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Upon completion of the Global Offering, Furui will hold a direct and indirect equity interest of approximately 39.95% of the issued share capital of the Company (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised), and hence it will be a Controlling Shareholder of the Company. Mr. WANG Fucui, who holds 100% of the issued share capital of Furui, is also regarded as a Controlling Shareholder of the Company. As of the Latest Practicable Date, apart from the shareholding interests in the Group and the Excluded Business described in “— Delineation of Businesses,” Mr. WANG Fucui does not have other shareholding interests in any company whose business competes with the business of the Group.

THE GROUP'S INDEPENDENCE FROM ITS CONTROLLING SHAREHOLDERS

Our Directors believe that the Group is capable of carrying on its business independent of the Controlling Shareholders, and any of their respective associates after the Listing for the following reasons:

- (1) Independent Board — the Board consists of 10 members comprising six executive Directors, one non-executive Director and three independent non-executive Directors. Except for Mr. WANG Fucui, no Director serves or will serve any executive or management roles in companies controlled by Mr. WANG Fucui;
- (2) Independent management — the Group has employed a chief financial officer and also engaged other senior management staff responsible for management and administration of the Group, who are all independent from Furui, Mr. WANG Fucui and their respective associates;
- (3) Independent operation — the daily operation of the Group is carried out by the experienced management team of each relevant business department independently without requiring additional support from Furui, Mr. WANG Fucui or their respective associates, such as the executive Directors, Mr. YU Yan, Mr. LI Lin, Mr. YI Lin, are responsible for the Group's production and administration, sales and marketing, and product development and administration, respectively, and the senior management personnel, Mr. QUAN Guangde and Mr. YUAN Jianjun are managers of the Group's production department and sales auditing department, respectively;
- (4) Independent production — the Group possesses its own production facilities and has independent access to its suppliers and customers, without reliance on Furui, Mr. WANG Fucui or their respective associates; and
- (5) Financial and audit independence — the Company has its audit committee, which comprises independent non-executive Directors and will be capable of sourcing financing independently from third parties without reliance on Furui, Mr. WANG Fucui or their respective associates, and all financings and guarantees provided by the Controlling Shareholders in favour of the Group have been fully settled or released prior to Listing.

The Articles of Association of the Company also provide that a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, and such Director will absent himself from meetings of the Board when such matters are discussed unless expressly

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requested to attend by a majority of the independent non-executive Directors. See also “— Corporate Governance Measures.”

DELINEATION OF BUSINESSES

Mr. WANG Fucui has retained substantial ownership of the following existing businesses which are neither in the business of the Company nor hold shareholding interests in our Group (the “Excluded Businesses”):

<u>Entity</u>	<u>Description of business conducted</u>
Ruinian Hong Kong Ownership: 100%	Investment holding
Ruinian Group Ownership: 100%	Investment holding
Ruinian (Jiangsu) Biologicbusiness Co., Ltd. (瑞年(江蘇)生物產業有限公司) Ownership: 100%	dormant
Ruinian (Jiangsu) Medicamentlogistics Co., Ltd. (瑞年(江蘇)置業有限公司) Ownership: 100%	dormant
Jiangsu Ruinian Qianjin Pharmaceutical Co., Ltd. (江蘇瑞年前進製藥有限公司) Ownership: 100%	Manufacture and sale of pharmaceutical products for common diseases

General Information about the Excluded Businesses

The Excluded Businesses manufacture and sell pharmaceutical products that are used to treat diseases such as common inflammation and infection. The major products of Qianjin are antibiotic tablets and injection liquids and vitamin injection liquids for treating inflammation or alleviating pain or fever caused by common diseases. Such pharmaceutical products do not include eye-drops or anti-cancer medicines, which are subject to stringent regulatory requirements and require specialised manufacturing facilities, precisely controlled manufacturing conditions and processes and substantial capital investment.

Qianjin has an annual production capacity of approximately 180 million bottles of injection liquids, 2,040 million tablets and 42 million bottles of oral liquids based on two eight-hour shifts per day and 300 working days per year. Qianjin currently operates at a manufacturing facility in Jiangsu Province and had 182 employees as of 30 September 2009. It manufactures approximately 60 medicines.

According to its unaudited management reports, Qianjin’s turnover in 2006, 2007 and 2008 were approximately RMB33.5 million, RMB47.6 million and RMB38.6 million, respectively. According to its unaudited management reports, Qianjin’s net loss in 2006, 2007 and 2008 was approximately RMB0.7 million, RMB0.3 million and RMB1.5 million, respectively.

