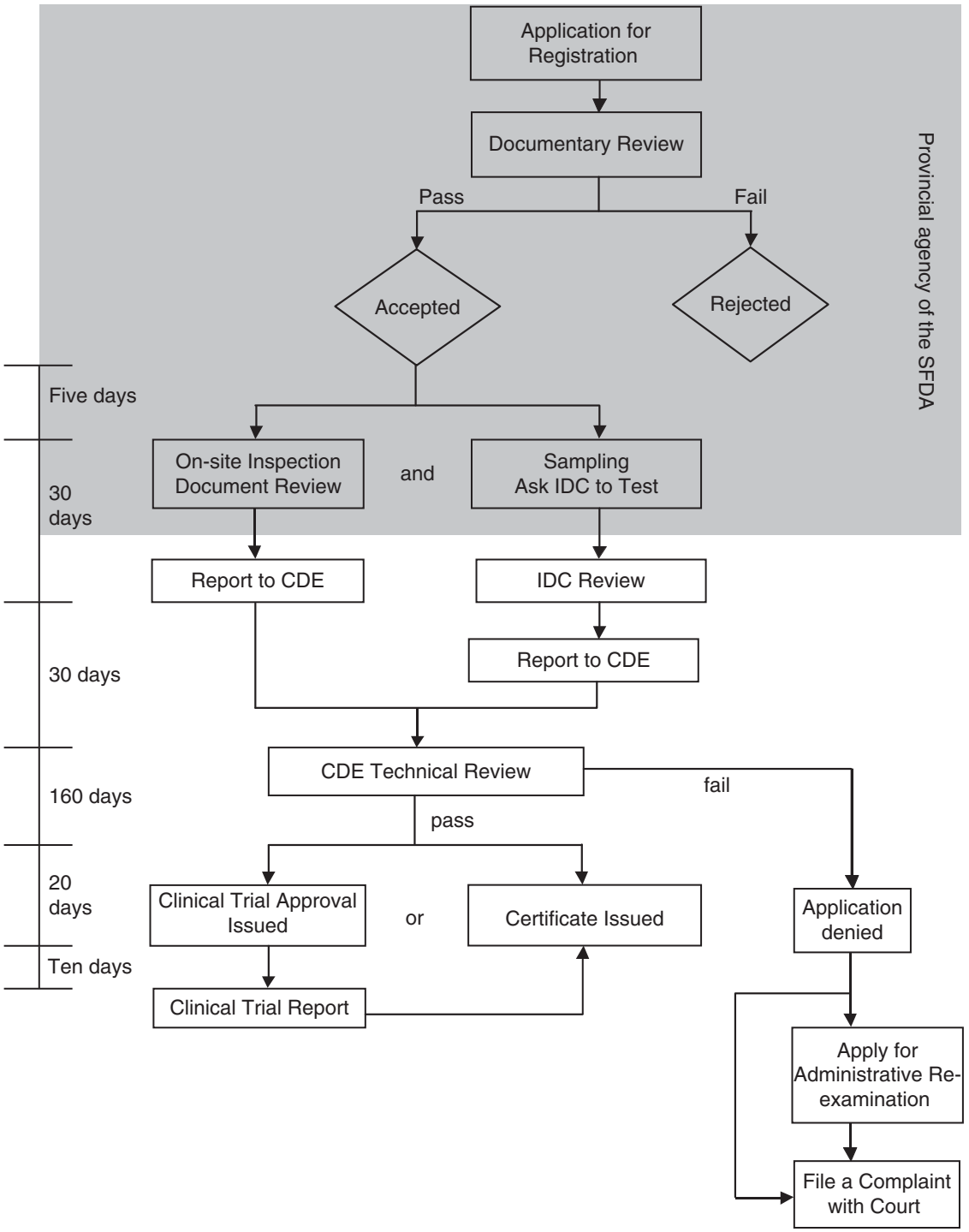
CDE	Center for Drug Evaluation	國家食品藥品監督管理局藥品審評中心
CCD	Certification Committee for Drugs	國家食品藥品監督管理局藥品認證管理中心
IDC	Institute for Drug Control	藥品檢驗所

A new medicine approved by the SFDA according to the procedures mentioned above may be granted a monitoring period (監測期) for no more than 5 years according to the Administrative Measures on the Registration of Pharmaceutical Products. As of the commencement date of the monitoring period, other registration applications for the same medicine will not be accepted by the SFDA; the other applications for the same medicine already accepted by the SFDA but yet to be approved for clinical trials will be returned, and these applicants are allowed to apply for generic medicine registration or imported medicine registration for the same medicine once the monitoring period expires.

