We have extracted and derived the information and statistics in the section below and other sections of this prospectus, in part, from various official government publications. In addition, we commissioned Euromonitor, Frost & Sullivan, and SMERI, all of which are independent market research firms, to prepare studies for the purpose of providing various industry and other information and illustrating our position in our target markets in China. Information from the Euromonitor Study, Frost & Sullivan Health Problem Prevalence Study and SMERI Study appears in this and other sections of this prospectus. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. Neither we, the Selling Shareholder nor the Joint Global Coordinators, Joint Sponsors or Underwriters, nor any of our or their respective affiliates or advisors, nor any party involved in this Global Offering have independently verified such information and statistics derived from these sources, and such parties do not make any representation as to their accuracy and completeness. Unless otherwise indicated, all figures in this industry overview section are in nominal terms.

SOURCES OF INFORMATION

About Euromonitor International

Euromonitor International Plc., founded in 1972, is a private independent provider of business intelligence on industries, countries and consumers. The information disclosed in this prospectus from Euromonitor is extracted from a research study commissioned by us for a fee of RMB314,438 and is disclosed with the consent of Euromonitor. The Euromonitor Study is based on a variety of research techniques, including desk research, site visits and industry interviews. Euromonitor used multiple secondary and primary sources to validate any data or information collected with no reliance on any single source. Furthermore, a test of each respondent's information and views against those of others is applied to ensure reliability and to eliminate bias from various sources. Therefore, the data in the Euromonitor Study reflects the consensus of industry for historic data including market size and shares. For the forecasting, Euromonitor adopted its standard practice of both quantitative as well as qualitative forecast in terms of the market size, growth trends, etc, on the basis of a comprehensive and in-depth review over the historical market development, and a cross-check with established government/industry figures or trade interviews. The Euromonitor Study is based on the following principal assumptions: that current trends in disposable income and consumer tastes in China will not change significantly over the study forecast period and that there will not be significant changes to current PRC Government policy in relation to health food products.

About Frost & Sullivan

Frost & Sullivan, founded in 1961, conducts research and analyzes new market opportunities for corporate growth. The information disclosed in this prospectus from the Frost & Sullivan Health Problem Prevalence Study is extracted from a research study commissioned by us for a fee of RMB100,000 and is disclosed with the consent of Frost & Sullivan. All the historic data in the Frost & Sullivan Health Problem Prevalence Study is from epidemiology studies conducted by Chinese official and other leading medical societies or academic institutions in recent years. Major data resources include the nutrition and health status of Chinese residents studies by the MOH, over-weight and obesity prevalence studies by the Chinese Center of Disease Control and Prevention, hypertension prevalence studies by leading hospitals, Chinese disease prevention and treatment guidelines by the Chinese Medical Society, including guidelines on hypertension, Hepatitis B, fatty liver, constipation, and other major diseases; literature on sub-health prevalence in professional medical journals and large-scale sub-health study by Institute of Psychology, Chinese Academy of Science. The forecast in the Frost & Sullivan Health Problem Prevalence Study is based on the following principal assumptions: that no substantial changes of epidemiology status in China will happen during 2010 to 2014 and that most of the

Chinese people will keep their current lifestyle and habits during 2010 to 2014. We also commissioned Frost & Sullivan, for a fee of RMB320,000, to conduct a brand awareness survey for our 碧生源 (Besunyen) brand.

About SMERI

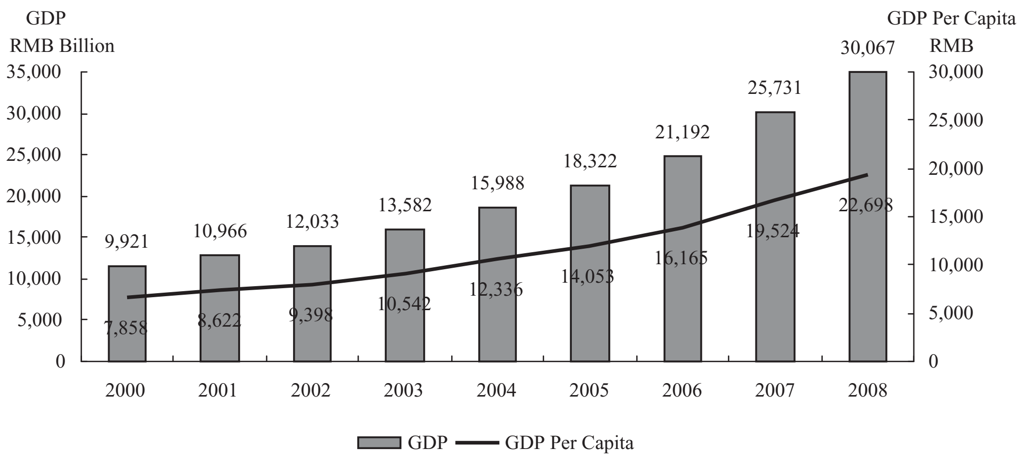
SMERI, a research institute affiliated with the SFDA, conducts research and studies on the retail pharmaceutical industry and retail pharmacies in China. The information disclosed in this prospectus from SMERI is extracted from a research study commissioned by us for a fee of RMB100,000 and is disclosed with the consent of SMERI. The SMERI Study is conducted through extrapolation of data automatically collected through point-of-sale terminals that are covered by SMERI's on-line monitoring system and verification from site visits.