Mr. WANG Fucui is the sole director of Qianjin. Daily operations of Qianjin are managed by a management team separate from that of our Group.

Reasons to Exclude Such Businesses from Our Company

In accordance with our business strategy, we focus on the manufacture and distribution of eye drops and anti-cancer medicines, which are high-end pharmaceutical products and have higher profit margins compared to those of Qianjin's pharmaceutical products.

To build our brand name and reputation in the PRC, we focus on high-end pharmaceutical products with high barriers of entry, which cannot easily be manufactured by other companies. In addition, our Directors believe that focusing on high-end pharmaceuticals will also help us allocate our resources more efficiently to pursue sustainable development of our business.

At present, we do not intend to engage in the production of low-end pharmaceutical products as currently manufactured by Qianjin. Therefore our Directors decided to exclude Qianjin from our business due to its focus on low-end medicines with lower profit margins and lower entry barriers.

In addition, there are certain issues with respect to Qianjin's rights to use the land on which its facility is located. Our Directors are of the view that such issues will not be resolved without incurring unreasonably high costs, and therefore have determined it is not economically feasible to include Qianjin in our business.

We are not aware of any current plan of Mr. WANG Fucui to inject any of the Excluded Businesses into our Company or any current plans of Qianjin to engage in the production of high-end pharmaceutical products.

Delineation between Our Business and the Excluded Businesses

There is a clear delineation between our business and the Excluded Businesses. We believe that we are able to carry on our business independently from the Excluded Businesses due to the following factors:

(i) Delineation of production and operation premises

We have our own production and operation premises located in Wuxi City, Jiangsu Province, owning land use rights for two parcels of land with an aggregate site area of 59,018 square metres, approximately 3,931 square metres of which are occupied by our manufacturing facilities. We also have our own production and operation premises for pharmaceutical products located in Nanjing City, Jiangsu Province, owning land use rights for one parcel of land with a site area of approximately 112,030 square metres, approximately 7,233 square metres of which are occupied by our manufacturing facilities.

The production and operation premises for the Excluded Businesses are in different locations and there is no sharing of services or premises between our Group and the Excluded Businesses.

Qianjin does not have the facilities or the required approvals or permits for the manufacture of our pharmaceutical products. For example, Qianjin does not have the completely isolated air-conditioning and cooling systems which we use solely for the production of anti-cancer medicines, or a system similar to our eye drop production line that is capable of moulding plastic bottles, filling them with sterile eye drops solution and sealing them in one step.

We believe it will require the Excluded Businesses to invest a substantial amount of time and capital to construct a facility capable of manufacturing pharmaceutical products similar to our pharmaceutical products.

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(ii) Delineation in products and their functional customers' needs

Our Group and the Excluded Businesses are in different sectors of the pharmaceutical industry, which serve different functional needs of customers and are distinctively different.

Our principal business comprises the manufacture and sale of nutritional supplements, general health food products, health drinks and pharmaceutical products (eye drops and anti-cancer medicines). Our nutritional supplements, general health food products and health drinks are designed to enhance the overall health and well being of consumers and, in particular, our pharmaceutical products produced by Nanjing Ruinian are used to treat eye diseases and certain kinds of cancer.

On the other hand, the major products of Qianjin, the only operating entity of the Excluded Businesses, are antibiotic tablets and injection liquids and vitamin injection liquids for treating inflammation or alleviating pain or fever caused by common diseases. Qianjin does not produce any products which can be used to treat eye diseases or cancer.

Hence, there is no direct or indirect competition between the products of our business and those of the Excluded Businesses.

(iii) Different suppliers

Our key suppliers are different from those of the Excluded Businesses. The primary raw materials used to produce nutritional supplements and general health food products, such as amino acid granules, collagen and soy protein, and health drinks are different from those that are used for the products of the Excluded Businesses. In addition, the major suppliers for our pharmaceutical business are different from the major suppliers for the Excluded Businesses. During the Track Record Period, among our top ten suppliers, we did not share any common suppliers with Qianjin.

(iv) Different distribution networks and target end-user groups

We do not depend on the distribution channels of the Excluded Businesses for access to customers. Also, as the products of our business and the Excluded Businesses are two different lines of products, there is no competition between the distribution networks of our business and those of the Excluded Businesses. During the Track Record Period, among our top ten distributors, we only shared one common distributor with Qianjin.