Generic Medicine Registration

Generic medicine refers to medicines other than those approved to be new medicines by the SFDA. Any pharmaceutical manufacturer holding a valid Pharmaceutical Manufacturing Permit may apply for registration of its generic medicine, provided that the production of such generic medicine by the pharmaceutical manufacturer should be consistent with the scope permitted under its Pharmaceutical Manufacturing Permit, and that the medicine has passed clinical trials which are conducted according to the requirements of the Administrative Measures on the Registration of Pharmaceutical Products. If the application is approved by the SFDA, a pharmaceutical approval number with respect to the product will be issued by the SFDA.

The following chart sets forth the procedures for generic medicine registration:



Imported Medicine Registration

All pharmaceuticals manufactured outside the PRC and then imported into the PRC are required to be registered with the SFDA. A pharmaceutical may be allowed to be imported into the PRC only if the pharmaceutical has already been approved for sale by the relevant pharmaceutical authorities in the country where the pharmaceutical is manufactured, unless the SFDA is satisfied with the effectiveness and safety of the pharmaceutical and there is a clinical need for such product in the

PRC. The SFDA also requires that all imported medicines should comply with GMP requirements in the PRC and the country in which the medicines are manufactured, and applications for imported medicine registration should also be supported by clinical trial records and data. If an application for imported medicine registration is successful, the SFDA will issue an Imported Medicine Registration Certificate (進口藥品註冊證) or, if the product is manufactured in Hong Kong, Macau or Taiwan, a Pharmaceutical Product Registration Certificate (醫藥產品註冊證) in relation to the subject medicine.

Supplemental Application for Medicine Registration

Where a pharmaceutical manufacturer plans to make any change to a pharmaceutical product which has been registered with the SFDA, including adjustment of its efficacies or production method, an application for supplemental registration is required to be submitted to the relevant provincial branch of the SFDA, or in the case of any product registered as imported medicine, the SFDA.

Renewal Registration

The parties holding any of the approvals or certificates mentioned above are required to apply for renewal registrations no later than six months prior to the expiration dates of such approvals or certificates. Application for renewing an existing registration certificate should be submitted to the regulatory authority issuing the existing registration certificate, which will reassess the applicant's eligibility for the registration certificates to be renewed.

PRICE CONTROLS

The PRC government imposes price controls over a wide range of pharmaceutical products. All medicines listed in the Medical Insurance Catalogues and the Pharmaceutical Pricing Catalogue (定價藥品目錄) as published by the NDRC are subject to price controls. Price controls also apply to pharmaceutical products whose production or sale is protected under the patent registration process in the PRC, patented pharmaceuticals which are still within their patent protection periods, pharmaceuticals which are subject to pricing control by relevant authorities at the provincial level, and any other medicine which the PRC government may consider necessary to control the prices.

The major means of price control is implemented through prescribing a retail ceiling price for a pharmaceutical or, in a smaller number of cases, by prescribing a fixed retail price. The NDRC is responsible for setting the retail ceiling prices for all western and Chinese prescribed medicines listed in Part A of the Medical Insurance Catalogues. The names of such products and their prescribed retail ceiling prices are set out in the Pharmaceutical Pricing Catalogue, which is published and revised by the NDRC from time to time. The retail ceiling prices for medicines listed in Part B of the Medical Insurance Catalogues are determined by provincial pricing departments. All pharmaceutical products which are subject to price controls may not be sold at retail prices higher than their prescribed retail ceiling prices, unless approval for individual pricing has been obtained from the relevant authorities.

For pharmaceutical products which are not subject to price controls in the PRC, their retail ceiling prices are determined by the manufacturers at their own discretion, and the wholesalers or retailers may not set the actual retail prices higher than the retail ceiling prices. For any pharmaceutical product which is subject to price controls, the manufacturer may apply to the NDRC for approval for such product to be sold at a specified retail price which is higher than its prescribed retail ceiling price. If the NDRC grants an approval, the specified retail price becomes the maximum retail price at which

that product may be sold. This process is known as approval for "individual pricing." Approval of any such application is based on the quality, efficacies and safety of the subject pharmaceutical product.

