

**ARTICLES OF ASSOCIATION OF SHANGHAI SHINING  
BIOTECHNOLOGY CO., LTD.**

**Chapter 1  
General Provisions**

**Article 1**

In accordance with the Company Law of the People's Republic of China and other relevant law and regulations, Shanghai Shining Biotechnology Co., Ltd. is jointly invested and established by shareholders through consensus. For this purpose, the Articles of Association are formulated.

**Article 2**

Shareholders of the company:

Song Jin'an      Address: No. 57-3, Liaoyang District, Nangang District, Harbin City

Yan Li            Address: No. 57, Liaoyang District, Nangang District, Harbin City

Huang Weida    Address: No. 8, Jiaosheng, No.220, Handan Road, Shanghai City

Yan Yihong      Address: No. 2, Building 18, Cadre Sanatorium of the Sixteenth  
Army, Zhongyuan District, Zhengzhou City

Shanghai Shengyuan Real Estate Co., Ltd.

Address: No.109, Lane 568, Luoyang Road, Minhang District,  
Shanghai City

**Article 3**

Name of the company: Shanghai Shining Biotechnology Co., Ltd. (hereinafter referred to as the company).

Address of the company: No.999, Ningqiao Road, Jinqiao Export Processing zone, Pudong District, Shanghai City.

**Article 4**

The company is a limited liability company. Shareholders assume responsibilities according to their respective capital contributions and the company assumes responsibilities for debts of the company.

**Article 5**

The shareholders of the company, as capital contributors, have the right to enjoy the benefits of the assets of the company, make major decisions, choose managers etc. in accordance with the amount of capital they have invested in the company. The company enjoys the property rights of all legal persons constituted by investment, enjoys civil rights and assumes civil liabilities in accordance with the law.

**Article 6**

The company may invest in other limited liability companies and shall assume responsibilities in such cases to the extent of its investment in such companies. Should the company invest in other limited liability companies, the amount of investment

shall not exceed 50% of the net assets of the company, not including any increase in the capital of the other limited liability companies in which the company invests arising from any conversion of profits of these companies into capital following such investment.

#### **Article 7**

In conducting business activities, the company shall abide by business ethics and accept the supervision of the government and the public.

Legal rights and interests of the company are protected by the law and shall be inviolate.

### **Chapter 2 Purpose and Business Scope**

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#### **Article 8**

The purposes of the company: strive to explore domestic and international markets based on innovation, faithfulness, efficiency and motivation and making contributions to the social development and human health based on scientific management, integrity and faithfulness, standard operation and excellent services.

#### **Article 9**

The business scope of the company: production and sales of micro ecological capsule and health food (the above-mentioned do not contain drugs), the sales of chemical products (excluding dangerous goods), research and development of drugs, nonferrous metals, clothing, export of own products and import of machines, parts, raw materials and auxiliary materials we need (except commodities and technologies restricted or prohibited by the state). The company includes our member enterprises held by the company.

### **Chapter 3 Registered Capital, Amount of Investment and Way of Contribution of All Shareholders**

#### **Article 10**

The registered capital of the company is RMB20.48million, including:

Song Jin'an	RMB10.24 million	accounting for 50% of the registered capital
Yan Li	RMB6.0416 million	accounting for 29.5% of the registered capital
Huang Weida	RMB3.072 million	accounting for 15% of the registered capital
Yan Yihong	RMB1.024 million	accounting for 5% of the registered capital
Shanghai Shengyuan Real Estate Co., Ltd.	RMB0.1024 million	accounting for 0.5% of the registered capital

#### **Article 11**

Shareholders may contribute the capital in currency, kind, industrial property rights,

non-patent technologies or land use rights.

#### **Article 12**

Shareholders shall pay the amount of investment subscribed in full. For investment in currency, the amount of investment shall be deposited in full into the specified account for capital verification. For investment in kind, industrial property, non-patented technology or land use rights which are capital contributions, a valuation must be carried out and the registration shall be handled in accordance with the law and transfer procedures of property rights shall be handled for the new company within the time limit specified.

#### **Article 13**

A shareholder may transfer all or part of his investment to any other shareholders. Where a shareholder transfers its capital contribution to a person other than the shareholders, the consent of more than half of all shareholders is required. A shareholder objecting to such transfer shall purchase the capital contribution to be transferred and such shareholder is deemed to have agreed to the transfer if he does not purchase the capital contribution. For a transfer of capital contribution which is transferred upon the consent of the shareholders, other shareholders have a pre-emptive right to purchase it on the same conditions.

#### **Article 14**

The limited liability companies shall issue the investment certificate to shareholders signed by the company upon establishment.

### **Chapter 4 Rights and Obligations of Shareholders**

#### **Article 15**

Shareholders shall enjoy the following rights:

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1. to record their names, addresses, amount of investments, investment certificate numbers and other matters in the register of shareholders;
2. to attend or elect representatives to attend in the shareholders' meetings and the board meetings;
3. to understand the operation status and financial conditions of the company and review minutes of shareholders' meetings and financial reports of the company;
4. to obtain dividends to the extent of the amount of investment; where the company is to increase the capital, shareholders may have the priority to subscribe and contribute the capital;
5. to have their names, addresses and amount of investments into the register of shareholders after the transfer of their investment in accordance with the law.

6. where the company terminates, to obtain the remaining assets of the company to the extent of the amount of investment after liquidation of debts of the company;
7. to attend or entrust proxies to attend shareholders' meetings and exert voting rights to the extent of the amount of investment;
8. to review the Articles of Association, meeting minutes and resolution summaries of shareholders' meetings as well as financial reports of the company.

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**Article 16**

Shareholders shall perform the following obligations:

1. to pay in the amount of investment subscribed;
2. to assume the debts of the company to the extent of the amount of investment;
3. not to withdraw the capital contribution after registration of the company;
4. to assume the joint liability of shareholders that can't pay the amount of investment in full;
5. other obligations specified in the Articles of Association.

**Chapter 5 Shareholders' Meeting**

**Article 17**

The shareholders' meetings are made up of all shareholders. The shareholders' meeting is at the company's authoritative organization.

**Article 18**

The shareholders' meetings shall perform the following powers:

1. determining operational guidelines and investment plans of the company;
2. electing and replacing directors, and deciding upon matters relating to their remuneration;
3. electing and replacing supervisors who represent the shareholders, and deciding upon matters relating to the remuneration of supervisors;
4. examining and approving reports by the board of directors;
5. examining and approving reports by supervisors;
6. examining and approving annual financial budget plans and final accounting plans of the company;
7. examining and approving the company's profit distribution plans and plans to cover company losses;
8. adopting resolutions relating to increase or reduction of the company's registered capital;
9. adopting resolutions relating to the issuance of bonds of the company;
10. adopting resolutions relating to the transfer of the amount of investment by a shareholder to anyone other than a shareholder of the company;

11. adopting resolutions relating to merger, division, change of corporate form, dissolution, liquidation and other significant matters of the company;
12. amending the Articles of Association;
13. Other significant matters.

#### **Article 19**

The resolutions of the shareholders' meetings shall be passed by the shareholders with 1/2 or more of the voting rights. However, the resolutions relating to merger, division, change of corporate form, dissolution, liquidation and other significant matters of the company shall be passed by shareholders with 2/3 or more of the voting rights.

#### **Article 20**

Shareholders perform voting rights according to the proportion of their respective capital contributions on shareholders' meetings.

#### **Article 21**

The shareholders' meeting shall be held once in March or April annually. Shareholders representing 1/4 or more of the voting rights and directors or supervisors representing 1/3 or more of the voting rights may propose for an interim meeting. Shareholders' meetings shall be called and hosted by the president. Where the president can't perform his duties due to special reasons, another director shall be assigned by the president.

#### **Article 22**

The board of directors shall notify all shareholders the convocation of shareholders' meetings 15 days prior to the meetings. Shareholders shall prepare minutes regarding the decisions on matters considered at the meetings, which shall be signed by the shareholders attending the meeting.

### **Chapter 6 Board of Directors**

#### **Article 23**

The company shall set up a board of directors. The board of directors consists of seven directors, including two independent directors, directors elected by all shareholders and one president occupied by the director with the most capital contributions. The term of office for directors is three years and may be renewed if continuously elected.

#### **Article 24**

The president is the legal representative of the company.

#### **Article 25**

The board of directors is responsible for shareholders and exerts the following powers:

1. calling shareholders' meetings and reporting its work to shareholders' meetings.
2. adopting resolutions of shareholders' meetings.
3. determining operational guidelines and investment plans;
4. making annual financial budget plans and final accounting plans of the company;
5. making the company's profit distribution plans and plans to cover company losses;
6. making plans relating to increase or reduction of the company's registered capital;
7. drafting plans relating to merger, division, change of corporate form and dissolution of the company;
8. determining the setup of an internal management organization of the company;
9. recruiting or dismissing the general manager of the company, recruiting or dismissing the deputy general manager and the person in charge of financial affairs and deciding upon matters relating to their remuneration;
10. establishing the basic management system of the company;
11. amending the Articles of Association;
12. other powers granted by the shareholders'

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**Article 26**

The directors shall not be dismissed at shareholders' meeting within their term of office without reason.

**Article 27**

The board meeting shall be called and hosted by the president; where the president can't perform his duties due to special reasons, the vice president or another director shall be assigned to call and host the board meeting by the president. More than 1/3 of directors may propose to hold the board meeting.

**Article 28**

The board meetings shall be held by more than 1/2 of directors; otherwise, the resolutions of the board of shareholders shall not be passed. The resolutions of the board of shareholders shall be passed by more than half of all directors.

Where a director can't attend the board meeting, a proxy may be entrusted to attend the board meeting in written form.

**Article 29**

All directors shall be notified the convocation of board meetings 10 days prior to the meetings.

Any shareholder who disagrees with the resolutions of the board of shareholders shall have the right to keep his advisory opinion on the meeting minutes.

## **Chapter 7 Setting of Directors**

### **Article 30**

The company shall set up a board of directors. The board of directors consists of three directors occupied by the representatives of shareholders and representatives of employees. The directors occupied by the representatives of employees shall not be less than 1/3 of directors. The board of directors shall set up a convener, who is elected by all directors.

The president, general manager and the person in charge of financial affairs shall not be the director concurrently.

### **Article 31**

The term of office for supervisors is three years and may be renewed if continuously elected.

### **Article 32**

The board of supervisors shall enjoy the following powers:

1. inspecting the financial affairs of the company;
2. supervising behaviors of directors, the general manager and the deputy general manager that violate the law, regulations or the Articles of Association when they perform their duties;
3. requiring directors, the general manager and the deputy general manager to correct their behaviors which damage the interests of the company;
4. proposing to hold interim shareholders' meetings;
5. other powers specified in the Articles of Association.

Supervisors may attend the board meetings.

## **Chapter 8 Management Organization**

### **Article 33**

The company shall set up a management organization which shall be responsible for its daily management. The management organization shall have a general manager. The general manager and deputy general manager shall be recruited by the board of directors, of which the term of office is three years and may be renewed if continuously elected.

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### **Article 34**

The general manager shall be responsible for the board of directors and perform the following duties:

1. hosting the production and operation management of the company and organizing for implementing the resolutions of the board of directors;
2. organizing for implementing operational guidelines and investment plans of the company;
3. drafting plans relating to the setup of an internal management organization of the company;
4. drafting the basic management system of the company;
5. establishing specific rules and regulations of the company;
6. requesting to recruit or dismiss the deputy general manager or the person in charge of financial affairs of the company;
7. recruiting or dismissing management personnel other than those who shall be recruited or dismissed by the board of directors;
8. other powers granted by the board of directors.

The general manager shall attend the board meetings.

The deputy general manager shall assist the general manager to perform the duties above. Where the general manager can't perform the duties due to some reasons, a deputy general manager may be entrusted to perform the duties above by the general manager. However, the general manager shall notify the board of directors if the term of agency is more than one month.

#### **Article 35**

The company shall set up six departments. Department managers shall be responsible for the work of their respective departments and the general manager.

#### **Article 36**

The president and other directors shall be recruited by the board of directors and may occupy the general manager, the deputy general manager and other senior positions concurrently.

### **Chapter 9 Articles of Loyalty**

#### **Article 37**

The directors, supervisors and the general manager (also including deputy general managers in the chapter) shall abide by the Articles of Association, perform their duties faithfully and protect the interests of the company. They may not exploit their positions and power in the company to advance their own private interests.

The directors, supervisors or managers of the company may not exploit their position to accept bribes or other illegal income or wrongfully take over company property.

**Article 38**

The directors or general manager may not misappropriate company funds or loan such funds to others.

The directors or general manager may not open accounts in their own names or in the names of other individuals for the deposit of the company's assets.

The directors or general manager may not provide a guarantee for debts of a shareholder of the company or other individual(s) with the company's assets.

The directors or general manager may not establish contracts or conduct transactions except conditions specified in the Articles of Association or agreed by the shareholders' meetings.

**Article 39**

The directors or general manager may not disclose secrets of the company except conditions specified in the Articles of Association or agreed by shareholders.

**Article 40**

The general manager or other senior employees shall submit the written report to the board of directors two months in advance if they request for dismissal.

**Article 41**

Where a director, supervisor or general manager of a company violates the law, administrative regulations or the company's articles of association while performing his official corporate duties resulting in harm to the company, such director, supervisor or general manager shall be liable for damages.

Where the general manager or any other senior management personnel has such behaviors, such director, supervisor or manager may be dismissed at any time upon the resolution of the board of directors, in addition to assumption of compensation liabilities.

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**Chapter 10 Financial Affairs and Profit Distribution System****Article 42**

The company shall establish the financial and accounting system in accordance with the national laws, administrative regulations and regulations of financial administrative departments of the State Council.

**Article 43**

The company shall prepare financing reports at the end of every fiscal year and

deliver them to all shareholders and relevant government departments for supervision within ten days after examination and verification.

The fiscal year of the company coincide with the calendar year, i.e. January 1 to December 31. The financial reports of the company shall include the following financial statements and schedules:

1. Balance sheet;
2. Profit and loss statement;
3. Statement of changes in financial position;
4. Financial situation statement;
5. Profit distribution statement.

#### **Article 44**

All shareholders shall enjoy the right to have the right to invite an auditor or accountant to undertake an annual financial examination at his own expense. The company shall provide convenience for the checking and examination.

#### **Article 45**

When distributing each year's after-tax profits, the company shall set aside ten percent of its after tax profits for the company's statutory common reserve fund and five percent to ten percent of its profits for the company's statutory common welfare fund. When the aggregate balance in the statutory common reserve fund is fifty percent or more of the registered capital of the company, the company need not make any further allocations to that fund.

#### **Article 46**

When the company's statutory common reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make up for the losses before allocations are set aside for the statutory common reserve fund or the statutory common welfare fund in accordance with the previous article.

#### **Article 47**

Subject to a resolution of the shareholders' meeting, the company may set aside funds for a discretionary common reserve fund after the company has set aside funds from after-tax profits for the statutory common reserve fund,.

#### **Article 48**

After the company has made up its losses and made allocations to its common reserve fund and statutory common welfare fund, the remaining profits are distributed in proportion to the shareholders' capital contributions.

#### **Article 49**

The company may not keep accounting books and records other than those provided by law. The company's assets may not be held in an account opened in the name of

any individual.

## **Chapter 11 Merger and Division**

### **Article 50**

A resolution to effect the merger and division of the company shall be passed at a meeting of the shareholders.

### **Article 51**

The merger and division of the company shall be handled in accordance with the procedures and requirements of Article 184 of the Company Law of the People's Republic of China.

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### **Article 52**

Where the company decreases the registered capital, the balance sheet and a list of property shall be prepared. The decrease of the registered capital shall be handled in accordance with the procedures and requirements of Articles 184 and 185 of the Company Law of the People's Republic of China.

The registered capital shall not be less than the statutory minimum amount after decrease.

### **Article 53**

Where the company increases the registered capital, shareholders may subscribe the increased capital in proportion of capital contributions or determine the subscription proportion of the increased capital through negotiations.

### **Article 54**

When there is a change in any item in the registration due to merger or division, the company shall change, cancel or establish its registration with the company registration authority in accordance with the law.

When increasing or decreasing its registered capital, the company shall change its registration with the company registration authority in accordance with the law.

## **Chapter 12 Duration, Dissolution and Liquidation**

### **Article 55**

The business period of the company is fifty years from the date of issuance of the business license.

### **Article 56**

A resolution to extend the business period of the company shall be passed at a meeting of shareholders if all shareholders agree. Such resolution shall be reported to the original approval authority for approval six months before the business period expires and the change of registration and registration procedures shall be handled at the company registration authority.

#### **Article 57**

The company may be dissolved in any of the following circumstances:

1. expiration of the business period specified in the Articles of Association or occurrence of other causes specified in the Articles of Association;
2. a resolution to terminate the company at a meeting of shareholders;
3. merger or division of the company.

The company shall be dissolved in any of the following circumstances:

1. being ordered to close down by violating laws, administrative regulations in accordance with the law;
2. bankrupt.

#### **Article 58**

When the company dissolves in accordance with the first section of the previous article, the liquidation is carried out by the liquidation group constituted by shareholders within fifteen days.

When the company dissolves in accordance with the second section of the previous article, the liquidation is respectively carried out by the liquidation group constituted by relevant competent authorities and the people's court.

#### **Article 59**

The liquidation group shall perform the following powers during the liquidation period:

1. liquidating the company's assets and respectively preparing the balance sheet and the list of property
2. notifying or declaring creditors;
3. settling uncompleted businesses relating to the liquidation;
4. repaying debts;
5. clearing up creditors' rights and debts;
6. settling remaining properties of the company after the liquidation of debts;
7. participating in civil litigations on behalf of the company.

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#### **Article 60**

After checking the company's property and preparing a balance sheet and an inventory of property, the liquidation group shall formulate a liquidation plan and present it to a meeting of the shareholders or to the relevant competent authority for confirmation.

Where the property of the company is able to repay its debts, the company shall respectively pay all liquidation expenses, wages of staff and workers, labor insurance fees and taxes owing, and shall repay the company's debts.

The remaining property of the company after the clearance in accordance with the previous article shall be distributed in proportion to the capital contributions of shareholders.

#### **Article 61**

The company shall not carry out new business activities during the liquidation period.

#### **Article 62**

Where the liquidation group discovers that the company's assets are insufficient to repay the company's debts, the liquidation group shall immediately apply to the people's court for a bankruptcy declaration. After a company is declared bankrupt by a ruling of the people's court, the liquidation group shall transfer liquidation matters to the people's court.