OVERVIEW OF CHINA'S ECONOMY

Strong Growth of China's Economy

China's economy has expanded rapidly since the adoption of reform and market liberalization policies by the PRC Government beginning in the late 1970's. China's economy has demonstrated strong and steady growth over the last three decades and has become one of the largest economies in the world. From 2000 to 2008, according to the National Bureau of Statistics of China, China's nominal GDP grew from RMB9.9 trillion to RMB30.1 trillion and its nominal GDP per capita grew from RMB7,858 to RMB22,698, representing a CAGR of approximately 14.9% and 14.2%, respectively. The following charts set out the nominal GDP and GDP per capita of China between 2000 and 2008.

GDP and GDP Per Capita

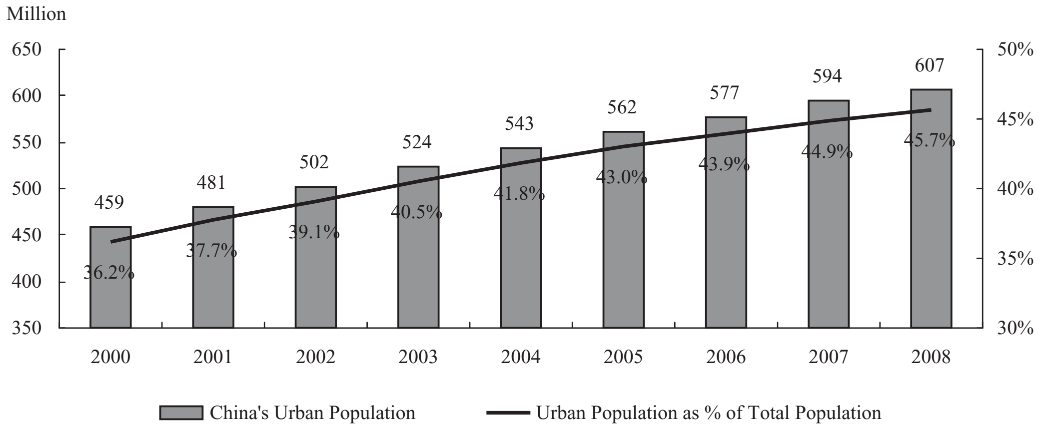


Source: National Bureau of Statistics of China

Rapid Urbanization and Increasing Disposable Income

Industrialization and economic growth in China have resulted in rapid urbanization in China through the migration of rural populations to urban areas and the development of towns into cities. According to the National Bureau of Statistics of China (中華人民共和國國家統計局), the total urban population in the PRC increased from 459 million as of the end of 2000 to 607 million as of the end of 2008, representing an increase of 32.2% over this eight-year period. During the same period, the urban population as a percentage of the total population increased from 36.2% to 45.7%, and is projected to continue to increase rapidly over the next decade or more. The following chart sets forth the growth of the urban population in China and the percentage of urban population to the total population from 2000 to 2008.

Urban Population and Urban Population as Percentage of Total Population

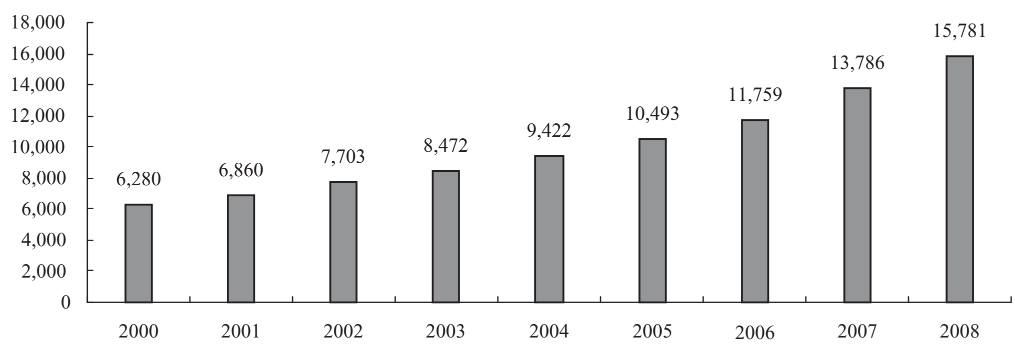


Source: National Bureau of Statistics of China

Along with China's rapid economic growth, disposable income levels have grown significantly. According to the National Bureau of Statistics of China, per capita annual disposable income of urban households in China has increased from RMB6,280 in 2000 to RMB15,781 in 2008, representing a CAGR of 12.2%. During the same period, per capita annual disposable income of rural households increased from RMB2,253 in 2000 to RMB4,761 in 2008, representing a CAGR of 9.8%.

The following chart sets forth per capita annual disposable income of urban households in China from 2000 to 2008.