MEDICAL INSURANCE CATALOGUES

The Medical Insurance Catalogues are divided into two parts. Pharmaceutical products included in Part A of the Catalogues are prescribed by the central government and cannot be adjusted by local authorities, and pharmaceutical products included in Part B are prescribed by the central government but can be changed by local authorities at the provincial level.

All pharmaceutical products listed in the Medical Insurance Catalogues are covered by either the National Basic Medical Insurance Programme (國家基本醫療保險體系) or the New Rural Cooperative Medical Scheme (新農村合作醫療體系). Medicines not listed in the Medical Insurance Catalogues will not be covered by any of these medical insurance schemes. All pharmaceutical products listed under the Medical Insurance Catalogues are subject to price controls by the PRC government.

Pursuant to the Interim Measures Concerning the Administration of the Scope of Medicine under the Basic Medical Insurance for Workers in Cities and Municipalities (城鎮職工基本醫療保險用藥範圍管理暫行辦法), or the Interim Measures, which became effective on 12 May 1999, the Medical Insurance Catalogues are to be revised every two years in principal. The latest edition of the Medical Insurance Catalogues was issued by the Ministry of Labour and Social Security on 27 November, 2009.

The pharmaceuticals that are included in the Medical Insurance Catalogues may be subject to change when the Medical Insurance Catalogues are revised. For a pharmaceutical product to be included in the Medical Insurance Catalogues, the principal regulatory requirements include that the product is necessary for clinical use, safe and effective, reasonably priced, user-friendly, has stable market supply, and must fall within one of the following catalogues: (i) a pharmaceutical listed in the PRC Pharmacopoeia (中華人民共和國藥典); (ii) a pharmaceutical that complies with standards set by the SFDA; or (iii) a pharmaceutical allowed for import by the SFDA. A pharmaceutical product may be taken out from the Medical Insurance Catalogues if (i) the approval number of the pharmaceutical is revoked; (ii) the Imported Medicine Registration Certificate (進口藥品註冊證) of the product is revoked; (iii) the pharmaceutical is prohibited by the SFDA from being manufactured, sold or used; (iv) the production or sale of the pharmaceutical is in violation of law; or (v) deceitful acts were involved in the assessment process. In accordance with the Interim Measures, the Ministry of Human Resources and Social Security of the PRC is primarily responsible for the compilation of the Medical Insurance Catalogues.

ADVERTISING

Advertisements of nutritional supplements, general health food products and pharmaceutical products are required to comply with the Advertising Law of the PRC (中華人民共和國廣告法) and the Administrative Regulations on Advertising (廣告管理條例). Contents of advertisements relating to our nutritional supplements and pharmaceutical products must be filed with the provincial agency of the SFDA, and the required permits and approvals must be obtained before their publication or broadcasting. We have obtained such permits and approvals for all of our advertisements relating to nutritional supplements and pharmaceutical products.

PRC advertising laws and regulations require contents of advertising to be fair and accurate, not misleading and in full compliance with applicable laws. Furthermore, under the Interim Regulations on

the Review of Advertisements of Nutritional Supplements (保健食品廣告審查暫行規定), an advertisement relating to a nutritional supplement is required to include the name of the product, the SFDA approval number, advertising licence number, trademark and information on unsuitable user groups.

Violation of these laws and regulations may result in penalties, including fines, orders to cease dissemination of the advertisements, orders to publish an advertisement correcting the misleading information and even criminal liabilities. Fines that may be imposed under the relevant regulations range from one to five times of the advertising fees. If there involves any fraud or fabrication activities or amendment or transfer of advertising approvals, the violator may be subject to a fine ranging from RMB10,000 to RMB100,000. An advertisement that has violated these laws or regulations may also require re-review by the provincial agency of the SFDA. In severe circumstances, the provincial agency of the SFDA may give a safety warning to the public and publish the names of the violators in its periodic public announcements which are also submitted to the SFDA. In the past, we have been found to be in violation of advertising regulations for publishing advertisements that were different from the version approved by the SFDA. As a result, we were ordered to discontinue such advertisements and were imposed a fine of approximately RMB3,400 by the Administration for Industry and Commerce of Nanjing, Jiangsu Province. Except for this incident, we had not been charged by the relevant authorities for violating any PRC advertising laws or regulations during the Track Record Period.