#### **Article 63**

After liquidation of the company is completed, the liquidation group shall prepare a liquidation report and present it for confirmation to a meeting of the shareholders or to the relevant competent authority, apply to the company registration authority for cancellation of the company's registration and publish by public notice of the termination of the company.

#### **Article 64**

The members of the liquidation group shall faithfully carry out their tasks and shall carry out their liquidation duties in accordance with the law. They may not exploit their position to accept bribes or other illegal income, nor may they wrongfully take over the property of the company.

The members of the liquidation group who intentionally or through gross negligence cause losses to the company or its creditors shall be responsible for providing compensation.

### **Chapter 13 Supplementary Provisions**

#### **Article 65**

The Articles of Association shall be binding upon the company, shareholders,

directors, supervisors and the general manager.

**Article 66**

All shareholders shall sign or seal on the Articles of Association to show the complete acceptance of it.

**Article 67**

The Articles of Association shall be effective upon signatures of all shareholders and shall be registered with the company registration authority.

**Article 68**

The shareholders' meeting reserves the right to explain the Articles of Association.

**Article 69**

The Articles of Association shall be prepared in octuplicate, one copy for each shareholder, two copies for record and two copies respectively submitted to relevant departments and government organs, all copies enjoying equal legal effects.

Signatures or seal of shareholders:

Song Jin'an (Signed)

Yan Li (Signed and sealed)

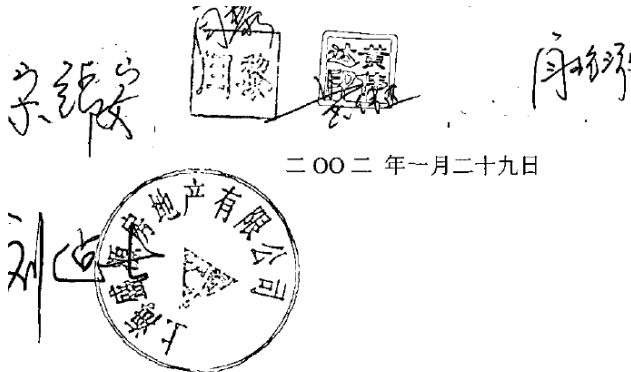
Huang Weida (Signed and sealed)

Yan Yihong (Signed)

Liu Jianshi (Signed)

Shanghai Shengyuan Real Estate Co., Ltd. (Sealed)

Dated: January 29, 2002



二〇〇二年一月二十九日

The image shows handwritten signatures and seals. At the top, there are four signatures: Song Jin'an, Yan Li (with a square seal), Huang Weida (with a square seal), and Yan Yihong. Below these is the date '二〇〇二年一月二十九日'. At the bottom, there is a signature '刘健士' and a large circular seal for '上海盛源房地产有限公司' (Shanghai Shengyuan Real Estate Co., Ltd.).

## Notification of Enterprise Name Pre-approval

Hu-Ming-Cheng-Yu-He (Si) No.: 03199907300134

To Song Jin'an, Yan Li, etc.,

In accordance with the Regulations on Administrating the Registration of Companies and Provisions on Administrating the Registration of Company Names, it is hereby approved that the pre-approved name is:

Shanghai Shining Biotechnology Co., Ltd.

The retention period of the name is six month, from July 30, 1999 to January 29, 2000; the company name shall not be used to carry out business activities within the retention period, nor transferred or changed.

The industry sector code of the name: (031449);

The registered capital of the company RMB 1 million Yuan (RMB);

Investors of the company: Song Jin'an, Yan Li, etc.

In accordance with the regulations of Articles 5 and 25 in Provisions on Administrating the Registration of Company Names: In accordance with the regulations of Article 5 and Article 25: the registration competent authorities are entitled to correct inappropriate company names already registered; in case of disputes arising from the same or similar company name registered between two enterprises or more, the registration authority will resolve them according to the principle of priority of registration.

If the pre-approved company name contains any contents that shall be submitted for examination and approval (such as: joint stock company, group, import and export business, etc.) in accordance with the law and administrative regulations, relevant approval documents must be submitted to register the establishment of the companies. Otherwise, the company shall not be registered with the company name approved in the notification, but shall apply for another company name separately.

When registering, enterprises shall submit the notification in original to registration authorities for keeping into the enterprise record.

It is hereby notified.



Shanghai Administration of Industry and Commerce (Sealed)

Dated: July 30, 1999

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**Application for Register of Establishment of Companies**

Company name	Shanghai Shining Biotechnology Co., Ltd.	Name registration approval no.	Hu-Ming-Cheng-Yu-He (Si) No.03199907300134	
Company type	Private company	Business type (State bureau)		
Special category		Business period	August 1999 to August 2049	
Industry sector	Food			
Business scope	Production and sales of health food; operation and sales of ordinary chemical products			
Total amount of investment	RMB1 million	Currency	RMB	
Registered capital	RMB1 million	Currency	RMB	
Capital verified by		Copies of the business license applied	2	
Division	Jinqiao Export Processing Zone, Pudong District	Street		
Road name	Ningqiao Road	Lane name		
Starting house no.	Building 1, No.999	Ending house no.		
<input checked="" type="radio"/> Odd <input type="radio"/> Even <input type="radio"/> Consecutive number		Room no.		
Tel	13601783201	Fax		
Address	Building 1, No.999, Jinqiao Export Processing Zone, Shanghai	Zip code	201206	
Remark				

No.: JQ99X228H-047

## **Lease Contract of the General-use Plant**

Party A: Shanghai Jinqiao Export Processing Zone Development Co., Ltd.  
Address: No.188, Jinqiao Road, Pudong District, Shanghai City  
Legal Representative: Yang Xiaoming

Party B: Shanghai Shining Biotechnology Co., Ltd.  
Address: F5, West of Building 1, No.999, Ningqiao Road, Jinqiao Export Processing Zone, Shanghai City  
Legal Representative: Song Jin'an

### **Chapter 1 General Principles**

In accordance with the Law of the People's Republic of China on Administration of the Urban Real Estate, Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas, Administration of the Leasing of Urban Premises Procedures and other relevant regulations, the contract is entered into by and between Party A and Party B through negotiations regarding that Party B leases a general-use plant from Party A, by referring to customary practices of all development zones of the country and Shanghai.

Article 2 Both parties shall abide by relevant national and local laws, rules, regulations and the Contract of Transferring the Use Right of Stretches of State-owned Land in Jinqiao Export Processing Zone of Shanghai (hereinafter referred to as the "transfer contract") signed by Shanghai Jinqiao (Group) Co., Ltd. and Shanghai Municipal Bureau of Land Management .

### **Chapter 2 Contract Documents**

Article 3 The following documents are integral parts of the contract, which enjoy equal legal effects as the text of the contract:

1. Sales literature of the general-use plant;
2. Regulations on Using, Managing and Maintaining General-use Plants of Shanghai Jinqiao Export Processing Zone.

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### **Chapter 3 Legal Statuses of Both Parties and Relevant Documents**

Article 4 Party A is an economic entity established upon the approval of the state, which is responsible for the land development and management of Jinqiao Export Processing Zone in Shanghai City and enjoys the qualification of a Chinese legal person.

Article 5 Party B is an economic entity established upon the approval of the state, which is engaged in the production and operation of health food and enjoys the qualification of a Chinese legal person.

Article 6 Party A shall provide or present the following documents to Party B:

1. Business License of Party A issued by the administrative authority for industry and commerce (original or copy).

Party B shall provide or present the following documents to Party A:

1. The resolution of the shareholders' meeting.
2. Business License of Party B issued by the administrative authority for industry and commerce (original or copy), to be supplemented.

### **Chapter 4 Location and Area of the General-use Plant**

Article 7 Party B leases from Party A the general-use plant (west of the fifth floor, hereinafter referred to as the "leased plant") located at Plot 1, No.15, Jinqiao Export Processing Zone, Shanghai, as the production and operation location of Party B. The construction area of the general-use plant is 1,201.13 square meters. For its geographical location and structure, please see the Sales Literature of the General-use Plant.

Party A agrees that Party B is exempted from the rental for 600 square meters and the property management fee for the corresponding area (the property management fee is calculated according to the current vacant room) from October 20, 1999 to October 19, 2000. Party B shall pay the rental and property management fee of 1,201.13 square meters from October 20, 2000 to October 19, 2004. Party A agrees that Party B may make decorations and install equipment in the plant from the date of signatures on the contract to October 19, 1999.

Article 8 Without the consent of the obligee, Party B shall not occupy the area other than the leased plant for any reason.

### **Chapter 5 Lease Term of the General-use Plant**

Article 9 The lease term of the plant leased by Party B as set in Article 7 of the Lease Contract is five years, from October 20, 1999 to October 19, 2004.

Article 10 Party B shall have the use right of the leased plant and the interests of Party B are protected by the national laws within the term of lease.

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**Chapter 6 Rental and Payment Term of the General-use Plant**

Article 11 The rental of the leased plant is RMB0.6/square meter per day. The annual rental for the first year (October 20, 1999 to October 19, 2000) is RMB131,647 and the annual rental for the second year (from October 20, 2000) is RMB263,047.

Article 12 Party B shall pay the rental of the leased plant in RMB.

Article 13 Party B shall deposit the rental from October 20, 1999 to December 31, 1999 to the account of the opening bank appointed by Party A within twenty days from the effective date of the Contract and 1/4 of the annual rental of the following years into the account of the opening bank appointed by Party A respectively in the four quarters of the same year in four times, respectively on January 31, April 30, July 31 and October 10 of the same year.

Article 14 The rental of the leased plant shall not be adjusted in the first three years, but may be adjusted once in every three years from the fourth year within the scope of 10% of the total rental of the previous year.

**Chapter 7 Supporting Facilities**

Article 15 The supporting facilities in the Contract shall include the following three parts, unless otherwise specified:

1. Supply of electricity and water, telecommunications, gas pipelines;
2. Storm-water and sewerage drainage pipelines and interfaces;
3. Parking place, roads in the plant, lifts, stairways and passages.

Article 16 Should Party B use the supporting facilities with installed capacity greater than 250KVA or water supply capacity greater than or equal to 6 tons, or other supporting facilities for telecommunication, gas, storm-water and sewerage drainage and others, Party B shall apply to relevant public institutions and installation fees, capacity increase fees (subsidies, etc.) and all equipment and expenses shall be borne by Party B. Regarding the installed capacity less than 250KVA or water supply capacity less than 6 tons, the capacity increase fees shall be borne by Party A, but Party B shall still apply to relevant public institutions and pay for installation fees and all equipment and expenses.

Article 17 Party B shall not solely occupy the shared space including roads in the

factory where the leased plant is located and stairways and passages in the plant. After leasing the leased plant, Party B shall enjoy the right to use the lifts but shall be liable for energy charges produced hereby, while Party A reserves the property right of the lifts. The property management company of Party B shall be responsible for maintenance of the lifts and the expenses produced hereby. Party A shall provide parking places for a small passenger car and a wagon on each floor to Party B and the shared space shall be subject to the unified management of the property management company entrusted by Party A.

#### **Translation for Page 14 of 84**

Article 18 Party B may not destroy supporting facilities; otherwise, Party B shall be responsible for recoveries to the original status and all the expenses for any damage.

Article 19 During the term of lease, Party A shall notify Party B in advance the operation to supporting facilities in the leased plant; Party A shall be responsible for recoveries to the original status and all the expenses for any damage to machines of Party B.

### **Chapter 8 Delivery of the General-use Plant**

Article 20 Party A shall officially deliver the leased plant to Party B for use on October 20, 1999.

Article 21 Both parties shall give signatures on the delivery list on the delivery day, showing the successful delivery of the leased plant.

### **Chapter 9 Other Rights and Obligations**

Article 22 Party B shall abide by the “Regulations on Using, Managing and Maintaining General-use Plants of Shanghai Jinqiao Export Processing Zone” (hereinafter referred to as the Regulations) during the term of lease. Prior to the delivery of procedures of the leased plant between both parties, Party B shall sign a management agreement with the property management company of Party A and accept the instructions of the company. Party B shall start to pay the property management fees from the delivery day of the leased plant. Party A shall continue to bear the management fees of vacant rooms for the space where Party B is exempted from rentals and property management fees. In the meantime, Party B shall pay rentals of two months (according to 1,201.13 square meters) to Party A as the deposit and such deposit shall be paid in a lump sum when paying the rental of the leased plant for the first time. (Please see the Regulations for details.)

Article 23 The maintenance of natural damages of the leased plant shall be the responsibility of Party A. Based on the maintenance cycle of the leased plant, Party A

shall consign the property management company to undertake the maintenance task according to the scope of maintenance at the specified time. Where damages of the leased plant are caused by human, the responsible party shall be liable to its maintenance or compensation of corresponding economic losses.

Article 24 The purpose of the leased plant as set in Article 7 in the Contract shall be only for production and operation of Party B. Party B shall not lease or lend the leased plan to the third party.

Article 25 Party B shall not destroy the leased plant or the equipment and affiliated facilities in the leased plant, nor change the purpose of the leased plant, or dismantle, build or destroy the structures of the leased plant.

Article 26 Where the leased plant is to be separated and/or decorated within the term of lease, Party B shall obtain the consent of Party A and bear the expenses produced hereby; in the meantime, Party B shall not destroy the building structures of the leased plant. Otherwise, Party B shall be responsible for recoveries to the original status and all the expenses for any damage or change of the building structures.

Where the leased plant is to be partially rebuilt within the term of lease, Party B shall obtain the consent of Party A and abide by rules and regulations of the state and the government of Shanghai on construction, firefighting, environmental protection, industrial hygiene and other aspects.

#### **Translation for Page 15 of 84**

Article 27 Clients who purchase and lease the same general-use plant shall not occupy the shared space and the area other than the leased plant for any reason. When installing equipment, pipelines or other facilities, Party B shall obtain the consent of the adjacent companies if such installations are involved with such companies, and shall not affect the normal use of the general-use plant of such companies. Violation to this regulation will result in that the responsibilities of removal of offences, recoveries to the original status and all the expenses shall be borne by Party B.

Article 28 Exterior walls and roofs of the leased plant shall not be built with any building (constructional) work (construction due to special situations shall be based upon the approval of Party A in written form).

Article 29 Party B shall do a good work in environmental sanitation in accordance with relevant laws, rules and regulations of the state and Shanghai City.

Article 30 The work relating to the management of the shared space of the leased plant and the environmental management of the plant shall be carried out in accordance with the Regulations.

Article 31 The public health, planting and maintenance and other matters outside the plant shall be borne by Party A.

### **Chapter 10 Renewal and Termination of the Contract**

Article 32 Where Party B continues to lease the plant after the term of lease expires, the renewal may be applied. In such cases, Party B shall comply with the following conditions:

1. The application for renewal in written form shall be delivered to Party B six months before the term of lease of the general-use plant expires;
2. Where the term of renewal exceeds the business period, Party B shall have submit the approval document to prove that the investment approval authority has agreed to extend the business period of Party B and such document shall be delivered to Party B four months before the expiration of the term of lease of the general-use plant.

Article 33 After Party B proposes the application for renewal, Party A shall not make any legally binding promise concerning lease matters of the leased plant to any third party before the expiration of the term of lease specified in the contract.

Article 34 After Party B proposes the application for renewal, both parties may establish a new lease contract of the general-use plant by referring to the purpose specified in the contract.

### **Translation for Page 16 of 84**

Article 35 Where the term of lease is not renewed after expiration, Party B shall completely deliver the leased plant to Party A upon acceptance of Party A or the property management company of Party A. Where the leased plant can't be dominated due to reasons of Party B, Party B shall continue to pay the rental of the leased plant to Party A based on the price of the day.

Article 36 Where either party terminates the contract due to special reasons, the party shall notify the other party in written form six month in advance. In this case, the contract may be terminated in advance upon the written consent of both parties.

Article 37 Where the leased plant isn't delivered within 60 days by Party A according to the specified time, Party B shall enjoy the right to terminate the contract unilaterally; where the rental isn't delivered within 60 days by Party B according to the specified time, Party A shall enjoy the right to terminate the contract unilaterally.

### **Chapter 11 Responsibilities for Breach of Contract**

Article 38 Party A shall be deemed as breach of contract in any of the following circumstances, unless specified in the contract documents:

1. not providing the leased plant within the time specified in the contract;
2. the leased plant provided not be in conformity with conditions specified in the contract;
3. causing losses to the normal production and operation of Party B by operating in the leased plant without informing Party B;
4. violating other articles of the contract.

Article 39 Party B shall be deemed as breach of contract in any of the following circumstances, unless specified in the contract documents:

1. renting or lending the leased plant to other parties;
2. causing economic losses to Party A by damaging various supporting facilities;
3. damaging the leased plant or taking the liberty to change its building structures;
4. not delivering the leased plant to Party A in accordance with the regulations;
5. violating other articles of the contract.

Article 40 The breaching party shall be liable to the penalties to the other party. The penalties shall be calculated based on days as follows:

1. Daily penalty is RMB360;
2. Days of breach of contract = calendar days from the day of occurrence of the breach to the day of correction of the breach;
3. Amount of penalty = daily penalty X days of breach of contract.

Article 41 Where the economic losses caused to the other party by breaching the contract are more than the penalties, the breaching party shall also pay the compensation that exceed the penalties. The compensation shall be calculated according to the degree of economic losses and jointly assessed by both parties. The compensation may also be assessed by a professional and authoritative third party commonly entrusted by both parties.

#### **Translation for Page 17 of 84**

Article 42 Where the party performing the contract requires to continue the contract after the occurrence of breach of contract, the breaching party shall continue to perform the contract no matter whether the penalties and compensations are paid actually.

Article 43 The currency of penalties and compensations shall be in accordance with the regulations of Article 12.

Article 44 The penalties and compensations shall be paid within ten days from the day of confirmation of the breach responsibility; where the breaching fact still

continues on and after the day of payment for penalties and compensations, the breaching party shall continue to pay the penalties and compensations until the termination of such breaching behaviors.

Article 45 Any of the following circumstances shall be deemed as the overall payment. The overdue fine shall be paid as per 2‰ of the unpaid amount for every day overdue.

1. The rental of the leased plant is paid overdue by Party B;
2. penalties and compensations are paid overdue by either party.