Per Capita Annual Disposable Income of Urban Households



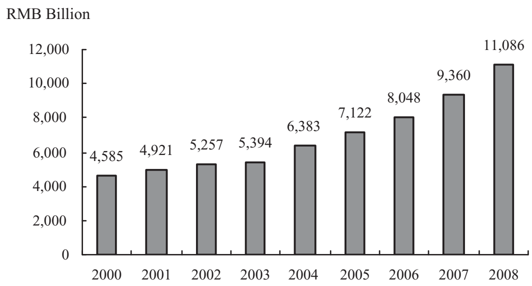
Source: National Bureau of Statistics of China

STRONG CONSUMPTION GROWTH AND CHANGING CONSUMPTION PATTERNS

Strong Consumption Growth

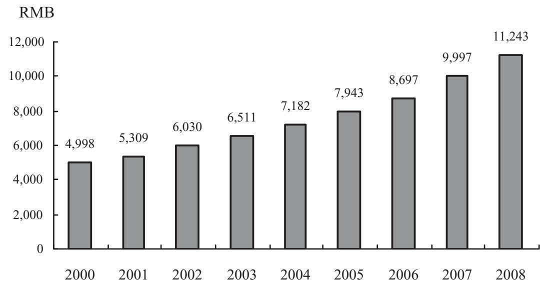
Rising personal income and rapid urbanization have driven strong growth in consumer spending in China. According to the National Bureau of Statistics of China, total retail sales of consumer goods in China increased from RMB4.6 trillion in 2000 to RMB11.1 trillion in 2008, representing a CAGR of 11.7%, while per capita consumption expenditure of urban households increased from RMB4,998 in 2000 to RMB11,243 in 2008, representing a CAGR of 10.7%. The following charts show the growth of total retail sales of consumer goods in China and per capita consumption expenditure of urban households from 2000 to 2008.

Total Retail Sales Expenditure on Consumer Goods



Source: National Bureau of Statistics of China

Per Capita Consumption Expenditure of Urban Households

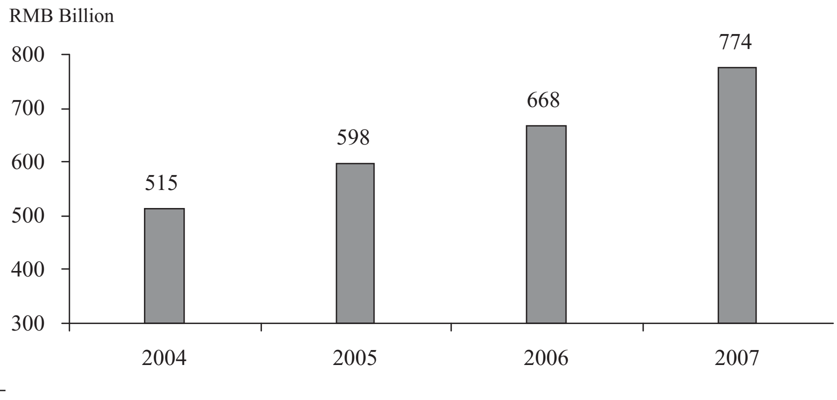


Source: National Bureau of Statistics of China

Changing Consumption Patterns

As the Chinese population becomes increasingly prosperous, its attention to healthcare and demand for health care products and services continue to increase. This is reflected in the stable growth of spending on healthcare from RMB515 billion in 2004 to RMB774 billion in 2007, representing a CAGR of 14.6%, according to the National Bureau of Statistics of China. Health-related product spending was approximately 8% of total consumer spending during 2004 to 2007 and has been relatively stable during that period. The following chart shows the growth of health-related product spending from 2004 to 2007.

Health-related Product Spending



Source: National Bureau of Statistics of China

HEALTH FOOD PRODUCT MARKET IN CHINA

The PRC health food product market consists of a wide variety of products designed to help people with mild chronic or recurring health problems as well as those seeking to maintain a healthy body and lifestyle. These products are generally produced primarily from Chinese medicinal herbs and other natural materials. All health food products must be approved by the SFDA. The SFDA approval process requires conducting human or animal testing of the product, and obtaining SFDA approval can take up to two years. Upon approval, a "health" ("健") mark may be affixed on the product's packaging to identify it as an SFDA-approved health food product. For further details on the approval process and relevant requirements, see the section headed "Regulatory Overview" in this prospectus. The SFDA approves health food products for the following 27 categories of health benefits:

facilitating excretion of lead
(促進排鉛)

sleep improvement
(改善睡眠)

facilitating milk secretion
(促進泌乳)

weight loss and slimming
(減肥)

alleviating nutritional anemia
(改善營養性貧血)

enhance immune system
(增強免疫力)

assisting in lowering blood lipid level
(輔助降血脂)

assisting in lowering blood sugar level
(輔助降血糖)

anti-oxidant
(抗氧化)

assisting in improving memory
(輔助改善記憶)

ameliorating eyestrain
(緩解視疲勞)

alleviating sore throat
(清咽)

assisting in lowering blood pressure
(輔助降血壓)

alleviating physical fatigue
(緩解體力疲勞)

improving anoxia tolerance
(提高缺氧耐受力)

assisting in protection against radiation damage
(對輻射危害有輔助保護功能)

improving growth and development in children
(改善生長發育)

increasing bone mineral density
(增強骨密度)

assisting in liver protection against toxicity
(對化學性肝損傷有輔助保護功能)

reducing acne
(祛痤瘡)

reducing skin age spots
(祛黃褐斑)

skin moisturizer
(改善皮膚水份)

improving skin oil content
(改善皮膚油份)

regulating gastrointestinal flora
(調節腸道菌群)

promoting digestion
(促進消化)