The publication and broadcasting of an advertisement of nutritional supplements, general health food products and pharmaceutical products is monitored by the local agencies of the SFDA, the Ministry of Health and the State Administration for Industry and Commerce, all of which work closely to investigate and penalise violations by manufacturers of nutritional supplements and general health food products.

The PRC State Administration of Radio, Film and Television (國家廣播電視總局) is in charge of the administration and supervision of broadcasting over radio, video, film and television within the PRC. It promulgated the Measures for the Administration of Radio and Television Advertising (廣播電視廣告播放管理辦法), or the Media Measures, on 10 September 2009, which became effective as of 1 January 2010 and replaced the previously promulgated Interim Measures for the Administration of Radio and Television Advertising (廣播電視廣告播放管理暫行辦法). The Media Measures regulate the broadcasting of advertisements and establish punitive measures for violations. To increase the credibility of nutritional supplements, the SFDA promulgated the Administrative Measures regarding the Credibility of Enterprises Releasing Advertisements of Drugs, Medical Equipment and Nutritional Supplements (藥品、醫療器械、保健食品廣告發佈企業信用管理辦法), under which enterprises releasing advertisements for nutritional supplements are to be rated as trustworthy, untrustworthy, or very untrustworthy and be monitored accordingly. An enterprise is regarded as trustworthy if none of its advertisements in a given year has violated any laws or regulations governing advertisement by the supervision of the SFDA. An enterprise is regarded as untrustworthy if its advertisements in a given year have violated such laws and regulations, although such violations are not serious. An enterprise is regarded as very untrustworthy if its advertisements in a given year have seriously violated such laws and regulations, such as providing false suitability or functions information in the advertisement, unscientific proclamation or guarantee of product functions, or any other serious violations. These measures became effective as of 1 January 2008, and we have not yet received any rating regarding our credibility.

Since December 2008, in order to ensure compliance with the relevant advertising regulations, we have implemented an internal policy which requires all advertising and promotional materials be reviewed and approved by our promotion planning department and our administrative department before it is released to the public or used.

PRC PATENT LAW

According to the PRC Patent Law (中華人民共和國專利法) last amended on 27 December 2008, patent protection is divided into three categories: invention patents, utility patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement. Utility patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or combination. Design patents are intended to protect new designs of a product's shape, graphic or colour with aesthetic and industrial application value. 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.

Invention Patents

Products seeking invention patent protection must possess novel and innovative characteristics, and the grant of an invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application 18 months after it is filed, which period may be shortened upon request by the applicant. After the application is published, the patent administrative authority conducts a substantive review and makes a decision within 18 months from publication. The protection period for an invention patent is 20 years from the date of application.

During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.

Utility Patents

Products seeking utility patent protection must also possess novel and innovative characteristics. Utility patents are granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after preliminary review. Utility patents are also subject to disclosure and publication upon application. The protection period for a utility patent is ten years from the date of application.

During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.

Design Patents

Products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publicly used in the country or infringe upon third parties' legal rights. The application procedures and protection period are the same as utility patents.

During the protection period, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent without the consent of the patent holder.

For a description of our issued and pending patents, see "Business — Intellectual Property."

ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC, which became effective on 26 December 1989, the environmental protection department of the State Council is in charge of the drafting and promulgation of national standards for environmental protection. Provincial governments and the local governments in autonomous regions and municipalities may also promulgate local standards for environmental protection on matters not specified under the national standards. Local governments must report such standards to the environmental protection department of the State Council.

Pursuant to the Law of the PRC on Appraising of Environment Impacts (中華人民共和國環境影響評價法) promulgated on 28 October 2002 and effective as of 1 September 2003, prior to the commencement of a construction project, the responsible parties must submit to the relevant environmental authorities an environmental impact study report, which should specify the potential environmental impacts of the proposed construction project, as well as the measures to be taken to prevent or mitigate such potential environmental impacts.

Pursuant to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated by the Standing Committee of the National People's Congress of the PRC on 1 November 1984 and amended on 28 February 2008, the environmental protection department under the State Council is in charge of promulgating laws and regulations governing national standards regarding the discharge of waste water. Provincial governments and the local governments in autonomous regions and municipalities may promulgate local standards regarding the discharge and treatment of waster water for matters not specified in the national standards. The disposal of waste water must comply with national and local standards and the person disposing of waste water pay water treatment fees. If the waste water discharged exceeds national or local standards, the person disposing of waste water is required to pay higher waste water treatment fees. The environmental protection department has the right to order the person disposing of waste water who has severely polluted water to correct its actions by reducing the amount of discharge during a stipulated period of time, or suspend or shut down its operations.

