

- **the geographical expansion of its retail sales through direct sales and traditional sales channels** - We intend to expand the sale of our retail products to the other metropolitan cities in China through a combination of traditional distribution channels and dedicated Shining outlets. We have a total of 111 outlets as of March 31, 2010. About three quarters of these outlets are located in Shanghai, and the rest are located in 12 other cities in China. With respect to our bulk additives business, we have secured 31 bulk additives probiotics customers nationwide in tier-one urban areas such as Beijing and Shanghai, as well as inland provinces such as Qinghai and Inner Mongolia; and
- **the improvement in research and development of new products and services** - We plan to continue to develop new products aimed at improving the general health conditions of humans, enhancing their immune system, and reducing health problems. We are also in the process of developing new products to strengthen our product pipeline so that we may offer an array of products for sale in the Shining outlets. To further improve our competency in the bulk additives market, we continue to improve our services to our institutional clients by facilitating their lab testing and production testing and providing customized technical support, among other things.

Industry overview and market condition

Probiotics

We manufacture and sell probiotics. Most probiotics are bacteria-based and naturally exist in the human body in the lower intestinal tract. The introduction of “helpful” bacteria and other organisms may aid in preventative fights against infection and improve digestion, especially with respect to dairy products.

Probiotics generally have a very short life-span. Water, acid, and oxygen are harmful to probiotics and most die or cease to function after a short period of time after extraction from the source. A reduction of these naturally-occurring organisms due to poor eating habits, stress, or the use of antibiotic drugs or other factors may disrupt the natural equilibrium of the body and could lead to a variety of abdominal ailments and an overall decrease in the function of the immune system. Based on information available on the website www.usprobiotics.org, a non-profit research and education website sponsored by the California Dairy Research Foundation and Dairy & Food Culture Technologies, researchers are also studying potential links between low probiotics microbial levels and hypertension, certain types of cancer, high cholesterol, and allergies (to access this information, click on the Section “Probiotics Basics,” and then click on the Section “Health Effects of Probiotics”). Subsections of “Health Effects of Probiotics” include “hypertension,” “cancer,” “elevated blood cholesterol” and “allergy.”

China market

China has very limited capacity to produce probiotics. We believe that demand for probiotics and functional foods in China will continue to increase in the foreseeable future. We believe that China lacks manufacturing capabilities of bulk additives in a scale necessary to support the functional foods industry. This has forced processed food producers to either import most of their probiotics or produce finished products abroad and re-import the final product. We believe this creates significant inefficiencies in both cost and probiotics efficacy, as some bacteria die during transport.

Demand for functional food products is expected to grow significantly. As the discretionary income and health-consciousness of the average Chinese consumer increase, we expect the demand for functional foods and dietary supplements to increase. We believe that the demand for functional foods and dietary supplements will be bolstered by the stated commitment of the Chinese government to reduce the use of antibiotics and promote the use of probiotics and other preventative measures.