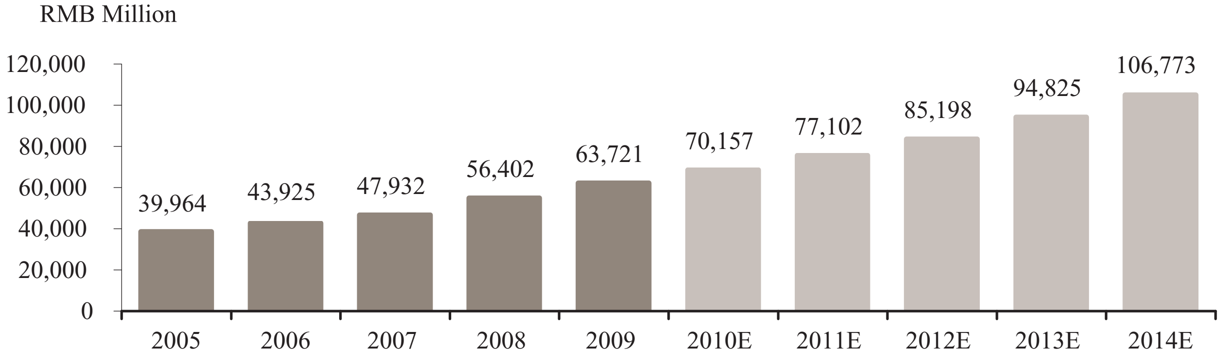
laxative
(通便)

assisting in protection of gastric mucosa
(對胃粘膜有輔助保護功能)

Our two currently marketed and four SFDA-approved but not yet launched health food products cover six of the 27 health benefit categories, including laxatives, slimming products, and products to assist in lowering blood lipid level, improve sleep, assist in lowering blood sugar level, and protect the liver against toxicity.

According to the Euromonitor Study, sales of health food products in these six health benefit categories grew from RMB20.7 billion in 2005 to RMB34.3 billion in 2009, representing a CAGR of 13.4% and are expected to reach RMB55.8 billion by 2014, representing a CAGR of 10.2% from 2009 to 2014. The sales of the overall health food product market (including all 27 health benefit categories) have grown from RMB40.0 billion in 2005 to RMB63.7 billion in 2009, representing a CAGR of 12.4% and are expected to reach RMB106.8 billion by 2014, according to the Euromonitor Study, representing a CAGR of 10.9% from 2009 to 2014. The following chart shows the growing sales of health food products for the periods indicated.

Sales of Health Food Products in China

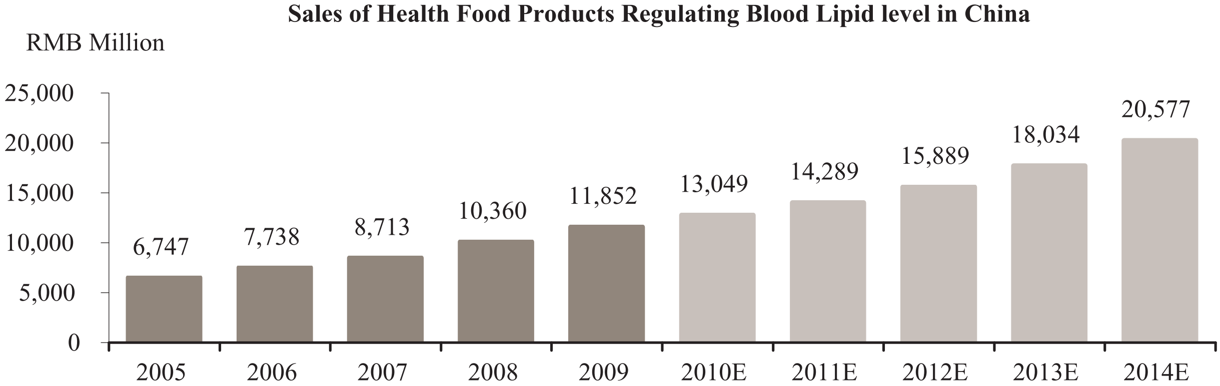


Source: Euromonitor Study

Based on the Euromonitor Study, our market share, in terms of retail sales value, in the overall health food product markets has grown from 0.4% in 2007 to 0.7% in 2008 and further to 1.2% in 2009.

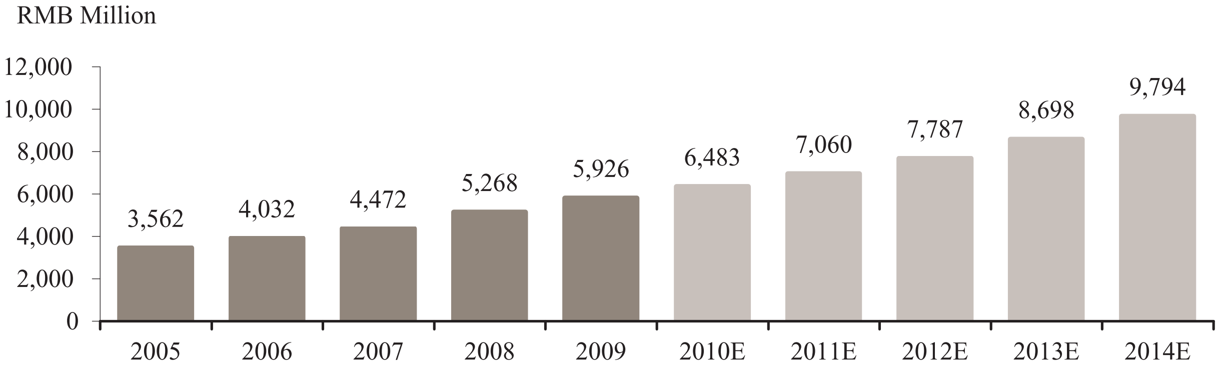
According to the Euromonitor Study, sales of each of the four categories that our current SFDA-approved health food product candidates cover have grown noticeably in the past five years and are expected to continue to grow. The following charts show, for the periods indicated, the growth of the sales of health food products for each of the four categories that our current SFDA-approved health food product candidates cover.