Pursuant to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法) promulgated by the Standing Committee of the National People's Congress of the PRC on 30 October 1995 and amended on 29 December 2004, the environmental protection department of the State Council is in charge of promulgating national standards relating to the discharge of solid wastes. Manufacturers are required to register with the environmental protection department relating to each type of solid waste discharged by such manufacturers. If a manufacturer fails to register, the environmental protection department has the right to order the manufacturer to correct its action or impose a fine on such manufacturer.

Pursuant to the Administrative Regulations on Environmental Protection Work related to Construction Projects (建設項目環境保護管理條例), the Administrative Measures on the Acceptance of Construction Projects in relation to Environmental Protection (建設項目竣工環境保護驗收管理辦法) and other relevant regulations, each project that may have negative environmental impacts must be tested

and approved by local environmental agencies before it is put into use and is subject to continuous government monitoring thereafter. After the completion of the construction of a project, the owner of the project must apply for an acceptance certificate to be issued by the environmental protection agencies.

We have obtained a waste discharge filing and registration certificate from the local environmental protection agency in October 2004. According to an official document issued by the environmental protection authorities of Binhu District, Wuxi, Jiangsu Province on 14 September 2009 and an official document issued by the environmental protection authorities of Jiangning District, Nanjing, Jiangsu Province on 17 September 2009, (i) the production processes of our PRC subsidiaries are in compliance with applicable environmental protection regulations, and (ii) our PRC subsidiaries have not been subject to any administrative penalty imposed by the relevant environmental protection authorities during the Track Record Period.

OCCUPATIONAL HEALTH AND SAFETY

Pursuant to the Labour Law of the PRC effective as of 1 January 1995 and the Labour Contract Law of the PRC effective as of 1 January 2008, employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with training to prevent occupational injury.

Pursuant to the PRC Law on Production Safety effective as of 1 November 2002, manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws and regulations. Manufacturers not meeting relevant legal requirements are not permitted to commence their manufacturing activities.

Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised that, on the basis of confirmation letters issued by the relevant governmental authorities dated 11 September 2009, 14 September 2009 and 30 September 2009, the employment practices and safe manufacturing management of our PRC subsidiaries were in compliance with PRC laws.

REGULATIONS CONCERNING MERGERS & ACQUISITIONS OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On 8 August 2006, six PRC regulatory agencies, including the CSRC, promulgated a rule entitled "Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" (關於外國投資者併購境內企業的規定), or the M&A rules, to more effectively regulate foreign investment in PRC domestic enterprises. The M&A rules provide that the MOC must be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise and any of the following situations exists: (i) the transaction involves an important industry in China, (ii) the transaction may affect national "economic security," or (iii) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. The M&A rules also contain a provision requiring offshore SPVs formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC individuals to obtain the approval of the CSRC prior to the public listing of their securities on an overseas stock exchange. On 21 September 2006, the CSRC issued a clarification that sets forth the criteria and process for obtaining the required approval from the CSRC.

According to our PRC legal counsel, Grandall Legal Group (Shanghai), as we have completed our reorganisation prior to 8 September 2006, the effective date of the M&A rules, and as the M&A rules do not specify any retroactive effect, the M&A rules are not applicable to the reorganisation. Therefore, approval by the MOC and the CSRC is not required for the listing and trading of our Shares on the Stock Exchange.

FOREIGN EXCHANGE REGULATIONS

Pursuant to the Regulations of the PRC on Foreign Exchange Administration promulgated in 1996 and amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval of SAFE or its local counterpart for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC. For details of the foreign exchange regulations, please refer to the section headed "Foreign Exchange" in Appendix VI to this prospectus.

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外滙管理有關問題的通知), or SAFE Circular No. 75, issued on 21 October 2005, (i) a PRC citizen residing in the PRC, or PRC resident, shall register with the provincial branch of SAFE before it establishes or controls an overseas SPV for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an SPV, or engages in overseas financing after contributing assets or equity interests into an SPV, such PRC resident shall register his or her interest in the SPV and the change thereof with the provincial branch of SAFE; and (iii) when the SPV undergoes a material event outside of the PRC, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the provincial branch of SAFE. PRC residents who are shareholders of SPVs established before 1 November 2005 were required to register with the provincial SAFE branch before 31 March 2006.