The end-users of our pharmaceutical products are mainly people with eye diseases or cancer, while the end-users of the pharmaceutical products of the Excluded Businesses are those with diseases such as common inflammation or infection. Therefore, our target end-users are also different from those of the Excluded Businesses.

(v) Management and financial independence

Our business and the Excluded Businesses are currently managed and operated by separate management teams. Except for Mr. WANG Fucui, none of our Directors is currently holding directorship or management roles in the Excluded Businesses. Mr. WANG Fucui takes an active role in managing our Group and does not take any active role in managing the Excluded Businesses. Under the director service agreement between Mr. WANG Fucui and our Company, Mr. WANG Fucui agrees to continue to devote his time and resources to our Group and focus on our Group's business and development, and not to take any active role in the Excluded Businesses. As such, there is no cross-

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reliance or inter-dependence between our management team and those of the Excluded Businesses, and their respective decision making processes are independent of each other.

Further, our Company and the Excluded Businesses are financially independent from each other. There is no amount owed by our Company to the Excluded Businesses or vice versa. There also is no financing arrangement between our Company and the Excluded Businesses.

(vi) Different business focus

We intend to focus on the manufacture of high-end pharmaceutical products, such as Type I pharmaceutical products (those pharmaceutical products that have not been available globally) or Type II pharmaceutical products (those pharmaceutical products that have not been available in the PRC but are available in other countries), which are economically feasible and generally have higher profit margins than generic pharmaceutical products.

On the other hand, the Excluded Businesses focus and will continue to focus on the manufacture of low-end generic pharmaceutical products, which generally have lower profit margins, due to the lower barrier of entry and increased competition among pharmaceutical companies.

(vii) Different regulatory requirements

The Excluded Businesses do not have the required approvals or permits for the manufacture of our pharmaceutical products. For example, our production of topotecan hydrochloride capsules is currently subject to the stringent requirements for the production of Type II pharmaceutical products, which the Excluded Businesses are unable to comply with due to lack of equipment, facilities, production conditions and technologies.

Based on the foregoing, we believe that our business is sufficiently delineated from the Excluded Businesses and that the Excluded Businesses do not, and are unlikely to, compete with our business.

In order to ensure that competition does not develop between us and Mr. WANG Fucui's other activities, Mr. WANG Fucui and Furui have agreed to provide certain non-competition undertakings in our favour, which are described below.

NON-COMPETITION UNDERTAKING FROM MR. WANG FUCAI AND FURUI

In order to eliminate any future competing business with the Group, on 1 February 2010, Mr. WANG Fucui and Furui entered into a deed of non-competition ("Deed of Non-Competition") with our Company pursuant to which each of them irrevocably undertakes and covenants with our Company not to, and procures entities controlled by Mr. WANG Fucui or Furui not to:

- (a) be engaged, interested or otherwise involved, directly or indirectly, in any business in any form or manner that is or is likely to be in competition with that of the Group other than (1) the manufacture and sale of those pharmaceutical products of the Excluded Business disclosed in this prospectus; and (2) contracts the entering into of which by the Group, in the opinion of the independent non-executive Directors of the Company, is not in the best interest of the Group and the independent non-executive Directors of the Company have confirmed in writing to Mr. WANG Fucui or Furui that the entering into of such contracts by each of them does not fall within such restrictions. For the

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avoidance of doubt, all pharmaceutical businesses (other than the manufacture and sale of those pharmaceutical products of the Excluded Businesses disclosed in this prospectus) will be carried out by our Group and not the Excluded Businesses;

- (b) solicit, interfere with or endeavour to entice away from the Group any person, firm, company or organisation who to each of their knowledge is from time to time or has at any time within the immediate past two years before the date of this prospectus been a customer, supplier or employee of the Group;
- (c) at any time employ any person who has been a director, manager, employee of or consultant to the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Group's business; and
- (d) directly or indirectly solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to the Group's business or cease to deal with the Group or reduce the amount of business which the person would normally do with the Group.

Notwithstanding the undertakings under (a) to (d) above, nothing shall prevent Mr. WANG Fucai or Furui after the Listing Date from acquiring or holding interests in equity securities issued by any company engaged in similar businesses as those of the Group, provided that Mr. WANG Fucai and Furui (individually or together) will not directly or indirectly own more than 5% of the total issued share capital of such company or control the exercise of more than 5% of the voting rights thereof or control the composition of the board of directors of such company.