Sales of Health Food Products Regulating Blood Lipid level in China



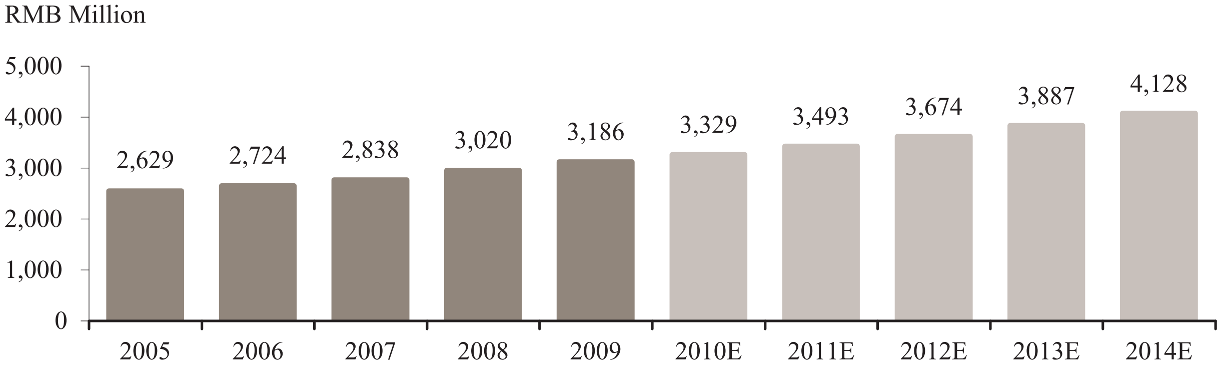
Source: Euromonitor Study

Sales of Health Food Products Regulating Blood Sugar Level in China



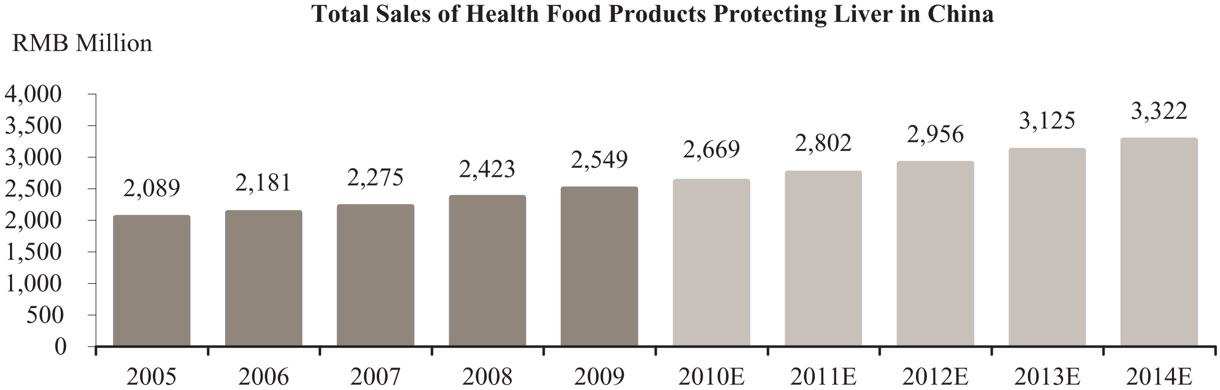
Source: Euromonitor Study

Sales of Health Food Products Improving Sleep in China



Source: Euromonitor Study

Total Sales of Health Food Products Protecting Liver in China



Source: Euromonitor Study

Drivers of the Health Food Product Market in China

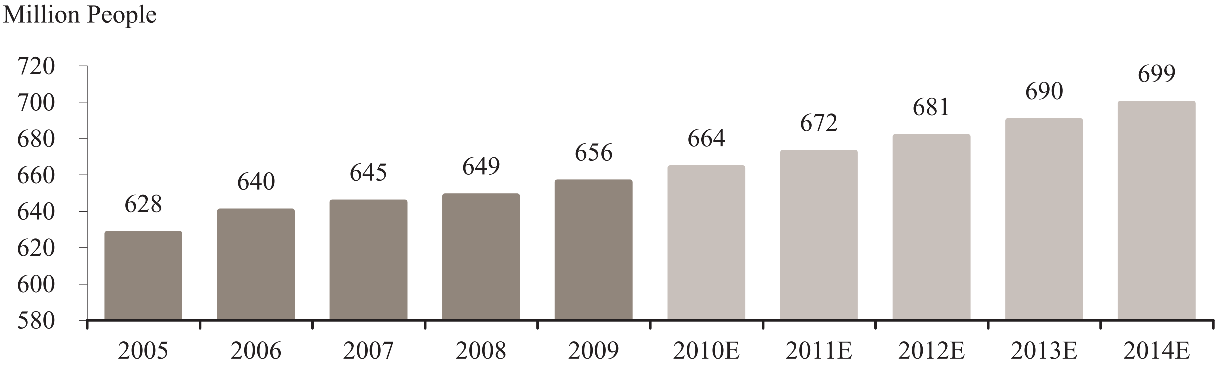
Rising health consciousness and prevalence of self-medication