Under SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPV.

According to our PRC legal counsel, Grandall Legal Group (Shanghai), our Company and the eight beneficial holders of Furui and Lingrui, including Mr. WANG Fucai and other individuals, all of whom are PRC residents, have completed all required registration formalities with the relevant government authorities.

On 29 August 2008, the SAFE issued the Circular on Relevant Operating Issues concerning the Improvement of Administration of Payment and Settlement of Foreign Currency Capitals of Foreign-invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), or the Circular. According to the Circular, the Renminbi obtained from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope approved by governmental authorities and cannot be used for domestic equity investment, unless otherwise permitted by PRC laws or regulations. When an enterprise intends to repay a loan in Renminbi with the Renminbi obtained from the

settlement of its foreign currency capital, it must submit a statement that the loan has been used in accordance with a contract and within the business scope approved by the regulatory authorities.

TAX LAW

Our primary operating subsidiaries, Ruinian Industry and Nanjing Ruinian, were subject to the PRC Enterprise Income Tax Law Concerning Foreign-Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得税法) prior to 1 January 2008. Under this law and its related regulations, a foreign-invested enterprise operating in an economic and technological development zone was subject to enterprise income tax at a statutory rate of 24%. In addition, certain foreign-invested enterprises were entitled to an exemption from enterprise income tax for a period of two years starting from the first profit-making year, followed by a reduction of enterprise income tax by 50.0% for a period of three years. Ruinian Industry has obtained approval from the relevant PRC tax authorities to enjoy preferential tax treatment in accordance with such laws and regulations. As a result, the applicable tax rate for Ruinian Industry was 12.0%, 12.0%, and 12.5% for the years ended 31 December 2006, 2007 and 2008, respectively. Ruinian Sales, which was dissolved in October 2007, was subject to enterprise income tax at a statutory rate of 33% (30% national income tax plus 3% local income tax) before its dissolution because it did not enjoy any preferential tax treatment.

On 16 March 2007, the PRC National People's Congress enacted the EIT Law, and on 6 December 2007, the PRC State Council issued the Regulations on the Implementation of the Enterprise Income Tax Law (企業所得税法實施條例), or the EIT Implementation Regulations, both of which became effective on 1 January 2008. The EIT Law imposes a uniform tax rate of 25.0% on all PRC enterprises, including foreign-invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. Under the EIT Law, enterprises that were established before 16 March 2007 and already enjoy preferential tax treatments shall, in accordance with any detailed directives to be issued by the State Council, (i) in the case of preferential tax rates, continue to enjoy the preferential tax rates which will be gradually increased to the new tax rates within five years from 1 January 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the preferential tax holiday until the expiration of such term; for those enterprises whose preferential tax treatment had not commenced before due to lack of profit, such preferential tax treatment commenced on 1 January, 2008. Ruinian Industry enjoyed a 50.0% reduction in enterprise income tax until such preferential treatment expired on 31 December 2008. Starting from 1 January 2009, the enterprise income tax rate applicable to Ruinian Industry is 25.0%, which is the normal enterprise income tax rate for all PRC enterprises.

On the basis of the confirmation letters issued by the state and local taxation authorities of Wuxi, Jiangsu Province and confirmation of our PRC legal counsel, Grandall Legal Group (Shanghai), Ruinian Industry was in compliance with PRC tax laws and regulations. Nanjing Ruinian has received confirmation letters from the state taxation authority and the local taxation authority of Nanjing, Jiangsu Province, that it has complied with PRC tax laws and regulations. The state taxation authority has further confirmed that Nanjing Ruinian is entitled to an exemption from enterprise income tax for a period of two years starting from 1 January 2008, and an enterprise income tax rate of 12.5% for a period of three years starting from 1 January 2010.