## **Chapter 12 Others**

Article 46 Both parties shall not be liable to losses caused to the other party due to the force majeure. In case the contract can't be implemented according to the terms and conditions agreed, the party encountered with the force majeure shall notify the other party and provide the details of the force majeure and effective supporting documents for the incapable performance of all or partial contract or the reasons for postponing the performance. Both parties may determine whether to dissolve the contract, exempt from partial performance of the contract or postpone the performance of the contract through negotiations based on the impact of the force majeure on the performance of the contract.

Article 47 The neighboring relationship between Party B and other parties within the term of lease shall be subject to relevant regulations of the state.

Article 48 Any disputes arising during the performance of the contract shall be resolved by both parties through negotiations. In case no settlement can be reached, the case shall be submitted for arbitration to the people's Court.

Article 49 For any matters uncovered in the contract, a written agreement may be reached between both parties upon consensus as parts of the contract, which enjoys equal legal effects with the contract.

The contract may be amended upon consensus of both parties. Both parties shall perform the contents specified in the contract before the validation of the document amended.

## **Translation for Page 18 of 84**

Article 50 The contract shall be effective upon signatures of the legal representatives or authorized representatives of both parties.

Article 51 In case the state or Shanghai City amends the laws, rules and regulations or promulgates new laws, rules and regulations which are retroactive to the contract after

the validation of the contract, both parties shall amend the contract in time to protect legal rights and benefits of both parties from damages.

Article 52 The contract is prepared in Chinese.

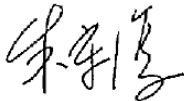
Article 53 The establishment, effect, interpretation, performance and dispute settlement shall be all subject to the jurisdiction of the People's Republic of China.

Article 54 The contract is prepared in quintuplicate, one copy for each party and one copy for the relevant real estate registration authority.

Party A:  
Shanghai Jinqiao Export Processing Zone  
Ltd.  
Development Co., Ltd. (Sealed)

Party B:  
Shanghai Shining Biotechnology Co.,

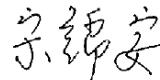
Legal Representative or Authorized Agent:



Zhu Songchun (Signed)  
Address:  
No.28, New Jinqiao Road, Pudong  
District, Shanghai City

Zip Code: 201206  
Opening Bank and Account:

Legal Representative or Agent:



Song Jin'an (Signed)  
Address:  
Room 503, No.29, Lane 660, Jinyang  
Road, Pudong District, Shanghai City

Zip Code: 201206  
Opening Bank and Account:

Shanghai, August 10, 1999

**Translation for Page 19 of 84**

## Application for Change of Registration of Enterprises

Item	Item approved for registration originally	Item applied for change of registration
Company name	Shanghai Shining Biotechnology Co., Ltd.	
Name registration approval no.		
Division		
Street		
Road name		
Lane name		
Starting house no.		
Ending house no.		
House no. information	<input type="radio"/> Odd <input type="radio"/> Even <input type="radio"/> Consecutive number	<input type="radio"/> Odd <input type="radio"/> Even <input type="radio"/> Consecutive number
Room no.		
Tel		
Fax		
Location		
Zip code		
Company type		
Enterprise type (State bureau)		
Special category		

<b>Application for Change of Registration of Enterprises (Continued)</b>		
Item	Item approved for registration originally	Item applied for change of registration
Industry sector		
Business scope		
Validation period of the Business License	May 2000	October 19, 2004
Legal representative	Tables attached separately	
Key members	Tables attached separately	
Shareholders	Tables attached separately	
Total amount of investment	(in units of Ten thousand Yuan)	(in units of Ten thousand Yuan)
Currency		
Registered capital	(in units of Ten thousand Yuan)	(in units of Ten thousand Yuan)
Currency		
Capital verified by		
Copies of the business license applied for		
Remarks		

<b>Application for Change of Registration of Enterprises (Continued)</b>				
Registered Capital				
Way of contribution	Item approved for registration originally		Item applied for change of registration	
	Amount of investment (in units of Ten thousand Yuan)	Currency	Amount of investment (in units of Ten thousand Yuan)	Currency
In currency				
In kind				
Industrial property rights counted as contribution				
Non-patent technologies counted as contribution				
Land use rights counted as contribution				
Opinions of relevant authorities				
This is to confirm that all the contents filled in the form contain are not fraudulent. Signatures of the legal representative: <u>Song Jin'an</u> <span style="float: right;"><u>April 3, 2000</u></span>				

Note:

1. Please fill in the items to be changed and leave unchanged items blank.
2. For grey columns including changes of the legal representative, shareholders and key members, relevant forms shall be attached separately. In addition, in case of the change of the special industry, a relevant form shall also be attached separately.
3. For any item in the business scope that must be submitted for examination approval according to the law and administrative regulations, relevant national authorities may give opinions and seal in the column of “opinions of relevant approval authorities”. The applicant may not submit the approval documents of relevant national authorities with the opinions of such authorities in the form.
4. For the column with “Odd, Even, Consecutive number”, the selection is made by scribbling any of the choices. Leaving the column blank means no choice. No choice or multiple choices are not allowed.
5. “Industry sector” and grey columns shall be filled by the administrative authority for industry and commerce.

## The Second Session of the Resolution of Shareholders' Meeting

(Adopted by all shareholders on November 10, 1999)

Time: November 10, 1999

Place: Meeting room of the company

Attendants: Song Jin'an, Huang Weida, Yan Li, Yan Yihong, Wu Kejing

Content:

It was approved at the first session of shareholders' meeting that Yan Li possessed 29.5% of shares which were contributed in kind and now the capsule filling machine was completely installed in the plant on November 8.

It was confirmed that Yan Li possessed 29.5% of shares of Shanghai Shining Biotechnology Co., Ltd. at the meeting of shareholders.

Signatures of shareholders:

Song Jin'an (Signed)

Huang Weida (Signed and sealed)

Yan Li (Signed and sealed)

Yan Yihong (Signed)

Handwritten signatures and seals of Song Jin'an, Huang Weida, and Yan Li. The signatures are in Chinese characters. There are two square seals, one of which appears to be a red seal. Below the signatures, there is a small handwritten note in Chinese characters: (三) 此稿

November 10, 1999

## Application for the Change of Registration of Enterprises

Item	Item approved for registration originally	Item applied for change of registration
Name	Shanghai Shining Biotechnology Co., Ltd.	—
Division	Pudong New District	—
Street/Town	Jinqiao Export Processing Zone	—
Location	No.999, Ningqiao Road	—
Legal representative	Song Jin'an	—
Enterprise type/ economic type	Limited liability company	—
Business scope	Production and sales of micro ecological capsule, health food (the above-mentioned do not contain drugs), the sales of chemical products (excluding dangerous goods)	—
Type of operation	Self-operated	—
Business period	Fifty years	—
Shareholders	Fill in the name list of investors of the company	
Registered capital (capital)	RMB1 million	RMB10 million
Capital verified by	Shanghai Jinghu Certified Public Accountants Co., Ltd.	Shanghai Huzhong Certified Public Accountants Co., Ltd.
Registered capital		
Way of contribution	Amount contributed (in units of Ten thousand Yuan)	
In currency	RMB900	

In kind	
Industrial property rights counted as contribution	
Non-patent technologies counted as contribution	
Land use rights counted as contribution	
Opinions of superior competent authorities	
Opinions of relevant approval authorities	

Note:

1. For any item in the business scope that must be submitted for examination approval according to the law and administrative regulations, relevant national authorities may give opinions and seal in the column of “Opinions of relevant approval authorities”.
2. Please fill in the items to be changed and leave unchanged items blank.

### **Registration Form of Special Industries**

Industry name	Approval authority	Document no.	Date

Note: Please fill in the copies of the form and adhere them on its back in case of inadequacy.

**Translation for Page 24 and 25 of 84**

## Amendment to the Articles of Association

The Chapter 3 of the Articles of Association of Shanghai Shining Biotechnology Co., Ltd. originally was:

The registered capital of the company is RMB1 million, including:

Song Jin'an	RMB505,000	accounting for 50.5% of the registered capital
Yan Li	RMB295,000	accounting for 29.5% of the registered capital
Huang Weida	RMB150,000	accounting for 15% of the registered capital
Yan Yihong	RMB50,000	accounting for 5% of the registered capital

Now amended to:

The registered capital of the company is RMB10 million, including:

Song Jin'an	RMB5.05 million	accounting for 50.5% of the registered capital
Yan Li	RMB2.95 million	accounting for 29.5% of the registered capital
Huang Weida	RMB1.5 million	accounting for 15% of the registered capital
Yan Yihong	RMB0.5 million	accounting for 5% of the registered capital

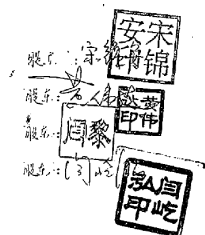
Shareholders' meeting of Shanghai Shining Biotechnology Co., Ltd.:

Song Jin'an (Signed and sealed)

Yan Li (Signed and sealed)

Huang Weida (Signed and sealed)

Yan Yihong (Signed and sealed)



## Resolution of Shareholders' Meeting

Time: January 28, 2002

Place: Meeting room of the company, No. 999, Ningqiao Road, Jinqiao, Pudong District

Attendants: Song Jin'an, Huang Weida, Yan Li, Yan Yihong

Content:

The capital and shares of the company were increased to RMB10 million at the shareholders' meeting to satisfy the business development requirements of the company. All shareholders subscribed the capital contributions in proportion.

Before the capital increase:

Song Jin'an	RMB505,000	accounting for 50.5% of the registered capital
Yan Li	RMB295,000	accounting for 29.5% of the registered capital
Huang Weida	RMB150,000	accounting for 15% of the registered capital
Yan Yihong	RMB50,000	accounting for 5% of the registered capital

After the capital increase:

Song Jin'an	RMB5.05 million	accounting for 50.5% of the registered capital
Yan Li	RMB2.95 million	accounting for 29.5% of the registered capital
Huang Weida	RMB1.5 million	accounting for 15% of the registered capital
Yan Yihong	RMB0.5 million	accounting for 5% of the registered capital

Shareholders' meeting of Shanghai Shining Biotechnology Co., Ltd.:

Song Jin'an (Signed and sealed)

Huang Weida (Signed and sealed)

Yan Li (Signed and sealed)

Yan Yihong (Signed and sealed)

The image shows four handwritten signatures and four red square seals. The signatures are written in black ink and are positioned to the left of the seals. The seals are red and contain the names of the shareholders in Chinese characters: 安宋 (Song Jin'an), 黄伟达 (Huang Weida), 颜黎 (Yan Li), and 颜屹 (Yan Yihong). The signatures are: 安宋, 黄伟达, 颜黎, and 颜屹.

## Application for the Change of Registration of Enterprises

Item	Item approved for registration originally	Item applied for change of registration
Name	Capital increase	Stock transfer
Division	Pudong New District	Pudong New District
Street/Town	No.999, Ningqiao Road, Jinqiao Development Zone	Jinqiao Development Zone
Location	No.999, Ningqiao Road, Jinqiao	No.999, Ningqiao Road, Jinqiao
Legal representative	Song Jin'an	Song Jin'an
Enterprise type/ economic type	Limited liability company (domestic joint venture)	Limited liability company (domestic joint venture)
Business scope	Production and sales of micro ecological capsule, health food (the above-mentioned do not contain drugs), the sales of chemical products (excluding dangerous goods)	Production and sales of micro ecological capsule, health food (the above-mentioned do not contain drugs), the sales of chemical products (excluding dangerous goods)
Type of operation		
Business period	Fifty years	Fifty years
Shareholders	Fill in the name list of investors of the company	
Registered capital (capital)	RMB10 million	RMB 10 million
Capital verified by		
Registered capital		
Way of contribution	In currency    Amount contributed (Yuan)    RMB50,000	
In currency		
In kind		

Industrial property rights counted as contribution	
Non-patent technologies counted as contribution	
Land use rights counted as contribution	
Opinions of superior competent authorities	
Opinions of relevant approval authorities	

Note:

3. For any item in the business scope that must be submitted for examination approval according to the law and administrative regulations, relevant national authorities may give opinions and seal in the column of “Opinions of relevant approval authorities”.
4. Please fill in the items to be changed and leave unchanged items blank.

### **Registration Form of Special Industries**

Industry name	Approval authority	Document no.	Date

Note: Please fill in the copies of the form and adhere them on its back in case of inadequacy.

**Translation for Page 28 and 29 of 84**

## **Amendment to the Articles of Association**

1. The Article 2 of the Articles of Association of Shanghai Shining Biotechnology Co., Ltd. originally was:

Shareholders of the company:

Song Jin'an	Address: No. 57-3, Liaoyang District, Nangang District, Harbin City
Yan Li	Address: No. 57, Liaoyang District, Nangang District, Harbin City
Huang Weida	Address: No. 8, Jiaosheng, No.220, Handan Road, Shanghai City
Yan Yihong	Address: No. 2, Building 18, Cadre Sanatorium of the Sixteenth Army, Zhongyuan District, Zhengzhou City

Now amended to:

Shareholders of the company:

Song Jin'an	Address: No.57-3, Liaoyang District, Nangang District, Harbin City
Yan Li	Address: No.57, Liaoyang District, Nangang District, Harbin City
Huang Weida	Address: No.8, Jiaosheng, No.220, Handan Road, Shanghai City
Yan Yihong	Address: No.2, Building 18, Cadre Sanatorium of the Sixteenth Army, Zhongyuan District, Zhengzhou City
Shanghai Shengyuan Real Estate Co., Ltd.	Address: No.109, Lane 568, Luoyang Road, Minhang District, Shanghai City

2. The Article 10 of the Articles of Association originally was:

The registered capital of the company is RMB10 million, including:

Song Jin'an	RMB5.05 million	accounting for 50.5% of the registered capital
Yan Li	RMB2.95 million	accounting for 29.5% of the registered capital
Huang Weida	RMB1.5 million	accounting for 15% of the registered capital
Yan Yihong	RMB0.5 million	accounting for 5% of the registered capital

Now amended to:

The registered capital of the company is RMB10 million, including:

Song Jin'an	RMB5 million	accounting for 50.5% of the registered capital
Yan Li	RMB2.95 million	accounting for 29.5% of the registered capital
Huang Weida	RMB1.5 million	accounting for 15% of the registered capital
Yan Yihong	RMB0.5 million	accounting for 5% of the registered capital
Shanghai Shengyuan Real Estate Co., Ltd.	RMB0.05 million	accounting for 0.5% of the registered capital

3. The Article 11 of the Articles of Association originally was:

The capital is contributed by all shareholders in the following ways:

Song Jin'an	In currency
Yan Li	In kind

Huang Weida	In currency
Yan Yihong	In currency

Now amended to:

Song Jin'an	In currency
Yan Li	In kind
Huang Weida	In currency
Yan Yihong	In currency
Shanghai Shengyuan Real Estate Co., Ltd.	In currency

Signatures of shareholders of Shanghai Shining Biotechnology Co., Ltd.:

Song Jin'an (Signed and sealed)

Yan Li (Signed and sealed)

Huang Weida (Signed and sealed)

Yan Yihong (Signed and sealed)

Shanghai Shengyuan Real Estate Co., Ltd. (Sealed)

Dated: April 5, 2002

**Translation for Page 30 and 31 of 84**



### **Resolution of the Shareholders' Meeting**

The shareholder's meeting was held by all shareholders of the company in the meeting room on April 5, 2002. Upon discussion, all shareholders made the resolution: Song Jin'an, Yan Li, Huang Weida and Yan Yihong are the members of the board of directors and Song Jin'an is elected as the President of the company. Shanghai Shengyuan Real Estate Co., Ltd., which is not a member of the board of directors, does not participate in the management of the company and has no voting rights.

Signatures of shareholders of Shanghai Shining Biotechnology Co., Ltd.:

Song Jin'an (Signed and sealed)

Huang Weida (Signed and sealed)

Yan Li (Signed and sealed)

Yan Yihong (Signed and sealed)

Shanghai Shengyuan Real Estate Co., Ltd. (Sealed)

Dated: April 5, 2002

## Resolution of the Shareholders' Meeting

The shareholder's meeting was held by all shareholders of the company in the meeting room on April 5, 2002. Upon discussion, all shareholders made the resolution as follows:

1. It was approved that the shareholder Song Jin'an transferred 0.5% stock rights to Shanghai Shengyuan Real Estate Co., Ltd. Shanghai Shengyuan Real Estate Co., Ltd. becomes a new shareholder of Shanghai Shining Biotechnology Co., Ltd. Other shareholders abandoned the preferential purchase right.

Upon the transfer, the new structure of stock rights of the company is as follows:

Currency: Ten thousand RMB

Shareholder	Capital contributed	Proportion of contribution	
Song Jin'an	500	50%	
Yan Li	295	29.5%	
Huang Weida	150	15%	
Yan Yihong	50	5%	
Shanghai Shengyuan Real Estate Co., Ltd.	5	0.5%	
<u>Total</u>	1,000	100%	

2. The amendment to the Articles of Association was passed.  
3. Upon the transfer, all credits and debts as well as profits and losses of the original company are enjoyed and borne by all shareholders in proportion of their respective capital contributions.

Signatures of shareholders of Shanghai Shining Biotechnology Co., Ltd.:

Song Jin'an (Signed and sealed)

Huang Weida (Signed and sealed)

Yan Li (Signed and sealed)

Yan Yihong (Signed and sealed)

Dated: April 5, 2002

## **Resolution of the Board of Directors**

The board meeting was held on April 5, 2002. Upon discussion, all directors made the resolution as follows:

1. It was approved that the shareholder Song Jin'an transferred 0.5% of stock rights to Shanghai Shengyuan Real Estate Co., Ltd.
2. Shanghai Shengyuan Real Estate Co., Ltd. becomes a new shareholder of Shanghai Shining Biotechnology Co., Ltd. and the Articles of the Association shall be amended accordingly.
3. The stock right transfer and the amendment of the Articles of the Association in the resolution will be effective upon the approval at a shareholders' meeting.
4. Shareholders who gave signatures on the resolution bear respective and common responsibilities of the resolution contents.