With improved living standards and higher disposable income, consumers in China are becoming more familiar with the concepts of wellness and holistic health, partly as a result of consumer education programs and campaigns by health product and drug providers, medical practitioners and the government. Increased access to information through widespread Internet usage in China has also played an important role in boosting consumers' knowledge and awareness of health and well-being issues. This increased sophistication and awareness have led to an increased confidence in self-medication, whereby a person seeks remedies to mild chronic or recurring health issues without seeing a doctor or getting a drug prescription. Many Chinese consumers prefer self-medication in order to avoid the time and expenses associated with visiting a doctor. These trends are particularly pronounced in urban areas, where living standards are relatively higher and access to healthcare and health products is relatively greater compared with rural areas.

Rising levels of health problems

China's industrialization, economic growth and urbanization have been accompanied by rising pollution levels, reductions in physical activity and labor intensity, an increasingly fast-paced and stressful lifestyle and the charges in diet, which in turn have led to an increasing prevalence of certain health problems. According to the Frost & Sullivan Health Problem Prevalence Study, the number of people in China experiencing reduction in vitality and tolerance against illness without having been diagnosed as suffering a defined disease (a condition known as "sub-health") increased from 628 million in 2005 to 656 million in 2009 and is expected to increase to 699 million in 2014. This population group is increasingly drawn to the benefits of health food products. The following chart shows the growth of the sub-health population for the periods indicated.

Sub-Health Patient Population in China



Source: Frost & Sullivan Health Problem Prevalence Study

Among the most common health problems afflicting the sub-health population are constipation, obesity and hypertension, the relative populations of which are shown in the following table for the periods indicated.

	2005	2006	2007	2008	2009	2014E
	(in millions)					
Constipation	74	75	76	76	77	80
Obesity and Overweight(1)	293	303	313	324	335	396
Hypertension	179	185	192	198	205	238
Liver Disease(2)	197	211	225	239	254	311

(1) *According to the World Health Organization, a person is overweight if his or her body mass index (BMI) is between 25kg/m² and 30kg/m² and is obese if his or her BMI is greater than 30kg/m².*

(2) *Includes fatty liver and hepatitis.*

Source: Frost & Sullivan Health Problem Prevalence Study

Increasing demand for Chinese medicinal herb-based health food products

Traditional Chinese wisdom favors the concept of prevention of disease through healthy living and eating habits. Chinese people are inclined to take Chinese medicinal herb-based health food products in order to maintain or improve their health and avoid becoming seriously ill. Moreover, Chinese medicinal herbs are widely viewed by Chinese as safe, effective and affordable alternatives to western medicines when addressing mild health issues.

THERAPEUTIC TEA MARKET IN CHINA

The therapeutic tea market is a sub-set of the health food product market. Therapeutic teas are composed of a blend of Chinese medicinal herbs and teas. Therapeutic teas offer consumers an affordable, convenient-to-use and tasty way of achieving their health goals.

According to the Euromonitor Study, the therapeutic tea market in China grew from RMB3.1 billion in 2005 to RMB4.1 billion in 2009 and is expected to reach RMB5.8 billion in 2014, representing a CAGR of 7.1% from 2009 to 2014. In addition, the aggregate sales of therapeutic tea products in the slimming and laxative health benefit categories grew from RMB611.5 million in 2005 to RMB1.4 billion in 2009 and are expected to reach RMB2.3 billion in 2014, representing a CAGR of 9.9% from 2009 to 2014.

For 2008 and 2009, we were the market leader in China's overall therapeutic tea market with a market share of 11.2% and 18.8% in terms of retail sales value, respectively, according to the Euromonitor Study. In 2009, our next-closest competitor had less than one third of our market share and the remaining three of the top five brands had aggregate market share of less than half of our market share. The following table sets forth the market share of the top five providers of therapeutic tea products in terms of retail sales value for the periods indicated.