Under the EIT Law and the EIT Implementation Regulations, since most of our management is currently located in the PRC, we may be subject to PRC income tax at the rate of 25.0% on our worldwide income. If this happens, our financial condition and results of operation may be materially

and adversely affected. See "Risk Factors — Risks Related to Doing Business in the PRC — We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income. Dividends payable by us to our foreign investors and gains on the sale of our Shares may also be subject to PRC withholding taxes, which may materially and adversely affect your investment in our Shares." According to the Implementation Regulations, dividends payable to foreign investors that are non-resident enterprises are subject to a 10% withholding tax on their incomes sourced inside the territory of PRC. The 10% withholding tax rate may be reduced if the jurisdiction of incorporation of the foreign investors has a tax treaty with the PRC that provides for a different withholding arrangement. The EIT Law also provides that if an enterprise incorporated outside the PRC has its "actual management" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25.0% on its worldwide income.

Ruinian Sales was one of our subsidiaries between 2001 and 2007. Ruinian Sales had not violated any PRC laws or regulations and had no outstanding tax obligations prior to its dissolution. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that the applicable tax rates applicable to Ruinian Sales complied with the requirements of PRC laws. The relevant tax authorities also confirmed that Ruinian Sales was in compliance with the relevant tax laws and regulations during its existence.

For details of Hong Kong taxation laws, please refer to the section headed "Taxation in Hong Kong" in Appendix VI to this prospectus.

RED-CHIP GUIDANCE

On June 20, 1997, the PRC's State Council issued the Notice Concerning Further Enhancement of Administration for Issuing Shares and Listing Overseas (國務院關於進一步加强在境外發行股票和上市管理的通知), or the Red-Chip Guidance, which provides that an overseas Chinese funded unlisted company or an overseas listed company controlled by Chinese funds, or a red-chip company, must hold its domestic PRC assets for more than three years before the company may become publicly listed outside of the PRC through an offshore entity. The Red-Chip Guidance further requires that companies obtain approval from CSRC prior to transferring assets out of the PRC to a red-chip company for the purpose of effecting a public offering and listing. Our PRC counsel, Grandall Legal Group (Shanghai), has advised us that a Chinese fund or a Chinese funded enterprise refers to a state-owned enterprise, and that in the context of the Global Offering, the Red-Chip Guidance does not apply to us as none of our shareholders is a Chinese funded enterprise. As a result, we have not applied for approval from the CSRC in connection with this Offering.

LABOUR LAW

According to the Labour Law of the PRC (中華人民共和國勞動法) effective as of 1 January 1995, a labour contract shall be concluded if a labour relationship is to be established between an employer and an employee. The employer is prohibited from requiring its employees to work in excess of the time limit specified by law and shall provide wages no lower than the minimum wages determined based on the local living standards. An employer should establish and enhance its system for labour safety and sanitation, strictly abide by the PRC rules and standards on labour safety and sanitation, and educate employees on labour safety and sanitation. The employer should provide employees with labour safety and sanitation conditions meeting the government regulations and necessary articles of

labour protection, and carry out regular health examination for employees engaged in work with occupational hazards. The PRC government provides special protection to female employees and prohibits the employment of child labour. The Labour Contract Law, which took effect on 1 January 2008, was passed by the Standing Committee of the National People's Congress and intended to set forth detail regulations regarding labour contracts. Compared to the Labour Law, the Labour Contract Law provides additional protections to employees by requiring written employment contracts, limiting the scope of the circumstances under which employees could be required to pay penalties for breach of employment contracts and imposing stricter sanctions on employers who fail to pay remuneration or social security premiums for their employees. In order to comply with the Labour Contract Law, we have either signed written employment agreements with our employees or entered into service agreements with third-party employment agencies which in turn hire our short-term employees. As of 30 September 2009, with regard to our sales and marketing personnel, we have 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 these temporary and supporting personnel. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that according to the confirmation letters issued by the relevant governmental authorities on 14 September 2009 and 30 September 2009, our PRC subsidiaries have been in compliance with the Labour Law, the Labour Contract Law and the Employment Law.

Ruinian Sales was one of our subsidiaries between 2001 and 2007. During Ruinian Sales' existence, it entered into short-term service agreements with certain marketing personnel who provided sales support to Ruinian Sales on a short-term basis. Such personnel were compensated with salaries and performance-based bonuses. Since such personnel maintained employment relationships with other employers, which employers paid social security funds for them pursuant to the Labour Law, during their service for Ruinian Sales, such personnel did not have any labour employment relationship with Ruinian Sales. According to the confirmation issued by the labour authorities of Wuxi, Jiangsu Province, on 10 October 2008, Ruinian Sales was not liable for contribution to social security funds for such personnel.