In addition, Mr. WANG Fucai agrees to grant to our Company the right of first refusal over any disposal of his direct and/or indirect interest in Qianjin if such disposal will result in Mr. WANG Fucai ceasing to own the majority interest in such entity.

The aforesaid undertaking and right of first refusal will terminate in accordance with the terms of the Deed of Non-competition without payment of any amounts by way of penalty, damages or other compensation upon Mr. WANG Fucai ceasing to be a Controlling Shareholder of our Group, unless he remains a Director (in which case such undertaking and rights of our Group will terminate in the aforesaid manner when he ceases to be a Director).

Corporate Governance Measures

In order to further prevent any potential competition between our Company and Mr. WANG Fucai, Furui or entities controlled by Mr. WANG Fucai, we have implemented the following measures:

- (1) We have amended our Articles of Association to prohibit a Director from voting on any board resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates has a material interest, except for circumstances permitted under the Listing Rules. Our Articles of Association also prohibits an interested Director to be counted in the quorum for Board meetings. Furthermore, a Director who holds directorship and/or senior management positions in (a) Furui or any of its subsidiaries (other than any of our subsidiaries) or (b) Qianjin or any of its subsidiaries, shall not vote on any board resolution regarding any transaction proposed to be entered into between any member of our Company and (i) Mr. WANG Fucai or Furui or any of its subsidiaries (other than any member of the Company) or (ii) Qianjin or any of its subsidiaries. Our Articles of Association further provide that any Director or any of his/her

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associates who is materially interested in the matters referred to above with respect to Furui or Qianjin is required to excuse himself/herself from the meeting of the Board and may not participate in any matters with respect to Furui or Qianjin in which he/she or any of his/her associates is materially interested, unless he/she is expressly requested to attend and/or to participate in such matters by a majority of the independent non-executive Directors.

- (2) We have appointed Sinopac Securities (Asia) Limited as our compliance adviser, who provides advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and internal controls.
- (3) The decision regarding whether to exercise the right of first refusal granted by Mr. WANG Fucui will be made by the independent non-executive Directors only. When considering whether to exercise the right of first refusal granted under the Deed of Non-Competition with respect to the entire equity interests in Qianjin, the independent non-executive Directors will take into consideration the following factors:
 - (a) whether Qianjin has obtained the land use right certificates with respect to its manufacturing facility;
 - (b) whether Qianjin has established a solid and broad client base and distribution network which would create synergy for our Group;
 - (c) whether the acquisition of Qianjin accords with the then current development strategy of our Group; and
 - (d) the competitiveness of the financial results and profit margin of Qianjin with those of our Group and valuation of Qianjin.
- (4) The independent non-executive Directors will assess, at least on an annual basis, whether Furui and Mr. WANG Fucui have complied with the Deed of Non-Competition. Furui and Mr. WANG Fucui further undertook to us that they will provide all information necessary for the annual assessment conducted by the independent non-executive Directors and for the enforcement of the Deed of Non-Competition.
- (5) We will disclose decisions made by the independent non-executive Directors regarding whether to exercise the right of first refusal, the underlying reasons provided by them and decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition in our annual reports or through public announcements. Furui and Mr. WANG Fucui also agreed to make an annual declaration on their compliance with the Deed of Non-Competition in our annual reports. Such disclosure will be made in accordance with the principles of voluntary disclosures as set forth in the Corporate Governance Report, Appendix 23 of the Listing Rules.
- (6) The independent non-executive Directors have the right, where necessary and at our cost, to engage an independent financial adviser to advise them on matters relating to the Deed of Non-Competition, including whether to exercise the right of first refusal and the terms on which the right of first refusal should be exercised.
- (7) The transfer, exercise or non-exercise of any option or right of first refusal pursuant to the Deed of Non-Competition would constitute a connected transaction pursuant to the Listing

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Rules. We will comply with all the applicable disclosure, reporting and/or independent shareholders' approval requirements under the Listing Rules in relation to such connected transactions. We will also announce any decision to exercise the right of first refusal.

Our three independent non-executive Directors are experts in the fields of accounting, finance, management and investment. Mr. WONG Lung Tak Patrick is a Certified Public Accountant with over 30 years' experience in the accounting profession. Dr. FONG Chi Wah is a Chartered Financial Analyst with over 20 years' experience in various sectors in the financial industry both in Hong Kong and the PRC. Mr. Bernard Ban-yew LAW has over 20 years' experience in management and investment. We believe that they have sufficient experience and knowledge to exercise independent judgment and to determine whether the exercise of the right of first refusal is beneficial to our overall interests.