		Market Share (%)	
	Company name	**Year ended December 31, 2008**	**Year ended December 31, 2009**
1	Beijing Outsell Health Product Development Co Ltd.[1]	11.2	18.8
2	Guangdong Great Impression (Group) Co Ltd (廣東大印象（集團）有限公司)	6.7	5.5
3	Perfect (China) Co Ltd (完美（中國）日用品有限公司)	3.3	3.4
4	Jiangxi Xiushui Miraculous Tea Industry Co Ltd (江西省修水神茶集團公司)	1.9	2.8
5	Sichuan Shin pre Lingzhi Group Co Ltd (四川安都保健品有限責任公司)	2.3	2.5
	Total	25.4	33.0

(1) *Beijing Outsell Health Product Development Co Ltd. is our subsidiary that is conducting our business in the PRC.*

Source: Euromonitor Study

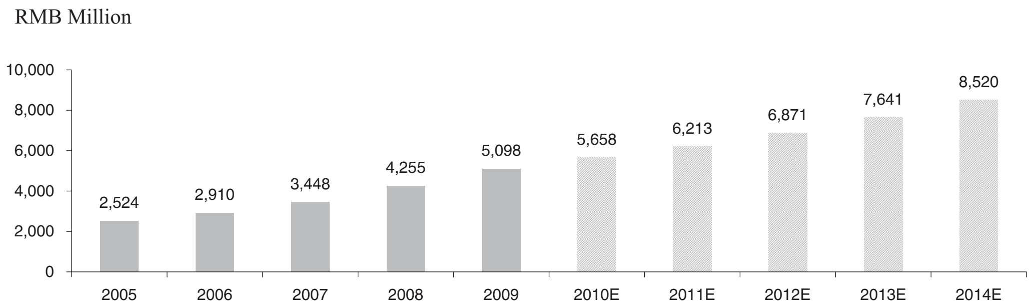
LAXATIVE AND SLIMMING PRODUCT MARKETS IN CHINA

Overview of Laxative and Slimming Product Markets

The markets for health food products with laxative or slimming functions have grown recently along with the increased population who suffer constipation or weight problems. According to the Euromonitor Study, sales of health food products having laxative function grew from RMB2.5 billion in 2005 to RMB5.1 billion in 2009, representing a CAGR of 19.2%, and are expected to increase to RMB8.5 billion in 2014, representing a CAGR of 10.8% from 2009 to 2014. Sales of health products having the slimming function also increased from RMB3.2 billion in 2005 to RMB5.7 billion in 2009, representing a CAGR of 15.8%, and are expected to continue the growth to reach RMB9.5 billion in 2014, representing a CAGR of 10.6% from 2009 to 2014.

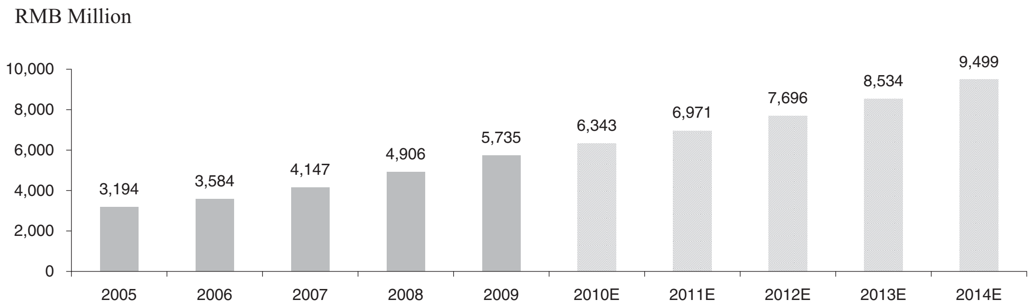
The following charts show the historical and expected growth of the laxative health food product and slimming health food product markets in China for the periods indicated.

Total Sales of Laxative Health Food Products in China



Source: Euromonitor Study

Total Sales of Slimming Health Food Products in China



Source: Euromonitor Study

Competitive Landscape of Laxative and Slimming Product Markets

Our Besunyen Detox Tea and Besunyen Slimming Tea compete with other laxative and slimming products, including health food products, OTC drugs and other products, in particular those sold in retail pharmacies. According to the SMERI Study, our Company was the leading provider of laxative products sold through retail pharmacies in both 2008 and 2009 in terms of retail sales value, enjoying a market share of 20.9% and 25.2% in 2008 and 2009, respectively. In 2008 and 2009, our next-closest competitor, Yunnan Panlong Yunhai Pharmaceutical Co., Ltd. (雲南盤龍雲海藥業) had a market share of 19.9% and 23.7%, respectively. Beijing Yu Sheng Tang Pharmaceutical Group Limited (北京禦生堂藥業集團有限公司) ranked third in the laxative product market in both 2008 and 2009, having a market share of 4.1% and 6.8%, respectively. In the market for slimming products sold through retail pharmacies, our market share increased rapidly from 4.3% in 2007 to 8.1% in 2008 and further to 15.9% in 2009, ranking as the second largest provider of slimming products and the largest provider of slimming tea in terms of retail sales value in 2009. The next-closest provider of slimming tea is Beijing Tian Long Health Tea Co., Ltd. (北京天龍保健茶有限公司), which had a market share of 1.6% in 2009. Tai Ji Group (太極集團涪陵製藥), which produces and sells Qu Mei (Sibutramine), a prescription drug and slimming product, was the largest provider of slimming products in China, having a market share of 28.4% and 30.1% in 2008 and 2009, respectively.