Signatures of directors of Shanghai Shining Biotechnology Co., Ltd.:

Song Jin'an (Signed and sealed)

Yan Li (Signed and sealed)

Huang Weida (Signed and sealed)

Yan Yihong (Signed and sealed)

Dated: April 5, 2002

## Application for the Change of Registration of Enterprises

Item	Item approved for registration originally	Item applied for change of registration
Name	Shanghai Shining Biotechnology Co., Ltd.	Shanghai Shining Biotechnology Co., Ltd.
Division		
Street/Town		
Location		
Business location		
Tel		
Legal representative		
Enterprise type/ business type	Limited liability company (domestic joint venture)	a joint stock company
Business scope		
Type of operation		
Business period		
Valid period of the business license		
Shareholders	Fill in the name list of investors of the company	
Registered capital (capital)	RMB10 million	RMB20.48 million
Capital verified by	Shanghai Huzhong Certified Public Accountants Co., Ltd.	Shanghai BDO Yangtze River Certified Public Accountants Co., Ltd.
Registered capital		
Way of contribution	Exchange assets for stocks      Amount contributed (Yuan) TWENTY MILLION FOUR HUNDRED AND EIGHTY THOUSANDS	

In currency	
In kind	
Industrial property rights counted as contribution	
Non-patent technologies counted as contribution	
Land use rights counted as contribution	
Opinions of superior competent authorities	
Opinions of relevant approval authorities	

Note:

5. For any item in the business scope that must be submitted for examination approval according to the law and administrative regulations, relevant national authorities may give opinions and seal in the column of “Opinions of relevant approval authorities”.
6. Please fill in the items to be changed and leave unchanged items blank.

### **Registration Form of Special Industries Operated**

Industry name	Approval authority	Document no.	Date

Note: Please fill in the copies of the form and adhere them on its back in case of inadequacy.

**Resolution of the Founding meeting  
of Shanghai Shining Biotechnology Holding Co., Ltd.**

Time: October 25, 2002

Place: Meeting Room of Shanghai Shining Biotechnology Holding Co., Ltd. (in preparation)

Shareholders present in the meeting:	Shares in possession
Song Jin'an	50%
Yan Li	29.5%
Huang Weida	15%
Yan Yihong	5%
Shanghai Shengyuan Real Estate Co., Ltd.	0.5%

Contents:

All shareholders have reviewed and adopted the following resolutions:

- I. Voting and Election Measures of the Founding Meeting of the Company;
- II. Establishment Proposal of Shanghai Shining Biotechnology Co., Ltd.;
- III. Report on Preparing the Establishment of Shanghai Shining Biotechnology Co., Ltd.;
- IV. Draft Report of the Articles of Association of Shanghai Shining Biotechnology Co., Ltd. (draft);
- V. Election of the first session of members of the board of directors of the company;
  1. President: Song Jin'an
  2. Vice president: Yan Li
  3. Director: Huang Weida
  4. Director: Yan Yihong
  5. Director: Wu Qineng
  6. Independent director: Du Wenmin
  7. Independent director: Wang Zhiwei
- VI. Election of the first session of members of the board of supervisors of the company;
  1. Supervisor: Ye Junli
  2. Supervisor: Li Xiaojuan
  3. Supervisor: Zheng Jianfeng

**Translation for Page 37 and 38 of 84**

Materials for the Founding meeting of Shanghai Shinning Biotech Co., Ltd.

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**Resolution of the First Session  
of the Board of Directors of the Company**

Time: October 25, 2002

Place: Meeting Room of Shanghai Shining Biotechnology Co., Ltd. (in preparation)

Directors present in the meeting: Song Jin'an, Yan Li, Huang Weida, Yan Yihong, Wu  
Qineng, Du Wenmin, Wang Zhiwei

Voted by all shareholders of Shanghai Shining Biotechnology Holding Co., Ltd. (in  
preparation), the first session of members of the board of directors has been elected  
and senior management personnel of the company has been employed as follows:

President: Song Jin'an

Vice President: Yan Li

General Manager: Song Jin'an

Secretary of the board of directors: Ma Ying

Person in charge of financial affairs: Ma Ying

.

Signatures or seals of directors:

Song Jin'an (Signed), Yan Li (Signed), Huang Weida (Signed), Yan Yihong (Signed),  
Wu Qineng (Signed), Du Wenmin (Signed), Wang Zhiwei (Signed)

Shanghai Shining Biotechnology Co., Ltd. (in preparation)

**Translation for Page 39 of 84**

## **Approval Notification of the Change of Enterprise Names**

Hu-Ming-Cheng-Bian-He No.: 01200404150485

To Shanghai Shining Biotechnology Co., Ltd.,

In accordance with the Provisions on Administrating the Registration of Company Names and the Measures of Managing and Implementing the Registration of Company Names, it is hereby approved that the company name is changed to:

Shanghai Shining Biotechnology Co., Ltd.

The retention period of the company name is 6 months, from April 15, 2004 to October 15, 2004; the company name shall not be used for business activities or transferred within the retention period; the retention period may be extended for six months at the original acceptance authority one month before the expiration of the retention period. The company name will be automatically ineffective if the registration of change of the company isn't handled before the retention period expires.

The registered capital of the company: RMB20.48 million

In accordance with the regulations of Article 5 and Article 25: the registration authorities are entitled to correct inappropriate company names already registered; in case of disputes arising from the same or similar company name registered between more than two enterprises, the registration authority will resolve them according to the principle of priority of registration.

If the company name applied for the change of registration contains any contents that shall be submitted for examination and approval in accordance with the law and administrative regulations, relevant approval documents must be submitted during the change of registration. Otherwise, the company shall not register the change with the company name approved in the notification, but shall apply for another company name separately.

Enterprises which apply for the change of registration shall submit the notification in original to registration authorities for keeping into the enterprise record.

Administration of Industry and Commerce of Shanghai (Sealed)

Dated: April 15, 2004

**Resolution of the First Interim Shareholders' Meeting**  
**for the year of 2004**  
**of Shanghai Shining Biotechnology Holding Co., Ltd.**

Shanghai Shining Biotechnology Holding Co., Ltd. (hereinafter referred to as "the company") held the first temporary shareholders' meeting for the year of 2004 in the meeting room of the company on February 28, 2004. All shareholders were present in the meeting, of whom 20,480,000 shares had voting rights, accounting for 100% of 20,480,000, the total shares of the company. The convocation of the meeting complied with the regulations of the company. The meeting was hosted by the president Song Jin'an, on which matters concerning the change of the origination form were reviewed. The resolution of the meeting was as follows:

1. Proposal on the Change of the Organization Form of the company was examined and approved.

It was approved that the organization form of the company was changed to the original limited joint stock company from the limited liability company. The company name was changed to "Shanghai Shining Biotechnology Co., Ltd." while other registration items are unchanged.

2. The Articles of Association of Shanghai Shining Biotechnology Co., Ltd. (draft) was approved.

It was approved that the Articles of Association of Shanghai Shining Biotechnology Co., Ltd. (draft) amended in accordance with the regulations of limited liability companies in the Company Law will be effective and replace the original Articles of Association of the company after the approval authority of the government approves the change of the organization form of the company.

Signatures of shareholders present:

Song Jin'an (Signed)

Yan Li (Signed and sealed)

Huang Weida (Signed and sealed)

Yan Yihong (Signed)

Shanghai Shengyuan Real Estate Co., Ltd. (Sealed):

Legal representative or authorized representative: Liu Jianshi (Signed)

## Application for the Change of Registration of Enterprises

Item	Item approved for registration originally	Item applied for change of registration
Name		
Location		
Division/Street (Town)		
Phone and zip code		
Legal representative		
Registered capital	(in units of Ten thousand in units of Yuan)	(in units of Ten thousand Yuan)
Business type		
Business scope	Production and sales of micro ecological capsule and health food (the above-mentioned do not contain drugs), the sales of chemical products (excluding dangerous goods), research and development of drugs, nonferrous metals, clothing, export of our own products and import of machines, parts, raw materials and auxiliary materials we need (except commodities and technologies restricted or prohibited by the state)	Production of micro ecological capsule and functional food (the above-mentioned do not contain drugs), research and development of drugs, sales of our products and provision of relevant consultation services
Business period		
Valid period of the business license		
Shareholders	The name list of shareholders (contributors) of the company	
Seal of the company: Shanghai Shining Biotechnology Co., Ltd. (Sealed)	Signature of the entrusted party: Shen Chunlei (Signed)	
Signature of the legal representative: Song Jin'an	Tel: 68889618-120	
August 16, 2005	August 16, 2005	

Note:

- ① A4 size paper shall be used for documents and certificates.
- ② The form or signature shall be filled in or given by a pen, brush pen or sign pen.

## **Resolution of the Shareholders' Meeting of Shanghai Shining Biotechnology Co., Ltd.**

According to the business condition and specific situations of the company, the shareholders' meeting was held on August 10, 2005. Shareholders Song Jin'an, Yan Li, Huang Weida, Yan Yihong and the legal representative of Shanghai Shengyuan Real Estate Co., Ltd. attended the meeting, which complied with the quorum. The proposal of the meeting was: matters concerning the transfer of stock rights of the company, the change of the legal representative and the amendment of the Articles of Association. The following effective resolutions were approved in accordance with relevant articles of the Articles of Association of the company:

1. It was approved that all stock rights of all shareholders of Shanghai Shining Biotechnology Co., Ltd. were transferred to Sinosmart Group Inc. and the nature of enterprise was changed from a domestic-funded enterprise to a foreign-funded enterprise.

1) It was approved that 50% stock rights of Song Jin'an in the company were transferred to Sinosmart Group Inc. at the price of RMB9.16 million.

2) It was approved that 29.5% stock rights of Yan Li in the company were transferred to Sinosmart Group Inc. at the price of RMB5,404,400.

3) It was approved that 15% stock rights of Huang Weida in the company were transferred to Sinosmart Group Inc. at the price of RMB2,748,000.

4) It was approved that 5% stock rights of Yan Yihong in the company were transferred to Sinosmart Group Inc. at the price of RMB916,000.

5) It was approved that 0.5% stock rights of Shanghai Shengyuan Real Estate Co., Ltd. were transferred to Sinosmart Group Inc. at the price of RMB122,800.

2. It was determined that the business scope of the company would be changed from "production and sales of micro ecological capsule and health food (the above-mentioned do not contain drugs), the sales of chemical products (excluding dangerous goods), research and development of drugs, nonferrous metals, clothing, export of our own products and import of machines, parts, raw materials and auxiliary materials we need (except commodities and technologies restricted or prohibited by the state). The company includes our member enterprises held by the company." to "production of micro ecological capsule and functional food (the above-mentioned do not contain drugs), research and development of drugs, sales of our products and provision of relevant consultation services."

3. The original president of the company was Song Jin'an and the shareholders were Yan Li, Huang Weida, Yan Yihong, Wu Qineng, Hu Jinhua and Du Wenmin. They will continue to undertake their former positions of Shanghai Shining Biotechnology Co., Ltd. The term of office is three years and may be renewed if continuously elected.

4. According to specific situations of the company and the adjustment of relevant items this time, the Articles of Association will be reestablished by Sinosmart Group Inc.

(There is no text in this page)

The page is only for signatures:

Signatures of shareholders present in the meeting:

Song Jin'an (Signed)

Yan Li (Signed)

Huang Weida (Signed)

Yan Yihong (Signed)

Signature of Legal Representative: Liu Jianshi (Signed)

Shanghai Shengyuan Real Estate Co., Ltd. (Seal)

Dated: August 10, 2005

**Translation for Page 43 and 44 of 84**

## Documents and Certificates Submitted for the Change of Registration of Business Type for Foreign-funded Enterprises

Serial no.	Name of documents and certificates
1	Application for the Change of Registration of Foreign-funded Enterprises signed by the legal representative (the form)
2	Approval documents and certificates by the approval authority (1 duplicate copy )
3*	Resolution of the board of directors
4	Amendment agreements of contracts and the Articles of Association
5*	Stock right transfer agreement, or the cooperation termination agreement between all parties of the joint venture
6	Statement of abandoning the priority of preemptive rights by other cooperative parties
7*	Legal permit for business and the certificate of credit standing
8	Business License in original and copy, IC card (Business License in electronic copy)
9	Other relevant documents and certificates

Code requirements:

1. The application form shall be filled in by a black or blue-black pen or sign pen in a clear way.
2. The documents above shall be submitted in original except those marked in copies.
3. If the documents above submitted are written in a foreign language, corresponding Chinese copies shall be submitted with the seal of the translation agency.
4. The same materials need to be submitted once when applying for a number of changes (for records).
5. The resolution of the board meeting in Item 3 shall comply with the regulations of the Articles of Association, the directors shall be consistent with that registered at the registration authority and the resolution contents shall be consistent with the item applied. The resolution of the shareholders' meeting shall be submitted if the company is a joint stock company.
6. For Item 7, Chinese investors shall submit a copy of the Business License with the seal of the enterprise as a legal permit for business; investors of foreign countries (areas) shall submit the legal permit for business in original or its copy authenticated by the notary organs of their countries (areas) or by our embassy or consular in their local places; foreign investors which are natural persons shall submit ID copies and present the originals for verification; the credit standing shall be issued by the opening banks of the investors.
7. Joint stock companies shall also submit (1) the records of the founding meeting; (2) the agreement of founders; (3) the financial and audit reports of the company in preparation; (4) the capital verification report issued by an investment verification authority; (5) joint stock companies set up in the mode of financing shall also submit the approval documents in original or their effective copies by the securities administrative departments of the State Council.

Original business type	Business type applied for change
Limited liability company (domestic joint venture)	Wholly foreign-owned

## Documents and Certificates Submitted for the Change of Registration of Business Type for Foreign-funded Enterprises

Serial no.	Name of documents and certificates
1	Application for the Change of Registration of Foreign-funded Enterprises signed by the legal representative (the form)
2	Approval documents and certificates by the approval authority (1 duplicate copy )
3*	Resolution of the board of directors
4	Amendment agreements of contracts and the Articles of Association
5	Stock right transfer agreement
6	Statement of abandoning the priority of preemptive rights by other cooperative parties
7*	Legal permit for business and the certificate of credit standing
8	Business License in original and copy (with the seal of the enterprise), IC card (Business License in electronic copy)
9	Other relevant documents and certificates

Code requirements:

1. The application form shall be filled in by a black or blue-black pen or sign pen in a clear way.
2. The documents above shall be submitted in original except those marked in copies.
3. If the documents above submitted are written in a foreign language, corresponding Chinese copies shall be submitted with the seal of the translation agency.
4. The same materials need to be submitted once when applying for a number of changes (for records).
5. The resolution of the board meeting in Item 3 shall comply with the regulations of the Articles of Association, the directors shall be consistent with that registered at the registration authority and the resolution contents shall be consistent with the item applied. The resolution of the shareholders' meeting shall be submitted if the company is a joint stock company.
6. For Item 7, Chinese investors shall submit a copy of the Business License with the seal of the enterprise as a legal permit for business; investors of foreign countries (areas) shall submit the legal permit for business in original or its copy authenticated by the notary organs of their countries (areas) or by our embassy or consular in their local places; foreign investors which are natural persons shall submit ID copies and present the originals for verification; the credit standing shall be issued by the opening banks of the investors.
7. Upon verification and approval of the change, enterprises shall submit the Business License in original and copies for exchange for the new Business License.
8. In addition, enterprises restructured to foreign-funded enterprises shall submit:
  - (1) Approval documents of the superior competent authority (including the confirmation of the result of the overall evaluation report and the transfer price, debt treatment, employee settlement schemes, disposal of original stock assets and descriptions of assets ownership.);
  - (2) Asset protection certificate (issued by the bank);
  - (3) Resolution of shareholders;
  - (4) Resolution of the workers' congress.

Original investors and proportion of stocks in possession	Investors and proportion of stocks in possession applied for change
Song Jin'an      50%	Sinosmart Group Inc.      100%
Yan Li            29.5%	
Huang Weida    15%	
Yan Yihong      5%	
Shanghai Shengyuan Real Estate Co., Ltd.    0.5%	

**Documents and Certificates Submitted for the Change of  
Registration of Business Type for Foreign-funded Enterprises**

Serial no.	Name of documents and certificates
1	Application for the Change of Registration of Foreign-funded Enterprises signed by the legal representative (the form)
2	Approval documents and certificates by the approval authority (1 duplicate copy )
3*	Resolution of the board of directors
4	Amendment agreements of contracts and the Articles of Association
5	Business License in original and copy, IC card (Business License in electronic copy)
6*	Preapproval documents or certificates
7	Other relevant documents and certificates

Code requirements:

1. The application form shall be filled in by a black or blue-black pen or sign pen in a clear way.
2. The documents above shall be submitted in original except those marked in copies.
3. If the documents above submitted are written in a foreign language, corresponding Chinese copies shall be submitted with the seal of the translation agency.
4. The same materials need to be submitted once when applying for a number of changes (for records).
5. The resolution of the board meeting in Item 3 shall comply with the regulations of the Articles of Association, the directors shall be consistent with that registered at the registration authority and the resolution contents shall be consistent with the item applied. The resolution of the shareholders' meeting shall be submitted if the company is a joint stock company.
6. For Item 6, contents in the business scope which are not required for preapproval needn't be submitted.

Original business scope	Business scope applied for change
Production and sales of micro ecological capsule and health food (the above-mentioned do not contain drugs), the sales of chemical products (excluding dangerous goods), research and development of drugs, nonferrous metals, clothing, export of our own products and import of machines, parts, raw materials and auxiliary materials we need (except commodities and technologies restricted or prohibited by the state). The company includes our member enterprises held by the company..	Production of micro ecological capsule and functional food (the above-mentioned do not contain drugs), research and development of drugs, sales of our products and provision of relevant consultation services.

**Resolution of the Board of Directors on  
the Change of Business Scope of Shanghai Shining Biotechnology Co.,  
Ltd.**

In view that all shareholders of Shanghai Shining Biotechnology Co., Ltd. transferred all stock rights to Sinosmart Group Inc., the business nature of the company has changed from a domestic-funded enterprise to a foreign-funded enterprise.

In accordance with the regulations of the Articles of Association of the company, the board meeting was held on August 17, 2005 and hosted by the President Song Jin'an. Shareholders Yan Li, Huang Weida, Yan Yihong, Wu Qineng, Hu Jinhua and Du Wenmin attended the meeting, which complied with the quorum. The following effective resolutions were made in accordance with relevant articles of the Articles of Association of the company:

1. It was determined that the business scope of the company would be changed from "production and sales of micro ecological capsule and health food (the above-mentioned do not contain drugs), the sales of chemical products (excluding dangerous goods), research and development of drugs, nonferrous metals, clothing, export of our own products and import of machines, parts, raw materials and auxiliary materials we need (except commodities and technologies restricted or prohibited by the state). The company includes our member enterprises" to "production of micro ecological capsule and functional food (the above-mentioned do not contain drugs), research and development of drugs, sales of our products and provision of relevant consultation services."

2. The original president of the company was Song Jin'an and the shareholders were Yan Li, Huang Weida, Yan Yihong, Wu Qineng, Hu Jinhua and Du Wenmin. They will continue to undertake their former positions of Shanghai Shining Biotechnology Co., Ltd. The term of office is three years and may be renewed if continuously elected.

(There is no text below)

The page is only for signatures:

Signatures of shareholders present in the meeting:

Song Jin'an (Signed)

Yan Li (Signed)

Huang Weida (Signed)

Yan Yihong (Signed)

Wu Qineng (Signed)

Hu Jihua (Signed)

Du Wenmin (Signed)

Dated: August 17, 2005

**Translation for Page 49 of 84**

**Shanghai Shining Biotechnology Co., Ltd.**

**Resolution of the 6<sup>th</sup> Board Meeting in 2005**

Time: June 17, 2005

Place: the meeting room of the company

Attendants: Song Jin'an, Huang Weida, Yanli and Yan Yihong

Contents:

In view of the acquisition of Shanghai Shining Biotechnology Co., Ltd. by a foreign investor, the board of directors decided to recruit and entrust Shanghai Changxin Assets Evaluation Co., Ltd. to make an overall evaluation of assets for the company. The base day of evaluation is: June 30, 2005.

Seal:

Song Jin'an (Signed)

Huang Weida (Signed and sealed)

Yan Li (Signed and sealed)

Yan Yihong (Signed)

Dated: June 17, 2005

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**Annual Inspection Report for Foreign-funded Enterprises  
for the year of 2007**

**Company Name:** Shanghai Shining Biotechnology Co., Ltd.

**Business License No.:** 320815

**Registration Authority:** Shanghai Administration of Industry and  
Commerce Pudong New District Branch

**Filing Date:** 2008-06-16

Prepared by Shanghai Administration of Industry and Commerce

**Translation for Page 51 of 84**

## Declaration of Illegality and Relevant Circumstances of Enterprises

- 1. Enterprises change company names without the change of registration;
- 2. Enterprises change enterprise locations without the change of registration;
- 3. Enterprises change legal representatives without the change of registration;
- 4. Enterprises obtain the registration of enterprises by reporting untruthfully the registered capital;
- 5. Enterprises obtain the registration of enterprises by submitting false materials;
- 6. Founders or shareholders of enterprises don't contribute according to regulations;
- 7. Enterprises make investments abroad and establish enterprises but submit information about these events untruthfully;
- 8. Investors release or transfer funds after the establishment of enterprises;
- 9. Enterprises increase or reduce the registered capital without handling the change of registration according to the regulations;
- 10. Enterprises change the business scope approved for registration to carry out operation activities;
- 11. Enterprises do not handle the change of registration upon the expiration of the business period;
- 12. Limited liability companies do not handle the change of registration in case of changes of founders or stock rights;
- 13. Joint stock companies do not handle the change of registration in case of changes of founders or stock rights;
- 14. Enterprises do not report to the registration authority for record according to the regulations in the following situations: ① amendment to the Articles of Association but not involved with the items of registration; ② changes of directors, supervisors and managers; ③ proceeding to liquidation procedures and establishing the liquidation group; ④ setting up branches
- 15. Enterprises fabricate, alter, lease, lend, transfer or sell the Business License;
- 16. Enterprises take the liberty to set up branches without registration;
- 17. Enterprises do not open for business for more than 6 months or suspend the business more than 6 months by themselves;
- 18. Pre-approval licenses of permit and certificates are cancelled, suspended, withdrawn or ineffective;
- 19. Other activities which violate the industrial and administrative law and regulations.

**Note: Enterprises which have illegal activities and relevant circumstances above shall mark “√” in “□” and explain in detail.**

### Specific illegal activities and relevant circumstances:

### Relevant Information of Enterprises

State Taxation Registration Authority	Shanghai Municipal Bureau of State Taxation
Taxation Registration Certificate No.	310115631562587
Local Taxation Registration Authority	Shanghai Municipal Bureau of Local Taxation
Taxation Registration Certificate No.	310115631562587
Organization Structure code	63156258-7
Opening Bank (Basic account)	Bank of Communications Pudong New District Branch
Account in the Opening Bank (Basic Account)	310066111-010141005092
Enterprise Mailbox	Yulinglong999@hotmail.com

-Foreign-funded Enterprises 1-

### Conditions of Contribution

Total investment	USD2,525,200	
Registered capital	Subscribed by Chinese parties	
	Subscribed by foreign parties	USD2,525,200
Paid-in capital	Paid by Chinese parties	
	Paid by foreign parties	USD2,525,200
Capital that shall be contributed in 2007	Chinese parties	
	Foreign parties	
Capital that was contributed actually in 2007	Chinese parties	
	Foreign parties	
Amount contributed by Chinese parties in the form of state-owned assets		RMB

### Production and Operation Conditions in 2007

(Monetary Unit: Yuan)

Operation condition (select one and mark√)	<input type="checkbox"/> In preparation	<input checked="" type="checkbox"/> Launch of production and opening for business	<input type="checkbox"/> Suspense of business	<input type="checkbox"/> Liquidation
Sales (operating) income	3,113,404		Including: operating income of services	
Domestic sales	3,113,404		Including: turnover of services	
Total profits	-9,268,661		Net profits	-9,268,661
Losses	9,268,661		Total taxes	
Total assets	49,888,896		Including: long-term investment	
Total debts	102,039,254		Including: long-term debts	

-Foreign-funded Enterprises 2-

**Translation for Page 53 of 84**

## Balance Sheet

Printed by: Shanghai Shining Biotechnology Co., Ltd.

For the year ended December 31, 2007

Monetary Unit: Yuan

Items	Line No.	Closing Amount	Opening Amount	Items	Line No.	Closing Amount	Opening Amount
Current Assets	1			Current Liabilities	47		
Cash	2	260,926.98	962,397.53	Short-term loans	48	32,048,639.78	54,603,748.94
□Held for trading financial assets	3			Held-for-trading financial liabilities	49		
# Short-term investments	4			Warrant payable	50		
Notes receivable	5			Notes payable	51		
Dividends receivable	6			Accounts payable	52	13,358,277.43	12,643,191.60
Interest receivable	7			Advance receipts	53	507,983.58	
Accounts receivable	8	6,642,666.60	5,392,398.03	Accrued payroll	54	735,073.78	215,963.11
Other receivables	9	8,928,243.36	2,004,777.69	□Including: Accrued payroll	55	514,988.43	-4,122.24
Accounts prepaid	10	847,098.23	72,287.00	# Welfare payable	56	220,085.35	220,085.35
Inventories	11	8,735,133.71	7,420,936.67	Taxes payable	57	81,734.10	599,235.35
Including: Raw material	12	931,860.62	907,161.09	Including: Taxes payable	58	81,699.48	32,698.72
Inventories (end products)	13	5,767,588.37	4,549,342.07	Interest payable	59		
Non-current assets maturing within one year	14			Dividend payable	60		
Other current assets	15		29,900.00	Other payables	61	49,393,717.64	11,190,561.54
Total current assets	16	25,414,068.88	15,882,696.92	Long-term noncurrent liabilities due in one year	62		
Fixed assets	17			Other noncurrent liabilities	63	5,913,827.63	5,624,991.63
□Available-for-sale financial assets	18			Total current liabilities	64	102,039,254.75	84,877,692.17
□Held-to-maturity investment	19			Noncurrent liabilities	65		
# Long-term bond investment	20			Long-term loans	66		
□Long-term accounts receivables	21			Bonds payable	67		
Long-term equity investments	22			Long-term payables	68		
# Stock right disposition	23			Special accounts payable	69		
□Investment Real Estate	24			Accrued liabilities	70		
Fixed assets-cost	25	34,367,354.76	33,958,618.14	□Deferred income taxes	71		
Less: Accumulated depreciation	26	9,892,526.73	7,845,319.10	# Deferred tax debit	72		
Fixed assets-net value	27	24,474,828.03	26,113,299.04	Other noncurrent liabilities	73		
Less: Reserve for fixed asset revaluation	28			Including: Special reserve fund	74		
Net fixed assets	29	24,474,828.03	26,113,299.04	Total noncurrent liabilities	75		
Construction in progress	30			Total liabilities	76	102,039,254.75	84,877,692.17
Project material	31			Owner's equity (stockholder's equity)	77		
Liquidation of fixed assets	32			Paid-in capital (stock)	78	20,480,000.00	20,480,000.00
□Productive biological assets	33			State capital	79		
□Oil & gas assets	34			Collective capital	80		
Intangible assets	35			Legal person's capital	81		
Including: Land use right	36			Including: State-owned person's capital	82		
□Development expenditure	37			Collective legal person's capital	83		
□Goodwill	38			Individual capital	84		
#* Acquired Business Price Difference	39			Foreign capital	85		
Long-term deferred expenses (deferred assets)	40			Capital surplus	86		
□Deferred income tax assets	41			Less: Treasury stock	87		
# Deferred assets debits	42			Surplus reserves	88		
Other noncurrent assets (other long-term assets)	43			□General risk provisions	89		
Including: Specially approved reserving materials	44			*# Unrealized investment losses (loss is -)	90		
Total noncurrent assets	45	24,474,828.03	26,113,299.04	Undistributed profits	91	-72,630,357.84	-63,361,696.21
				Including: Cash dividends	92		
				*Currency translation difference	93		
				Total parent company owner's equity	94		
				*Minority equity	95		
				Total owner's equity	96	-52,150,357.84	-42,881,696.21
				# Less: Capital loss	97		
				Total owner's equity (less capital loss)	98	-52,150,357.84	-42,881,696.21
Total capital	46	49,888,896.91	41,995,995.96	Total liabilities and owner's equity	99	49,888,896.91	41,995,995.96

Items with \* are for consolidated financial statements; items with □ are for companies which comply with the new accounting standards; items with # are for companies which comply with the ASBE

## Income Statement

Prepared by: Shanghai Shining Biotechnology Co., Ltd

For the year 2007

Monetary Unit: Yuan

Items	Line No.	Current Year	Prior Year	Items	Line No.	Current Year	Prior Year
1. Total operating revenues	1	3,113,404.61	880,186.79	Including: Income from associates	22		
Including: operating revenues	2	3,113,404.61	880,186.79	3. Operating profit (loss expressed with "-")	23	-8,540,291.41	-3,148,731.07
Including: revenue from primary business	3	3,113,195.21	880,186.79	Add: Non-operating income	24	4,519.16	5,120.00
revenue from other business	4	209.40		Including: Gains from disposing noncurrent capital	25		
2. Total operating cost	5	11,653,696.02	4,028,917.86	Gains from nonmonetary capital exchange	26		
Including: operating costs	6	2,160,030.66	339,453.78	Government subsidy (subsidy revenue)	27		
Including: cost of primary business	7	2,159,974.26	339,453.78	Debt restructuring income	28		
cost of other businesses	8	56.40		Less: Non-operating expense	29	732,889.38	333,323.17
Tax and extra charges	9	1,608.34	2,973.00	Including: Loss of noncurrent capital disposal	30		
Sales expenses	10	6,187,941.67	2,810,093.95	Loss of nonmonetary capital exchange	31		
Administrative expenses	11	3,136,878.69	429,529.77	Loss of debt restructuring	32		
Including: Business reception fee	12	193,553.71	13,496.64	4. Total profit (loss expressed with "-")	33	-9,268,661.63	-3,476,934.24
R&D expenses	13	133,434.43	9,140.18	Less: Income tax	34		
Financial expenses	14	167,236.66	446,867.36	Add: #*Unrealized investment loss	35		
Including: Interest expense	15	164,838.22		5. Net profit (loss expressed with "-")	36	-9,268,661.63	-3,476,934.24
Interest income	16	-1,234.16	-677.11	Less: *Minority income and loss	37		
Net loss of foreign exchange (net loss is "-")	17			6. Net profit of parent company owner	38	-9,268,661.63	-3,476,934.24
□ Depreciation	18			7. Earnings per share	39		
Other	19			Basic earnings per share	40		
Add: Income from changes In fair value (loss is "-")	20			Diluted earnings per share	41		
Investment income (loss is "-")	21						

Items with \* are for consolidated financial statements; items with □ are for companies which comply with the new accounting standards; items with # are for companies which comply with the ASBE

**QINGDAO ZHENQING CERTIFIED PUBLIC ACCOUNTANTS  
CO., LTD. SHANGHAI BRANCH**

---

Address: Room 503, No.201,  
New Jinqiao Road, Shanghai City  
Tel: 50313113 Fax: 50550908  
Email: zqcpa@263.net

**Audit Report**

Qing-Zhen-Hu-Wai-Shen-Zi (2008) No.151

To Shanghai Shining Biotechnology Co., Ltd.,

We have audited the enclosed financial statements of Shanghai Shining Biotechnology Co., Ltd., including the balance sheet on December 31, 2007, profits statement, cash-flow statement, the statement of changes of the ownership interests and financial statements annotation for the year of 2007.

1. Responsibilities of the Company's management

The compilation of financial statements in accordance with the enterprise accounting standards and Enterprise Accounting System is the responsibility of the management of Shanghai Shining Biotechnology Co., Ltd., including: (1) designing, implementing and maintaining internal control related to the compilation of financial statements to make sure no significant misstatement caused by embezzlement or mistakes; (2) selecting and exerting appropriate accounting policies; (3) making reasonable accounting evaluations.

2. Responsibilities of the certified public accountants

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards of CICPA which requires us to plan and conduct the audit work and acquire reasonable guarantee for whether there is significant misstatement in the financial statements in compliance with the professional code of ethics.

An audit includes the implementation of audit procedures to obtain the audit evidence supporting the amounts and disclosures in the financial statements. The selected audit procedures lie on the judgment of certified public accountants, including the assessment of significant misstatement risk caused by the embezzlement or mistakes in the financial statements. During the risk assessment, we have considered internal control related to the compilation of financial statements to design appropriate audit procedures, but the purpose is not to express an opinion on the

efficiency of internal control. An audit also includes assessing the accounting policies concerned and significant accounting estimates made by management authority in charge, as well as evaluating the overall financial statement presentation.

We believe that our audit evidence is adequate and appropriate to provide a reasonable basis for our opinion.

### 3. Items resulting in the reservation of opinion

- (1) We were unable to carry out the stocktaking inspection and conduct satisfactory alternative auditing procedures to express an audit opinion on quantities, conditions and the rationality of delivery of ending inventories of Shanghai Shining Biotechnology Co., Ltd.
- (2) As the company was unable to provide all bank statement copies, we were unable to provide the confirmation and conduct satisfactory alternative auditing procedures to express an audit opinion on the rationality of ending balance of bank deposits of Shanghai Shining Biotechnology Co., Ltd.
- (3) Due to the restriction of the audit scope, we were unable to express an audit opinion on the rationality of ending balance of short-term loans of Shanghai Shining Biotechnology Co., Ltd.

### 4. Audit opinion

We believe that, the financial statements of Shanghai Shining Biotechnology Co., Ltd. conform to the regulations of enterprise accounting standards and Enterprise Accounting System issued; and in all the significant aspects fairly show the financial condition on December 31, 2007, the operation result and the cash-flow condition for the year of 2007 of the company.

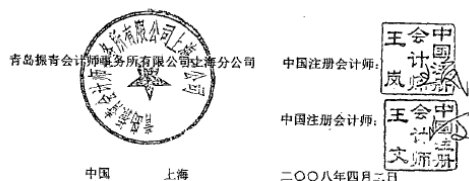
## Translation for Page 56

(There is no text in this page)

Qingdao Zhenqing Certified Public Accountants Co., Ltd. Shanghai Branch (Sealed)  
Shanghai, China

CPA: Wang Lan (Signed and sealed)

CPA: Wang Wen (Signed and sealed)



April 2, 2008

## Translation for Page 57

**Balance Sheet**

Printed by: Shanghai Shining Biotechnology Co., Ltd.