Trends of Laxative and Slimming Product Markets in China

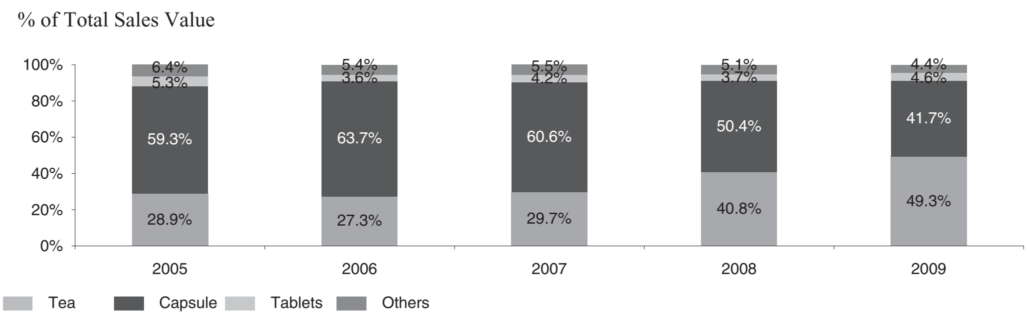
Increasing population with weight or constipation problems

China's continuing modernization has resulted in reductions in physical activity levels in both urban and rural areas. People are spending less energy on traditional forms of transportation such as walking and cycling, and the popularity of cars, buses, and motorcycles is increasing. According to the Frost & Sullivan Health Problem Prevalence Study, obesity is a growing health concern in China as the rate of obesity in China has doubled in the past 10 years. The overweight and obese population in China increased from 293 million in 2005 to 335 million in 2009 and is expected to increase steadily in the near future to 396 million in 2014, according to the Frost & Sullivan Health Problem Prevalence Study. The Frost & Sullivan Health Problem Prevalence Study also states that about 5% of the total population under 60 and about 11.5% of the population over 60 have constipation.

Increasing prevalence of therapeutic tea products

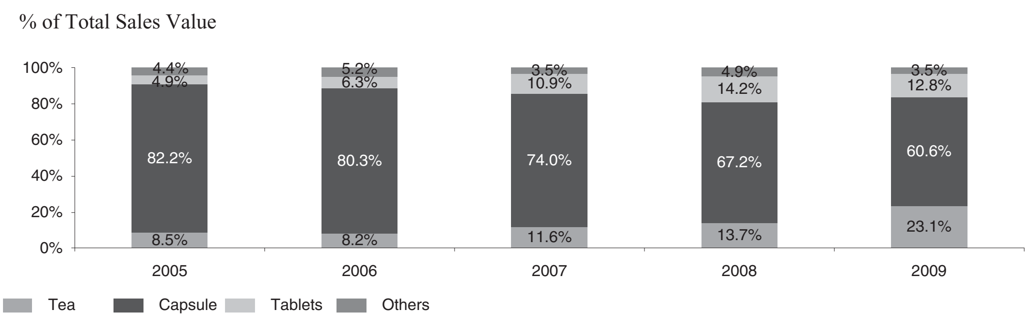
According to the SMERI Study, retail sales of therapeutic tea products with laxative function grew from 28.9% of all laxative products sold in retail pharmacies in 2005 to 49.3% in 2009. A similar preference for therapeutic tea products is also reflected in the slimming product markets, where the retail sales of slimming tea grew from 8.5% of all slimming products sold in retail pharmacies in 2005 to 23.1% in 2009. This growth trend is expected to continue, with the percentage of those markets attributable to therapeutic teas increasing to 54.3% of the laxative market and 42.1% of the slimming product market, respectively, by 2014. The following charts show total sales of laxative products and slimming products sold through retail pharmacies by product type from 2005 to 2009.

Total Retail Sales of Laxative Products in a Retail Pharmacies by Product Type



Source: SMERI Study

Total Retail Sales of Slimming Products in Retail Pharmacies by Product Type



Source: SMERI Study

OVER-THE-COUNTER TRADITIONAL CHINESE MEDICINE MARKET IN CHINA

According to the Euromonitor Study, the market size of OTC traditional Chinese medicine increased from RMB24.1 billion in 2005 to RMB32.7 billion in 2009 and is expected to grow further to RMB45.4 billion in 2014, according to the Euromonitor Study.

Drivers of OTC Traditional Chinese Medicine Market in China

Traditional Chinese medicine has wide acceptance among Chinese consumers, who have trusted traditional Chinese medicines for centuries. Many Chinese consumers believe that traditional Chinese medicines are very effective while being milder and having fewer side effects as compared with western medicines. They are also valued for their prophylactic properties. Due to its close ties with many aspects of Chinese culture, most Chinese are familiar with the concepts and usage techniques of traditional Chinese medicines. As a result, many Chinese are more comfortable using traditional Chinese medicines than western medicines when facing minor health issues.

Demand for OTC traditional Chinese medicines is also being driven by similar factors as those driving demand for health food products, including rising health consciousness and prevalence of self-medication and rising levels of health problems.

Medical reform policies adopted by the PRC Government strongly support the use of traditional Chinese medicine with an emphasis on prevention over curing. In addition, the PRC Government has issued several regulations, including Certain Opinions of the State Council on Supporting and Promoting the Development of the Traditional Chinese Industry (國務院關於扶持和促進中醫藥事業發展的若干意見) promulgated by the State Council on April 21, 2009, and Notice of the State Council on Printing and Distributing the Plan on Recent Priorities in Carrying out the Reform of Health Care System (2009-2011) (國務院關於印發醫藥衛生體制改革近期重點實施方案(2009-2011年)的通知) promulgated by the State Council on March 18, 2009, which promote the development of the traditional Chinese medicine market in China.