For the year ended December 31, 2007

Monetary Unit: Yuan

Items	Line No.	Closing Amount	Opening Amount	Items	Line No.	Closing Amount	Opening Amount
Current Assets	1			Current Liabilities	47		
Cash	2	260,926.98	962,397.53	Short-term loans	48	32,048,639.78	54,603,748.94
<input type="checkbox"/> Held-for trading financial assets	3			Held-for-trading financial liabilities	49		
# Short-term investments	4			Warrant payable	50		
Notes receivable	5			Notes payable	51		
Dividends receivable	6			Accounts payable	52	13,358,277.43	12,643,191.60
Interest receivable	7			Advance receipts	53	507,983.58	
Accounts receivable	8	6,642,666.60	5,392,398.03	Accrued payroll	54	735,073.78	215,963.11
Other receivables	9	8,928,243.36	2,004,777.69	<input type="checkbox"/> Including: Accrued payroll	55	514,988.43	-4,122.24
Accounts prepaid	10	847,098.23	72,287.00	# Welfare payable	56	220,085.35	220,085.35
Inventories	11	8,735,133.71	7,420,936.67	Taxes payable	57	81,734.10	599,235.35
Including: Raw material	12	931,860.62	907,161.09	Including: Taxes payable	58	81,699.48	32,698.72
Inventories (end products)	13	5,767,588.37	4,549,342.07	Interest payable	59		
Non-current assets maturing within one year	14			Dividend payable	60		
Other current assets	15		29,900.00	Other payables	61	49,393,717.64	11,190,561.54
Total current assets	16	25,414,068.88	15,882,696.92	Long-term noncurrent liabilities due in one year	62		
Fixed assets	17			Other noncurrent liabilities	63	5,913,827.63	5,624,991.63
<input type="checkbox"/> Available-for-sale financial assets	18			Total current liabilities	64	102,039,254.75	84,877,692.17
<input type="checkbox"/> Held-to-maturity investment	19			Noncurrent liabilities	65		
# Long-term bond investment	20			Long-term loans	66		
<input type="checkbox"/> Long-term accounts receivables	21			Bonds payable	67		
Long-term equity investments	22			Long-term payables	68		
# Stock right disposition	23			Special accounts payable	69		
<input type="checkbox"/> Investment Real Estate	24			Accrued liabilities	70		
Fixed assets-cost	25	34,367,354.76	33,958,618.14	<input type="checkbox"/> Deferred income taxes	71		
Less: Accumulated depreciation	26	9,892,526.73	7,845,319.10	# Deferred tax debit	72		
Fixed assets-net value	27	24,474,828.03	26,113,299.04	Other noncurrent liabilities	73		
Less: Reserve for fixed asset revaluation	28			Including: Special reserve fund	74		
Net fixed assets	29	24,474,828.03	26,113,299.04	Total noncurrent liabilities	75		
Construction in progress	30			Total liabilities	76	102,039,254.75	84,877,692.17
Project material	31			Owner's equity (stockholder's equity)	77		
Liquidation of fixed assets	32			Paid-in capital (stock)	78	20,480,000.00	20,480,000.00
<input type="checkbox"/> Productive biological assets	33			State capital	79		
<input type="checkbox"/> Oil & gas assets	34			Collective capital	80		
Intangible assets	35			Legal person's capital	81		
Including: Land use right	36			Including: State-owned person's capital	82		
<input type="checkbox"/> Development expenditure	37			Collective legal person's capital	83		
<input type="checkbox"/> Goodwill	38			Individual capital	84		
#* Acquired Business Price Difference	39			Foreign capital	85		
Long-term deferred expenses (deferred assets)	40			Capital surplus	86		
<input type="checkbox"/> Deferred income tax assets	41			Less: Treasure stock	87		
# Deferred assets debits	42			Surplus reserves	88		
Other noncurrent assets (other long-term assets)	43			<input type="checkbox"/> General risk provisions	89		
Including: Specially approved reserving materials	44			*# Unrealized investment losses (loss is -)	90		
Total noncurrent assets	45	24,474,828.03	26,113,299.04	Undistributed profits	91	-72,630,357.84	-63,361,696.21
				Including: Cash dividends	92		
				*Currency translation difference	93		
				Total parent company owner's equity	94		
				*Minority equity	95		
				Total owner's equity	96	-52,150,357.84	-42,881,696.21
				# Less: Capital loss	97		
				Total owner's equity (less capital loss)	98	-52,150,357.84	-42,881,696.21
Total capital	46	49,888,896.91	41,995,995.96	Total liabilities and owner's equity	99	49,888,896.91	41,995,995.96

Items with \* are for consolidated financial statements; items with  are for companies which comply with the new accounting standards; items with # are for companies which comply with the ASBE

## Income Statement

Prepared by: Shanghai Shining Biotechnology Co., Ltd

For the year 2007

Monetary Unit: Yuan

Items	Line No.	Current Year	Prior Year	Items	Line No.	Current Year	Prior Year
1. Total operating revenues	1	3,113,404.61	880,186.79	Including: Income from associates	22		
Including: operating revenues	2	3,113,404.61	880,186.79	3. Operating profit (loss expressed with "-")	23	-8,540,291.41	-3,148,731.07
Including: revenue from primary business	3	3,113,195.21	880,186.79	Add: Non-operating income	24	4,519.16	5,120.00
revenue from other business	4	209.40		Including: Gains from disposing noncurrent capital	25		
2. Total operating cost	5	11,653,696.02	4,028,917.86	Gains from nonmonetary capital exchange	26		
Including: operating costs	6	2,160,030.66	339,453.78	Government subsidy (subsidy revenue)	27		
Including: cost of primary business	7	2,159,974.26	339,453.78	Debt restructuring income	28		
cost of other businesses	8	56.40		Less: Non-operating expense	29	732,889.38	333,323.17
Tax and extra charges	9	1,608.34	2,973.00	Including: Loss of noncurrent capital disposal	30		
Sales expenses	10	6,187,941.67	2,810,093.95	Loss of nonmonetary capital exchange	31		
Administrative expenses	11	3,136,878.69	429,529.77	Loss of debt restructuring	32		
Including: Business reception fee	12	193,553.71	13,496.64	4. Total profit (loss expressed with "-")	33	-9,268,661.63	-3,476,934.24
R&D expenses	13	133,434.43	9,140.18	Less: Income tax	34		
Financial expenses	14	167,236.66	446,867.36	Add: #*Unrealized investment loss	35		
Including: Interest expense	15	164,838.22		5. Net profit (loss expressed with "-")	36	-9,268,661.63	-3,476,934.24
Interest income	16	-1,234.16	-677.11	Less: *Minority income and loss	37		
Net loss of foreign exchange (net loss is "-")	17			6. Net profit of parent company owner	38	-9,268,661.63	-3,476,934.24
□ Depreciation	18			7. Earnings per share	39		
Other	19			Basic earnings per share	40		
Add: Income from changes In fair value (loss is "-")	20			Diluted earnings per share	41		
Investment income (loss is "-")	21						

Items with \* are for consolidated financial statements; items with □ are for companies which comply with the new accounting standards; items with # are for companies which comply with the ASBE

## Cash Flow Statement

Prepared by: Shanghai Shining Biotechnology Co., Ltd

For the year 2007

Monetary Unit: Yuan

Item	Line no.	Amount of the current year	Amount of the previous year	Item	Line no.	Amount of the current year	Amount of the previous year
<b>I. Cash flow generated by operating activities:</b>	1	—	—	Net cash received from disposing the subsidiaries and other	21		
Cash received from sales of goods and rendering services	2	2,900,398.36	778,550.23	Cash paid relating to other investment activities	22		
Refunds of taxes	3			<b>Sub-total of cash outflows of investment activities</b>	23	408,736.62	164,417.00
Cash received relating to other operating activities	4	29,643,367.21	5,007,611.00	<b>Net cash flow generated from investment activities</b>	24	-408,736.62	-164,417.00
<b>Sub-total of cash inflows</b>	5	32,543,765.57	5,786,161.23	<b>III. Cash flow generated by financing activities</b>	25	—	—
Cash paid for goods and receiving services	6	1,476,925.68	2,080,935.02	Cash received from absorbing investments	26		
Cash paid to staffs and on behalf of employees	7	3,931,594.14	2,110,870.46	Including: cash received from minority investment	27		
Tax payments	8	277,808.61	482,060.04	Cash received from loans	28		7,425,766.84
Cash paid relating to other operating activities	9	3,027,282.59	4,982,027.59	Cash received relating to other financing activities	29		
<b>Sub-total of cash outflows</b>	10	8,713,611.02	9,655,893.11	<b>Sub-total of cash inflows of financing activities</b>	30		7,425,766.84
<b>Net cash flow generated by operating activities</b>	11	23,830,154.55	-3,869,731.88	Repayment of debts	31	22,719,947.38	3,863,118.06
<b>II. Cash flow generated by investment activities</b>	12	—	—	Cash paid for dividends and repaying interests	32		
Cash received from investment drawback	13			Including: paid for minority shareholders	33		
Cash received from investment income	14			Cash paid relating to other financing activities	34		
Net cash from disposing fixed, intangible and long-term assets	15			<b>Sub-total of cash outflows of financing activities</b>	35	22,719,947.38	3,863,118.06
Cash received from disposing subsidiaries and other	16			<b>Net cash flow generated by financing activities</b>	36	-22,719,947.38	3,562,648.78
Cash received from other activities relating to investment	17			<b>IV. Influence of foreign exchange movement on cash</b>	37		
<b>Sub-total of cash from investment activities</b>	18	-	-	<b>V. Net increase in cash and cash equivalents</b>	38	701,470.55	-471,500.10
Cash paid for fixed, intangible and other long-term assets	19	408,736.62	164,417.00	<b>VI. The balance of beginning cash and equivalents</b>	39	962,397.53	695,458.19
Cash paid for investment	20			<b>VII. The balance of ending cash and equivalents</b>	40	260,926.98	962,397.53

# STATEMENT OF CHANGES IN OWNERSHIP INTERESTS

Prepared by: Shanghai Shining Biotech Co., Ltd. (Sealed)

For the year of 2007

Monetary unit: Yuan

Item	Line No	Amount of the current year									Complementary materials	Line no.	Amount	
		Ownership interests belonging to the parent company								Minority interests	Total ownership interests	I. Total state-owned capital and equity at the beginning of the year	33	
		Paid-in capital (or equity capital)	Capital reserve	Less: treasury stocks	Surplus reserve	General risk reserve	Undistributed profits	Others	II. Increase in state-owned capital and equity			34	-	
Column no.	0	1	2	3	4	5	6	7	8	9				
I. Ending balance of the previous year	1	20,480,000.00	-		-		-63,361,696.21			-42,881,696.21	(2) Unpaid appropriation	36		
Add: changes of accounting policies	2									-	(3) Increase in assets evaluation	37		
modification of previous mistakes	3									-	(4) Increase in liquidation of property and appraisal of assets	38		
II. Beginning balance of the current year	4	20,480,000.00	-	-	-	-	-63,361,696.21	-	-	-42,881,696.21	(5) Increase in definition of property rights	39		
III. Amount of increase or decrease in the current year (the decrease is filled with "-")	5	-	-	-	-	-	-9,268,661.83	-	-	-9,268,661.83	(6) Capital premium	40		
1. Net profits	6						-9,268,661.83			-9,268,661.83	(7) Donation received	41		
2. Profits and losses directly charged into the ownership interest	7	-	-	-	-	-	-	-	-	-	(8) Debt-to-equity reform	42		
(1) Net change value of the sound value of financial assets for sale	8									-	(9) Tax revenue return	43		
(2) Influences of other ownership interests of the invested company under the equity law	9									-	(10) Additional floating capital	44		
(3) Influences of income tax relating to items charged into the ownership interests	10									-	(11) Other factors determined by the central and local governments	45		
(4) Others	11									-	(12) Accumulation of operations	46		
Subtotal of 1 and 2	12	-	-	-	-	-	-9,268,661.83	-	-	-9,268,661.83	(13) Others	47		
3. Capital invested and decreased by owners	13	-	-	-	-	-	-	-	-	-	III. Decrease in state-owned capital and equity	48	-	
(1) Capital invested by owners	14									-	(1) Written-off upon the special approval of the state	49		
(2) Value for share payment charged into the ownership interest	15									-	(2) Setting aside gratuitously	50		
(3) Others	16									-	(3) Decrease in assets evaluation	51		
4. Distribution of profits	17	-	-	-	-	-	-	-	-	-	(4) Decrease in liquidation of property and appraisal of assets	52		
(1) Withdrawing surplus reserve	18									-	(5) Decrease in definition of property rights	53		
Including: statutory reserve	19									-	(6) Decrease in absorption of losses and suspended accounts of the previous years	54		
discretionary reserve	20									-	(7) Decrease of force majeure factors including natural disasters	55		
(2) Withdrawing general risk reserve	21									-	(8) Decrease in supporting operations due to their separation with core operations	56		
(3) Distribution to the owners (shareholders)	22									-	(9) Other factors determined by the central and local governments	57		
Including: profits that shall be submitted by state-owned enterprises (dividends and interests of state-owned stocks)	23									-	(10) Decrease in operations	58		
dividends of common stocks	24									-	(11) Payment of income of stated-owned capital by enterprises	59		
dividends of common stocks converted to equity stocks (capital)	25									-	Including: profits that should be submitted by state-owned enterprises	60		
(4) Others	26									-	dividends and interests of state-owned shares	61		
5. Internal transfer of ownership interests	27	-	-	-	-	-	-	-	-	-	revenue from transferring state-owned property rights	62		
(1) Capital reserve converted to the capital (or equity capital)	28									-	revenue of liquidation	63		
(2) Surplus reserve converted to the capital (or equity capital)	29									-	other income of stated-owned capital	64		
(3) Surplus reserve making up losses	30									-	(12) Others	65	-	
(4) Others	31									-	VI. Total state-owned capital and equity at the end of the year	66		
IV. Ending balance of the current year	32	20,480,000.00	-	-	-	-	-72,630,357.84	-	-	-52,150,357.84	V. Other state-owned funds at the end of the year	67		
											VI. Total state-owned assets at the end of the year	68		
											VII. Total consolidated state-owned assets at the end of the year	69		

# **Financial Statements Annotation for the Year of 2007**

## **of Shanghai Shining Biotechnology Co., Ltd.**

### I. Basic information of the company:

The company is a limited liability company (wholly foreign-funded) invested and established by Sinosmart Group Inc. The company was established on August 20, 1999, registered with the approval of Shanghai Administration for Industry and Commerce and granted with the Business License of Enterprises as Legal Persons (the registration no.: Qi-Du-Hu-Pu-Zong-Zi No.320815 (Pudong)). The registered capital of the company is RMB20.48 million and the business period is fifty years. The legal representative is Song Jin'an.

Business scope: production of micro ecological capsule and functional food (the above-mentioned do not contain drugs), research and development of drugs, sales of our products and provision of relevant consultation services (subject to license where a license is required).

### II. Significant accounting policies:

#### 1. Accounting systems and principles

The company carries out enterprise accounting systems and enterprise accounting standards.

#### 2. Fiscal year

The fiscal year is from January 1<sup>st</sup> to December 31<sup>st</sup> every year in the Gregorian calendar.

#### 3. Accounting principles

The accounting principle of the company is accrual basis.

#### 4. Valuation basis

The company takes the incurred cost method as the valuation basis.

#### 5. Bookkeeping base currency

(1) The company takes RMB as the bookkeeping base currency.

(2) The company adopts the market exchange rate on the first trading day of the current month to convert to RMB for bookkeeping of economic businesses related to foreign currency. The foreign currency balance in the foreign currency account at the end of the current year is adjusted according to the market exchange rate of the current day and the difference is charged into financial expenses of the current month.

6. Calculation method of accounts receivable and provision for bad debts

(1) Accounts that should be received from enterprises accepting labor services due to provision of such services are typically entered into the account book as cost in its actual amount.

(2) Identification standards of bad debts: accounts receivable that couldn't be recovered in accordance with liquidation procedures specified with the law due to the cancellation or bankruptcy of obligors; accounts receivable that couldn't be recovered due to the death of obligors who leave no property or no one to undertake the obligation; accounts receivable that couldn't be recovered as the obligors don't perform the obligation of debt repayment within the time limit and it is proved that the accounts couldn't be recovered and are cancelled after verification according to the management authority of the company.

(3) The company adopts the allowance method for calculation of bad debts.

7. Inventories

The purchases of inventories are calculated according to the actual costs while their deliveries are calculated according to the weighed average method.

8. Fixed assets and their depreciation

The purchase of fixed assets or new fixed assets is calculated according to the actual costs.

The depreciation of fixed assets adopts the straight line method, namely accrued on average within the estimated service life from the next month of usage after deducting the estimated net value of fixed assets from their original value.

Assets Type	Estimated residue	Estimated service life
Machines	10% of the original value	15 years
Transportation facilities	10% of the original value	8 years
Office equipment	10% of the original value	8 years

9. Identification of sales

The sales of goods: the delivery of goods, the transfer of their ownerships to the buyers and the receipt of payment or evidence of receiving the payment are identified as the realization of sales.

Revenues of labor services: the provision of labor services and the receipt of payment of evidence of receiving the payment are identified as the realization of revenues.

10. Major taxes of the company:

Value-added tax	rate of 17%
River course fees	rate of 0.5%
Enterprise income tax	rate of 15%

III. Major items in the balance sheet

1. Monetary funds

	Ending balance	Beginning balance
	<u>260,926.98</u>	<u>962,397.53</u>
Including: cash	80,505.12	144,830.08
bank deposits	180,421.86	817,567.45

2. Accounts receivable

	Ending balance	Beginning balance
	<u>6,642,666.60</u>	<u>5,392,398.03</u>
Aging analysis: within 1 year	1,001,638.78	
within 1-2 years	5,641,027.82	
Mainly: RT-MART	1,079,877.69	
Tongyi Cultural Trading Co., Ltd.	1,214,904.00	

3. Advance payment

	Ending balance	Beginning balance
	<u>847,098.23</u>	<u>72,287.00</u>
Aging analysis: within 1 year	18,000.00	
within 1-2 years	829,098.23	
Mainly: Shanghai Art-Designing Co., Ltd.	200,000.00	
Changshu Television	196,600.00	

4. Other accounts receivable

	Ending balance	Beginning balance
	<u>8,928,243.36</u>	<u>2,004,777.69</u>
Aging analysis: within 1 year	4,032,487.33	
within 1-2 years	4,895,756.03	
Mainly: funds of disbursement	4,206,994.79	
Zhuliu Cultural Company	785,673.34	
agency funds of courts	585,428.00	

5. Inventories

	Ending balance	Beginning balance
Raw materials	931,860.62	907,161.09
Goods in process	1,325,366.19	1,254,114.98
Goods shipped on installment sales	710,318.53	710,318.53
Inventory goods	5,767,588.37	4,549,342.07
Total	<u>8,735,133.71</u>	<u>7,420,936.67</u>

6. Fixed assets

Type of fixed assets	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Machines	32,799,185.10	128,778.62		32,927,963.72
Office equipment	258,029.00	121,779.00		379,808.00
Transportation facilities	901,404.04	158,179.00		1,059,583.04
Total	<u>33,958,618.14</u>	<u>408,736.62</u>		<u>34,367,354.76</u>

7. Accumulated depreciation

Type of fixed assets	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Machines	7,515,168.42	1,953,528.84		9,468,697.26
Office equipment	68,523.67	72,423.44		140,947.11
Transportation facilities	261,627.01	21,255.35		282,882.36
Total	<u>7,845,319.10</u>	<u>2,047,207.63</u>		<u>9,892,526.73</u>

8. Short-term loans

	Ending balance	Beginning balance
	<u>32,048,639.78</u>	<u>54,603,748.94</u>
Including: Bank of Shanghai Zhoujiadu Branch	5,000,000.00	
China National Investment & Guaranty Co., Ltd.	6,281,750.38	
Agricultural Bank of China Jinqiao Branch	20,766,889.40	

As the loans of Agricultural Bank of China Jinqiao Branch were in preparation for rescheduling of debts, the interests were not paid or accrued.

9. Accounts payable

	Ending balance	Beginning balance
	<u>13,358,277.43</u>	<u>12,643,191.60</u>
Aging analysis: within 1 year	859,907.00	
within 1-2 years	12,498,370.43	
Mainly: Focus Advertisement Co., Ltd.	4,677,461.51	
Zhonghu Company	4,016,875.20	



16. Undistributed profits

Ending balance	Beginning balance
72,630,357.84	-63,361,696.21

V. Major items in the profits statement

1. Operating revenues

	Amount of the current year	Amount of the previous year
	<u>3,113,404.61</u>	<u>880,186.79</u>
Including: revenue from primary businesses	3,113,195.21	880,186.79
revenue from other businesses	209.40	

2. Operating costs

	Amount of the current year	Amount of the previous year
	<u>2,160,030.66</u>	<u>339,453.78</u>
Including: cost of primary businesses	2,159,974.26	880,186.79
Cost of other businesses	56.40	

3. Taxes and surcharges

River course fees	Amount of the current year	Amount of the previous year
	<u>1,608.34</u>	<u>2,973.00</u>

4. Sales expenses

	Amount of the current year	Amount of the previous year
	<u>6,187,941.67</u>	<u>2,810,093.95</u>
Main items: wages	2,389,725.64	
rental fee	1,030,571.64	

5. Management expenses

	Amount of the current year	Amount of the previous year
	<u>3,136,878.69</u>	<u>429,529.77</u>
Main items: wages	1,341,257.30	

6. Financial expenses

	Amount of the current year	Amount of the previous year
	<u>167,236.66</u>	<u>446,867.36</u>

Main items: interest expenditure	164,838.22	
----------------------------------	------------	--

7. Non-operating revenue

Amount of the current year	Amount of the previous year
<u>4,519.16</u>	<u>5,120.00</u>

8. Non-operating expenditure

	Amount of the current year	Amount of the previous year
	<u>732,889.38</u>	<u>333,323.17</u>
Including: the payment to the Agricultural Bank of China (the joint liability due to guarantee)	661.000.00	

V. All matters relating to taxes are subject to the amount verified by the taxation authorities.

Qingdao Zhenqing Certified Public Accounts Co., Ltd. Shanghai Branch (Sealed)

**QINGDAO ZHENQING CERTIFIED PUBLIC ACCOUNTANTS  
CO., LTD. SHANGHAI BRANCH**

**Adjustment Form of Taxable Income for the year of 2007  
of Shanghai Shining Biotechnology Co., Ltd.**

Monetary unit: Yuan

Adjustment items and detailed items	Description	Amount of adjustment	
		Increase	Decrease
Management expenses/sales expenses – business reception fee	Overexpenditure by calculating in accordance with pre-tax expenditure standards	199,130.69	
Non-operating expenditure/sales expenses	Without legal notes	632,120.00	
Non-operating expenditure – administrative fine\ overdue fine	Items that shall not be listed into expenditure before tax	59,489.38	
Non-operating expenditure – losses of assets	Losses of counterfeit currency shall not be listed into expenditure before tax	200.00	
Total		890,940.07	
Net increase that should be adjusted in the taxable income of the current year		890,940.07	
Total profits listed in the audited profits statement		-9,268,661.63	
Taxable income of the current year after adjustment		-8,377,721.56	

Note: 1. The form shall be attached to the audit report;

2. The adjustment table of taxable income is the audit opinion of the certified public accountants and the approval of the final taxable income of the company is subject to the verification of the local taxation bureau.

Qingdao Zhenqing Certified Public Accounts Co., Ltd. Shanghai Branch (Sealed)

**Translation for Page 67 of 84**

**Annual Inspection for the Year of 2008**  
**Annual Inspection Report for Foreign-funded Enterprises**

Company Name: Shanghai Shining Biotechnology Co., Ltd.

Business License Registration No.: 320815

Registration Authority: Shanghai Administration for Industry and  
Commerce Pudong New District Branch

Filing Date: May 25, 2009

Prepared by Shanghai Administration for Industry and Commerce

**Translation for Pages 68 of 84**

### Relevant Information of Enterprises

State Taxation Registration Authority	Shanghai Municipal Bureau of State Taxation	Taxation Registration Certificate No.	310115631562587
Local Taxation Registration Authority	Shanghai Municipal Bureau of Local Taxation	Taxation Registration Certificate No.	310115631562587
Opening Bank (Basic account)	Bank of Communications Pudong New District Branch	Account in the Opening Bank (Basic Account)	310066111-010141005092
Organization Structure code	631562587	Enterprise Mailbox	Yulinglong999@hotmail.com

### Conditions of Contribution

Total investment	USD2,525,200	
Registered capital	Subscribed by Chinese parties	USD0.0000
	Subscribed by foreign parties	USD2,525,200
Paid-in capital	Paid by Chinese parties	USD0.0000
	Paid by foreign parties	USD2,525,200
Capital that shall be contributed in 2008	Chinese parties	USD0.0000
	Foreign parties	USD0.0000
Capital that was contributed actually in 2008	Chinese parties	USD0.0000
	Foreign parties	USD0.0000
Amount contributed by Chinese parties in the form of state-owned assets	RMB0.0000	

## Production and Operating Results in 2008

(Monetary unit: Yuan)

Operation condition (select one and mark√)	<input type="checkbox"/> In preparation	<input checked="" type="checkbox"/> Launch of production and opening for business	<input type="checkbox"/> Suspension of business	<input type="checkbox"/> Liquidation
Sales (operating) income	3,694,922	Including: operating income of services		0
Domestic sales	3,694,922	Including: turnover of services		0
Total profits	-9,056,082	Net profits		
Losses	9,056,082	Total taxes		394,265
Total assets	60,130470	Including: long-term investment		0
Total debts	117,536,910	Including: long-term debts		0

### Certificate of Assigned Representative or Consigned Agent

#### for Annual Inspection of Enterprises

Name of the assigned representative or authorized agent: Yan Yihong Tel: 02158347628

Authorization: handling annual inspection procedures of 2008

- including Annual inspection of branches
- excluding

Name: Yan Yihong  
 Gender: Female  
 Date of Birth: May 29, 1963  
 Address: No.2, Building 18, No.223,  
 Funiu Road, Zhongyuan District, Zhengzhou City  
 Citizen ID No.: 41010219630529302X



I hereby confirm and promise that all the contents contained in the annual inspection report do not contain any fraudulent information and all the financial statements and other materials submitted are true and effective, and that I'm willing to bear any legal and related responsibilities caused due to the inaccuracy of such documents.

Signatures and seal of the legal representative: Song Jin'an (Signed and sealed)

Seal of the company: Shanghai Shining Biotechnology Co., Ltd. (Sealed)

Dated: June 4, 2009

-Foreign-funded Enterprises 3-

## Income Statement

Prepared by: Shanghai Shining Bio-technology Co., Ltd

For the year 2008

Monetary Unit: Yuan

	Line	Current	Prior		Line	Current	Prior
Items	No.	Year	Year	Items	No.	Year	Year
1. Total operating revenues	1	3,694,921.51	3,113,404.61	Including: Income from associates	22		
Including: operating revenues	2	3,694,921.51	3,113,404.61	3. Operating profit (loss expressed with "-")	23	-8,556,184.56	-8,540,291.16
Including: revenue from primary business	3	3,694,921.51	3,113,195.21	Add: Non-operating income	24	8,614.81	4,519.16
revenue from other business	4		209.4	Including: Gains from disposing noncurrent capital	25		
2. Total operating cost	5	12,251,106.07	11,653,696.02	Gains from nonmonetary capital exchange	26		
Including: operating costs	6	2,238,844.38	2,160,030.66	Government subsidy (subsidy revenue)	27		
Including: cost of primary business	7	2,238,844.38	2,519,974.26	Debt restructuring income	28		
cost of other businesses	8		56.40	Less: Non-operating expense	29	508,512.57	732,889.38
Tax and extra charges	9	3,234.02	1,608.34	Including: Loss of noncurrent capital disposal	30		
Sales expenses	10	7,095,393.90	6,187,941.67	Loss of nonmonetary capital exchange	31		
Administrative expenses	11	2,921,309.90	3,136,878.69	Loss of debt restructuring	32		
Including: Business reception fee	12		193,553.71	4. Total profit (loss expressed with "-")	33	-9,056,082.32	-9,268,661.63
R&D expenses	13		133,434.43	Less: Income tax	34		
Financial expenses	14	-7,676.13	167,236.66	Add: #*Unrealized investment loss	35		
Including: Interest expense	15		164,838.22	5. Net profit (loss expressed with "-")	36	-9,056,082.32	-9,268,661.63
Interest income	16	-611.22	-1,234.16	Less: *Minority income and loss	37		
Net loss of foreign exchange (net loss is "-")	17			6. Net profit of parent company owner	38	-9,056,082.32	-9,268,661.63
□ Depreciation	18			7. Earnings per share	39		
Other	19			Basic earnings per share	40		
Add: Income from changes In fair value (loss is "-")	20			Diluted earnings per share	41		
Investment income (loss is "-")	21						

Items with \* are for consolidated financial statements; items with □ are for companies which comply with the new accounting standards; items with # are for companies which comply with the ASBE

## Balance Sheet

Printed by: Shanghai Shining Biotechnology Co., Ltd.

For the year ended December 31, 2008

Monetary Unit: Yuan

	Line	Closing	Opening		Line	Closing	Opening
Items	No.	Amount	Amount	Items	No.	Amount	Amount
Current Assets	1	—	—	Current Liabilities	47		
Cash	2	936,935.39	260,926.98	Short-term loans	48	6,281,750.38	32,048,639.78
□Held for trading financial assets	3			Held-for-trading financial liabilities	49		
# Short-term investments	4	—		Warrant payable	50		
Notes receivable	5	—		Notes payable	51		
Accounts receivable	6	7,090,507.61	6,642,666.60	Accounts payable	52	13,715,379.89	13,358,277.43
Accounts prepaid	7	1,286,899.93	847,098.23	Advance receipts	53	1,693,789.43	507983.58
Dividends receivable	8	—		Accrued payroll	54	356,598.81	735,073.78
Interest receivable	9	—		□Including: Accrued payroll	55		514,988.43
Other receivables	10	17,227,558.12	8,928,243.36	# Welfare payable	56	220,085.35	220,085.35
Inventories	11	10,808,876.44	8,735,133.71	Taxes payable	57	-82,767.64	81,734.91
Including: Raw material	12	951,733.51	931,860.62	Including: Taxes payable	58	-82,277.48	81,699.48
Inventories (end products)	13	7,482,216.29	5,767,588.37	Interest payable	59		
Non-current assets maturing within one year	14			Dividend payable	60		
Other current assets	15			Other payables	61	89,364,055.20	49,393,717.64
Total current assets	16	37,350,777.49	25,414,068.88	Long-term noncurrent liabilities due in one year	62		
Fixed assets	17			Other noncurrent liabilities	63	6,208,103.63	5,913,827.63
□Available-for-sale financial assets	18			Total current liabilities	64	117,536,909.70	102,039,254.75
□Held-to-maturity investment	19			Noncurrent liabilities	65		
# Long-term bond investment	20			Long-term loans	66		
□Long-term accounts receivables	21			Bonds payable	67		
Long-term equity investments	22			Long-term payables	68		
# Stock right disposition	23			Special accounts payable	69		
□Investment Real Estate	24			Accrued liabilities	70		
Fixed assets-cost	25	34,485,759.49	34,367,354.76	□Deferred income taxes	71		
Less: Accumulated depreciation	26	11,706,067.44	9,892,526.73	# Deferred tax debit	72		
Fixed assets-net value	27	22,779,692.05	24,474,828.03	Other noncurrent liabilities	73		
Less: Reserve for fixed asset revaluation	28			Including: Special reserve fund	74		
Net fixed assets	29	22,779,692.05	24,474,828.03	Total noncurrent liabilities	75		
Construction in progress	30			Total liabilities	76	117,536,909.70	102,039,254.75
Project material	31			Owner's equity (stockholder's equity)	77		
Liquidation of fixed assets	32			Paid-in capital (stock)	78	20,480,000.00	20,480,000.00
□Productive biological assets	33			State capital	79		
□Oil & gas assets	34			Collective capital	80		
Intangible assets	35			Legal person's capital	81		
Including: Land use right	36			Including: State-owned person's capital	82		
□Development expenditure	37			Collective legal person's capital	83		
□Goodwill	38			Individual capital	84		
#*Acquired Business Price Difference	39			Foreign capital	85		
Long-term deferred expenses (deferred assets)	40			Capital surplus	86	3,800,000.00	
□Deferred income tax assets	41			Less: Treasury stock	87		
# Deferred assets debits	42			Surplus reserves	88		
Other noncurrent assets (other assets)	43			□General risk provisions	89		
Including: Specially reserving materials	44			*# Unrealized investment losses (loss is -)	90		
Total noncurrent assets	45	22,779,692.05	24,474,828.03	Undistributed profits	91	-81,686,440.16	-72,630,357.84
				Including: Cash dividends	92		
				*Currency translation difference	93		
				Total parent company owner's equity	94		
				*Minority equity	95		
				Total owner's equity	96	-57,406,440.16	-52,150,357.84
				# Less: Capital loss	97		
				Total owner's equity (less capital loss)	98	-57,406,440.16	-52,150,357.84
Total capital	46	60,130,496.54	49,888,896.10	Total liabilities and owner's equity	99	60,130,496.54	49,888,896.91

Items with \* are for consolidated financial statements; items with □ are for companies which comply with the new accounting standards; items with # are for companies which comply with the ASBE

**QINGDAO ZHENQING CERTIFIED PUBLIC ACCOUNTANTS  
CO., LTD. SHANGHAI BRANCH**

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Address: Room 503, No.201,  
New Jinqiao Road, Shanghai City  
Tel: 50311571 Fax: 50550908  
Email: zqcpa@263.net

**Audit Report**

Qing-Zhen-Hu-Wai-Shen-Zi (2009) No.134

To Shanghai Shining Biotechnology Co., Ltd.,

We have audited the enclosed financial statements of Shanghai Shining Biotechnology Co., Ltd., including the balance sheet on December 31, 2008, profits statement, cash flow statement, the statement of changes of the ownership interests and financial statements annotation for the year of 2008.

1. Responsibilities of the Company's management

The compilation of financial statements in accordance with the enterprise accounting standards and Enterprise Accounting System is the responsibility of the management of Shanghai Shining Biotechnology Co., Ltd., including: (1) designing, implementing and maintaining internal control related to the compilation of financial statements to make sure no significant misstatement caused by embezzlement or mistakes; (2) selecting and exerting appropriate accounting policies; (3) making reasonable accounting evaluations.

2. Responsibilities of the certified public accountants

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards of CICPA which requires us to plan and conduct the audit work and acquire reasonable guarantee for whether there is significant misstatement in the financial statements in compliance with the professional code of ethics.

An audit includes the implementation of audit procedures to obtain the audit evidence supporting the amounts and disclosures in the financial statements. The selected audit procedures lie on the judgment of certified public accountants, including the assessment of significant misstatement risk caused by the embezzlement or mistakes in the financial statements. During the risk assessment, we have considered internal control related to the compilation of financial statements to design appropriate audit procedures, but the purpose is not to express an opinion on the

efficiency of internal control. An audit also includes assessing the accounting policies concerned and significant accounting estimates made by management authority in charge, as well as evaluating the overall financial statement presentation.

We believe that our audit evidence is adequate and appropriate to provide a reasonable basis for our opinion.

3. Items resulting in the reservation of opinion

- (4) We were unable to carry out the stocktaking inspection and conduct satisfactory alternative auditing procedures to express an audit opinion on quantities, conditions and the rationality of delivery of ending inventories of Shanghai Shining Biotechnology Co., Ltd.
- (5) As the company was unable to provide all bank copies, we were unable to provide the confirmation and conduct satisfactory alternative auditing procedures to express an audit opinion on the rationality of ending balance of bank deposits of Shanghai Shining Biotechnology Co., Ltd.
- (6) Due to the restriction of the audit scope, we were unable to express an audit opinion on the rationality of ending balance of short-term loans of Shanghai Shining Biotechnology Co., Ltd.

4. Audit opinion

We believe that, the financial statements of Shanghai Shining Biotechnology Co., Ltd. conform to the regulations of enterprise accounting standards and Enterprise Accounting System issued; and in all the significant aspects fairly show the financial condition on December 31, 2008, the operation result and the cash-flow condition for the year of 2008 of the company.

(There is no text in this page)

Qingdao Zhenqing Certified Public Accountants Co., Ltd. Shanghai Branch (Sealed)  
Shanghai, China

CPA: Wang Lan (Signed and sealed)

CPA: Wang Wen (Signed and sealed)

April 3, 2009

## Balance Sheet

Printed by: Shanghai Shining Biotechnology Co., Ltd.

For the year ended December 31, 2008

Monetary Unit: Yuan

	Line	Closing	Opening		Line	Closing	Opening
Items	No.	Amount	Amount	Items	No.	Amount	Amount
Current Assets	1	—	—	Current Liabilities	47		
Cash	2	936,935.39	260,926.98	Short-term loans	48	6,281,750.38	32,048,639.78
□Held for trading financial assets	3			Held-for-trading financial liabilities	49		
# Short-term investments	4	—		Warrant payable	50		
Notes receivable	5	—		Notes payable	51		
Accounts receivable	6	7,090,507.61	6,642,666.60	Accounts payable	52	13,715,379.89	13,358,277.43
Accounts prepaid	7	1,286,899.93	847,098.23	Advance receipts	53	1,693,789.43	507983.58
Dividends receivable	8	—		Accrued payroll	54	356,598.81	735,073.78
Interest receivable	9	—		□Including: Accrued payroll	55		514,988.43
Other receivables	10	17,227,558.12	8,928,243.36	# Welfare payable	56	220,085.35	220,085.35
Inventories	11	10,808,876.44	8,735,133.71	Taxes payable	57	-82,767.64	81,734.91
Including: Raw material	12	951,733.51	931,860.62	Including: Taxes payable	58	-82,277.48	81,699.48
Inventories (end products)	13	7,482,216.29	5,767,588.37	Interest payable	59		
Non-current assets maturing within one year	14			Dividend payable	60		
Other current assets	15			Other payables	61	89,364,055.20	49,393,717.64
Total current assets	16	37,350,777.49	25,414,068.88	Long-term noncurrent liabilities due in one year	62		
Fixed assets	17			Other noncurrent liabilities	63	6,208,103.63	5,913,827.63
□Available-for-sale financial assets	18			Total current liabilities	64	117,536,909.70	102,039,254.75
□Held-to-maturity investment	19			Noncurrent liabilities	65		
# Long-term bond investment	20			Long-term loans	66		
□Long-term accounts receivables	21			Bonds payable	67		
Long-term equity investments	22			Long-term payables	68		
# Stock right disposition	23			Special accounts payable	69		
□Investment Real Estate	24			Accrued liabilities	70		
Fixed assets-cost	25	34,485,759.49	34,367,354.76	□Deferred income taxes	71		
Less: Accumulated depreciation	26	11,706,067.44	9,892,526.73	# Deferred tax debit	72		
Fixed assets-net value	27	22,779,692.05	24,474,828.03	Other noncurrent liabilities	73		
Less: Reserve for fixed asset revaluation	28			Including: Special reserve fund	74		
Net fixed assets	29	22,779,692.05	24,474,828.03	Total noncurrent liabilities	75		
Construction in progress	30			Total liabilities	76	117,536,909.70	102,039,254.75
Project material	31			Owner's equity (stockholder's equity)	77		
Liquidation of fixed assets	32			Paid-in capital (stock)	78	20,480,000.00	20,480,000.00
□Productive biological assets	33			State capital	79		
□Oil & gas assets	34			Collective capital	80		
Intangible assets	35			Legal person's capital	81		
Including: Land use right	36			Including: State-owned person's capital	82		
□Development expenditure	37			Collective legal person's capital	83		
□Goodwill	38			Individual capital	84		
#* Acquired Business Price Difference	39			Foreign capital	85		
Long-term deferred expenses (deferred assets)	40			Capital surplus	86	3,800,000.00	
□Deferred income tax assets	41			Less: Treasury stock	87		
# Deferred assets debits	42			Surplus reserves	88		
Other noncurrent assets (other assets)	43			□General risk provisions	89		
Including: Specially reserving materials	44			*# Unrealized investment losses (loss is -)	90		
Total noncurrent assets	45	22,779,692.05	24,474,828.03	Undistributed profits	91	-81,686,440.16	-72,630,357.84
				Including: Cash dividends	92		
				*Currency translation difference	93		
				Total parent company owner's equity	94		
				*Minority equity	95		
				Total owner's equity	96	-57,406,440.16	-52,150,357.84
				# Less: Capital loss	97		
				Total owner's equity (less capital loss)	98	-57,406,440.16	-52,150,357.84
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Items with \* are for consolidated financial statements; items with □ are for companies which comply with the new accounting standards; items with # are for companies which comply with the ASBE

## Income Statement

Prepared by: Shanghai Shining Bio-technology Co., Ltd

For the year 2008

Monetary Unit: Yuan

	Line	Current	Prior		Line	Current	Prior
Items	No.	Year	Year	Items	No.	Year	Year
1. Total operating revenues	1	3,694,921.51	3,113,404.61	Including: Income from associates	22		
Including: operating revenues	2	3,694,921.51	3,113,404.61	3. Operating profit (loss expressed with "-")	23	-8,556,184.56	-8,540,291.16
Including: revenue from primary business	3	3,694,921.51	3,113,195.21	Add: Non-operating income	24	8,614.81	4,519.16
revenue from other business	4		209.4	Including: Gains from disposing noncurrent capital	25		
2. Total operating cost	5	12,251,106.07	11,653,696.02	Gains from nonmonetary capital exchange	26		
Including: operating costs	6	2,238,844.38	2,160,030.66	Government subsidy (subsidy revenue)	27		
Including: cost of primary business	7	2,238,844.38	2,519,974.26	Debt restructuring income	28		
cost of other businesses	8		56.40	Less: Non-operating expense	29	508,512.57	732,889.38
Tax and extra charges	9	3,234.02	1,608.34	Including: Loss of noncurrent capital disposal	30		
Sales expenses	10	7,095,393.90	6,187,941.67	Loss of nonmonetary capital exchange	31		
Administrative expenses	11	2,921,309.90	3,136,878.69	Loss of debt restructuring	32		
Including: Business reception fee	12		193,553.71	4. Total profit (loss expressed with "-")	33	-9,056,082.32	-9,268,661.63
R&D expenses	13		133,434.43	Less: Income tax	34		
Financial expenses	14	-7,676.13	167,236.66	Add: #*Unrealized investment loss	35		
Including: Interest expense	15		164,838.22	5. Net profit (loss expressed with "-")	36	-9,056,082.32	-9,268,661.63
Interest income	16	-611.22	-1,234.16	Less: *Minority income and loss	37		
Net loss of foreign exchange (net loss is "-")	17			6. Net profit of parent company owner	38	-9,056,082.32	-9,268,661.63
□ Depreciation	18			7. Earnings per share	39		
Other	19			Basic earnings per share	40		
Add: Income from changes In fair value (loss is "-")	20			Diluted earnings per share	41		
Investment income (loss is "-")	21						

Items with \* are for consolidated financial statements; items with □ are for companies which comply with the new accounting standards; items with # are for companies which comply with the ASBE

## Cash Flow Statement

Prepared by Shanghai Shining Biotechnology Co., Ltd

For the year 2008

Monetary Unit: Yuan

Item	Line no.	Amount of the current year	Amount of the previous year	Item	Line no.	Amount of the current year	Amount of the previous year
<b>I. Cash flow generated by operating activities:</b>	1	—	—	Net cash received from disposing the subsidiaries and other	21		
Cash received from sales of goods and rendering services	2	4,261,101.74	2,900,398.36	Cash paid relating to other investment activities	22		
Refunds of taxes	3	36,813,460.39		<b>Sub-total of cash outflows of investment activities</b>	23	118,404.73	408,736.62
Cash received relating to other operating activities	4		28,240,426.11	<b>Net cash flow generated from investment activities</b>	24	-118,404.73	-408,736.62
<b>Sub-total of cash inflows</b>	5	41,074,562.13	31,140,824.47	<b>III. Cash flow generated by financing activities</b>	25	—	—
Cash paid for goods and receiving services	6	5,110,329.24	1,476,925.68	Cash received from absorbing investments	26		
Cash paid to staffs and on behalf of employees	7	2,529,644.97	3,931,594.41	Including: cash received from minority investment	27		
Tax payments	8	508,731.92	277,808.61	Cash received from loans	28		
Cash paid relating to other operating activities	9	6,466,320.46	3,027,282.59	Cash received relating to other financing activities	29		
<b>Sub-total of cash outflows</b>	10	14,615,026.59	8,713,611.02	<b>Sub-total of cash inflows of financing activities</b>	30	—	
<b>Net cash flow generated by operating activities</b>	11	26,459,535.54	22,427,213.45	Repayment of debts	31	25,665,122.40	22,719,947.38
<b>II. Cash flow generated by investment activities</b>	12	—	—	Cash paid for dividends and repaying interests	32		
Cash received from investment drawback	13			Including: paid for minority shareholders	33		
Cash received from investment income	14			Cash paid relating to other financing activities	34		
Net cash from disposing fixed, intangible and long-term assets	15			<b>Sub-total of cash outflows of financing activities</b>	35	25,665,122.40	22,719,947.38
Cash received from disposing subsidiaries and other	16			<b>Net cash flow generated by financing activities</b>	36	-25,665,122.40	-22,719,947.38
Cash received from other activities relating to investment	17			<b>IV. Influence of foreign exchange movement on cash</b>	37		
<b>Sub-total of cash from investment activities</b>	18	—	—	<b>V. Net increase in cash and cash equivalents</b>	38	676,008.41	-701,470.55
Cash paid for fixed, intangible and other long-term assets	19	118,404.73	408,736.62	<b>VI. The balance of beginning cash and equivalents</b>	39	260,926.98	962,397.53
Cash paid for investment	20			<b>VII. The balance of ending cash and equivalents</b>	40	936,935.39	260,926.98

# **Financial Statements Annotation for the Year of 2008**

## **of Shanghai Shining Biotechnology Co., Ltd.**

### I. Basic information of the company:

The company is a limited liability company (wholly foreign-funded) invested and established by Sinosmart Group Inc. The company was established on August 20, 1999, registered with the approval of Shanghai Administration for Industry and Commerce and granted with the Business License of Enterprises as Legal Persons (the registration no.: 310115400062347 (Pudong)). The registered capital of the company is RMB20.48 million and the business period is fifty years. The legal representative is Song Jin'an.

Business scope: production of micro ecological capsule and functional food (the above-mentioned do not contain drugs), research and development of drugs, sales of our products and provision of relevant consultation services (subject to license where a license is required).

### II. Significant accounting policies:

#### 1. Accounting systems and principles

The company carries out the Enterprise Accounting Systems.

#### 2. Fiscal year

The fiscal year is from January 1<sup>st</sup> to December 31<sup>st</sup> every year in the Gregorian calendar.

#### 3. Accounting principles

The accounting principle of the company is accrual basis.

#### 4. Valuation basis

The company takes the incurred cost method as the valuation basis.

#### 5. Bookkeeping base currency

(1) The company takes RMB as the bookkeeping base currency.

(2) The company adopts the market exchange rate on the first trading day of the current month to convert to RMB for bookkeeping of economic businesses related to foreign currency. The foreign currency balance in the foreign currency account at the end of the current year is adjusted according to the market exchange rate of the current day and the difference is charged into financial expenses of the current month.

#### 6. Calculation method of accounts receivable and provision for bad debts

(1) Accounts that should be received from enterprises accepting labor services due to provision of such services are typically entered into the account book as cost in its actual amount.

(2) Identification standards of bad debts: accounts receivable that couldn't be recovered in accordance with liquidation procedures specified with the law due to the cancellation or bankrupt of obligors; accounts receivable that couldn't be recovered due to the death of obligors who leave no property or no one to undertake the obligation; accounts receivable that couldn't be recovered as the obligors don't perform the obligation of debt repayment within the time limit and it is proved that the accounts couldn't be recovered are cancelled after verification according to the management authority of the company.

(3) The company adopts the allowance method for calculation of bad debts.

#### 7. Inventories

The purchases of inventories are calculated according to the actual costs while their deliveries are calculated according to the weighed average method.

#### 8. Fixed assets and their depreciation

The purchase of fixed assets or new fixed assets is calculated according to the actual costs.

The depreciation of fixed assets adopts the straight line method, namely accrued on average within the estimated service life from the next month of usage after deducting the estimated net value of fixed assets from their original value.

Assets Type	Estimated residue	Estimated service life
Machines	10% of the original value	15 years
Transportation facilities	10% of the original value	8 years
Office equipment	10% of the original value	8 years

#### 9. Identification of sales

The sales of goods: the delivery of goods, the transfer of their ownerships to the buyers and the receipt of payment or evidence of receiving the payment are identified as the realization of sales.

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#### 10. Major taxes of the company:

Value-added tax	rate of 17%
Enterprise income tax	rate of 18%

11. Reserves are not accrued in the current year based on the experience of previous years and the actual situation of the current year.

### III. Major items in the balance sheet

#### 1. Monetary funds

	Ending balance	Beginning balance
	<u>936,935.39</u>	<u>260,926.98</u>
Including: cash	227,165.92	80,505.12
bank deposits	709,769.47	180,421.86

#### 2. Accounts receivable

	Ending balance	Beginning balance
	<u>7,090,507.61</u>	<u>6,642,666.60</u>
Aging analysis: within 1 year	4,507,169.64	
more than 1 year	2,583,337.97	
Mainly: RT-MART	1,079,877.69	
TESCO	447,392.76	
Leiyunshang Pharmaceutics Co., Ltd.	402,160.30	

#### 3. Advance payment

	Ending balance	Beginning balance
	<u>1,286,899.93</u>	<u>847,098.23</u>
Aging analysis: within 1 year	670,828.64	
more than 1 year	616,071.29	
Mainly: Harbin High-tech (Group) Co., Ltd.	468,396.64	
Changshu Television	196,600.00	

#### 4. Other accounts receivable

	Ending balance	Beginning balance
	<u>17,227,558.12</u>	<u>8,928,243.36</u>
Mainly: Runying Company	4,806,302.69	
Ren Hong	1,438,914.93	
Song Jin'an	1,370,860.97	

#### 5. Inventories

	Ending balance	Beginning balance
(1) Raw materials	951,733.51	931,860.62
(2) Goods in process	1,664,608.11	1,325,366.19
(3) Goods shipped on installment sales	710,318.53	710,318.53
(4) Inventory goods	7,482,216.28	5,767,588.37
Total	<u>10,808,876.44</u>	<u>8,735,133.71</u>

#### 6. Fixed assets

Type of fixed assets	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Machines	32,927,963.72	32,000.00		32,959,963.72
Office equipment	379,808.00	86,404.73		466,212.73
Transportation facilities	1,059,583.04			1,059,583.04
Total	<u>34,367,354.76</u>	<u>118,404.73</u>		<u>34,485,759.49</u>

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7. Accumulated depreciation

Type of fixed assets	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Machines	9,468,697.26	1,714,576.64		11,183,273.90
Office equipment	140,947.11	72,211.34		213,158.45
Transportation facilities	282,882.36	26,752.73		309,635.09
Total	<u>9,892,526.73</u>	<u>1,813,540.71</u>	-	<u>11,706,067.44</u>

8. Short-term loans

	Ending balance	Beginning balance
	<u>6,281,750.38</u>	<u>32,048,639.78</u>
Including: China National Investment & Guaranty Co., Ltd. Shanghai Branch	6,281,750.38	

9. Accounts payable

	Ending balance	Beginning balance
	<u>13,715,379.89</u>	<u>13,358,277.43</u>
Aging analysis: within 1 year	1,025,569.51	
more than 1 year	12,689,810.38	
Mainly: Focus Advertisement Co., Ltd.	4,677,461.51	
Zhonghu Company	4,016,875.20	

10. Advance receivable

	Ending balance	Beginning balance
	<u>1,693,789.43</u>	<u>507,983.58</u>
Mainly: sales of franchises	1,313,480.83	

11. Staff's remuneration payable

	Ending balance	Beginning balance
	<u>356,598.81</u>	<u>735,073.78</u>
Including: social insurance and public reserve funds payable	136,513.46	514,988.43
welfare fund payable	220,085.35	220,085.35

12. Taxes payable

	Ending balance	Beginning balance
	<u>-82,767.64</u>	<u>81,734.91</u>
Main taxes: value-added tax payable	-88,363.93	
individual income tax payable	6,086.45	
river course management fees	-490.16	

13. Other accounts payable

	Ending balance	Beginning balance
	<u>89,364,055.20</u>	<u>49,393,717.64</u>
Mainly: Shanghai Jinshan Industrial Co., Ltd.	53,868,278.49	
Shanghai Meilanjing Technology Co., Ltd.	14,100,000.00	

14. Paid-in capital

Investor	Registered capital (RMB)	Paid-in capital (RMB)	Proportion in the registered capital
Sinosmart Group Inc.	20,480,000.00	20,480,000.00	100%

The above-mentioned capital of RMB20.48 million was verified in the capital verification report (Xin-Chang-Kuai-Shi-Bao-Zi (2005) No.11374) issued by Shanghai BDO Yangtze River Certified Public Accountants Co. Ltd.

There is no change in the current year.

15. Capital reserve

	Ending balance	Beginning balance
Other capital reserve (acquired by debt forgiveness)	3,800,000.00	-

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16. Undistributed profits

Ending balance	Beginning balance
<u>-81,686,440.16</u>	<u>-72,630,357.84</u>

V. Major items in the profits statement

1. Operating revenues

	Amount of the current year	Amount of the previous year
	<u>3,694,921.51</u>	<u>3,113,404.61</u>
Including: revenue from primary businesses	3,694,921.51	3,113,195.21
revenue from other businesses	-	209.40

2. Operating costs

	Amount of the current year	Amount of the previous year
	<u>2,238,844.38</u>	<u>2,160,030.66</u>
Including: cost of primary businesses	2,238,844.38	2,159,974.26
cost of other businesses	-	56.40

3. Taxes and surcharges

	Amount of the current year	Amount of the previous year
	<u>3,234.02</u>	<u>1,608.34</u>
Including: river course management fees	3,234.02	

4. Sales expenses

	Amount of the current year	Amount of the previous year
	<u>7,095,393.90</u>	<u>6,187,941.67</u>
Main items: wages	1,509,992.99	
Promotion expenses	1,479,129.37	
advertisement expenses	2,083,800.00	

5. Management expenses

	Amount of the current year	Amount of the previous year
	<u>2,921,309.90</u>	<u>3,136,878.69</u>
Main items: wages	859,187.02	
traveling expense	293,096.66	
business reception fee	238,156.47	

6. Financial expenses

	Amount of the current year	Amount of the previous year
	<u>-7,676.13</u>	<u>167,236.66</u>
Main items: interest expenditure (filled with “-“)	-611.22	
others	<u>-11,450.00</u>	
service charges	<u>4,385.09</u>	

7. Non-operating revenue

	Amount of the current year	Amount of the previous year
	<u>3,808,614.81</u>	<u>4,519.16</u>
Mainly: compensation of the court	3,800,000.00	

8. Non-operating expenditure

	Amount of the current year	Amount of the previous year
	<u>508,512.57</u>	<u>732,889.38</u>
Including: public donation expenditure	<u>410,012.65</u>	
fines and overdue fines	50,266.92	
the payment to the Agricultural Bank of China	48,233.00	

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9. Income Tax

Amount of the current year	Amount of the previous year
-	-

The income tax rate of the company is 18%. The total profits of the company in the current year are RMB -5,256,082.32. The enterprise income tax isn't liquidated yet. The account forms will be a in the next year if there is a difference.

V. All matters relating to taxes are subject to the amount verified by the taxation authorities.

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**QINGDAO ZHENQING CERTIFIED PUBLIC ACCOUNTANTS  
CO., LTD. SHANGHAI BRANCH**

**Adjustment Form of Taxable Income for 2008  
of Shanghai Shining Biotechnology Co., Ltd.**

Monetary unit: Yuan

Adjustment items and detailed items	Description	Amount of adjustment	
		Increase	Decrease
Management expenses/sales expenses – business reception fee	Overexpenditure	238,681.16	
Sales expenses – advertisement expense	Overexpenditure	1,529,561.77	
Non-operating expenditure – donation expenditure	Direct donation shall not be deducted	10,000.00	
Non-operating expenditure – fines and overdue fines	Item that shall not be deducted before tax	50,266.92	
Capital reserve – debt forgiveness	The increase shall be adjusted in tax payment	3,800,000.00	
Total		5,628,509.85	-
Net increase that should be adjusted in the taxable income of the current year		5,628,509.85	
Total profits listed in the audited profits statement		-9,056,082.32	
Less: losses made up for previous years		9,367,386.82	
Taxable income of the current year after adjustment		-12,794,959.29	

Note: 1. The form shall be attached to the audit report;

2. The adjustment table of taxable income is the audit opinion of the certified public accountants and the approval of the final taxable income of the company is subject to the verification of the local taxation bureau.