RENHUANG PHARMACEUTICALS INC
Form 10-K/A
December 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
Amendment No. 1

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2008

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_____ to _____.

Commission file number O-24512

RENHUANG PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	88-1273503 (I.R.S. Employer Identification No.)
No. 218, Taiping, Taiping District Harbin, Heilongjiang Province, P.R. China (Address of principal executive offices)	150050 (Zip Code)

Registrant's telephone number, including area code +86-451-5762-0378

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $0.001
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes x No o

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (229.405 of this chapter) during the preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer, large accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

Aggregate market value of the voting stock held by non-affiliates: $14,228,511 as based on sales price of $0.825 per share of such stock on April 30, 2008. The voting stock held by non-affiliates on that date consisted of 17,246,680 shares of common stock.

As of November 23, 2009, there were 37,239,536 shares of common stock, par value $0.001, issued and outstanding.

EXPLANATORY NOTE

As previously announced in a Current Report on Form 8-K (the "Form 8-K") filed by Renhuang Pharmaceuticals, Inc. (the "Company") with the Securities and Exchange Commission (the "SEC") on October 1,, 2009,and as amended on Form 8-K/A (the "Form 8-K/A") filed with the SEC on November 13, 2009, the Company's management concluded that the Company's previously filed financial statements as of and for the fiscal year ended October 31, 2008, as filed with the SEC on Form 10-K on September 9, 2009, should no longer be relied upon due to certain significant accounting errors. The accounting errors are described in the Form 8-K/A, which include errors in: consolidated balance sheet table, consolidated statements of income and comprehensive income table, consolidated statements of changes in stockholders' equity table, and consolidated statements of cash flows table.

The Company has attached to this 10-K/A updated certifications executed as of the date of this Form 10-K/A by the Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes Oxley Act of 2002. These updated certifications are attached as Exhibits 31.1, 31.2, 32.1 and 32.2 to this 10-K/A.

Renhuang Pharmaceuticals, Inc.

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PART I

Cautionary Note

This Annual Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the “Exchange Act”). These statements are based on management’s beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading “Management's Discussion and Analysis of Financial Condition or Plan of Operation.” Forward-looking statements also include statements in which words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “consider” or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The Company's future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

ITEM 1 – BUSINESS

Business Overview

History of Renhuang Pharmaceuticals, Inc.

We were incorporated in the State of Nevada on August 18, 1988 as Solutions, Incorporated. Since that time, we have undergone a series of name changes as follows: Suarro Communications, Inc., e-Net Corporation, e-Net Financial Corp., e-Net.Com Corporation, e-Net Financial.Com Corporation, Anza Capital, Inc. (“Anza”) and finally on July 28, 2006, we changed our name to Renhuang Pharmaceuticals, Inc.

On March 3, 2006, we completed the disposition of substantially all of our assets and discontinued our operations, including but not limited to, all of our ownership interest in our subsidiary, American Residential Funding, Inc., a Nevada corporation (“AMRES”) to AMRES Holding, LLC, a Nevada limited liability company (“AMRES Holding”) under control of Vince Rinehart, a shareholder and, at that time, our sole officer and director (“Rinehart”). Effective September 30, 2005, the disposition was approved by written consent of a majority of our stockholders.

In exchange for substantially all of our assets, including but not limited to, all of our ownership interest in AMRES, (i) Rinehart delivered a majority of his ownership interest in Anza, consisting of 831,375 shares of common stock and 1,880,000 shares of our common stock acquired upon the conversion of 18,800 shares of Series F Convertible Preferred Stock, to Viking Investments USA, Inc., a Delaware corporation (“Viking”). Rinehart kept 156,900 shares of our common stock; (ii) Rinehart terminated an Employment Agreement dated June 1, 2001, by and between Rinehart and Anza; (iii) AMRES assumed all obligations under a real property lease by and between Anza and Fifth Street Properties-DS, LLC; (iv) AMRES delivered to Viking its ownership interest in Anza, consisting of 4,137,500 shares of our common stock; and (v) AMRES Holding delivered warrants to acquire 250,000 shares of our common stock to Viking.

On August 11, 2006, our outstanding common stock underwent a thirty-for-one stock split reversal resulting in a decrease in our outstanding common stock at that time from 13,355,181 shares to approximately 445,240 shares as further described in our Current Report filed with the Commission on April 25, 2006. All share amounts herein have been adjusted to reflect this reverse split.

History of Harbin Renhuang Pharmaceutical Co. Ltd. and Harbin Renhuang Pharmaceutical Stock Co. Ltd.

Harbin Renhuang Pharmaceutical Stock Co. Ltd. ("Old Renhuang") was incorporated in 1996 in the Peoples Republic of China ("PRC"). Harbin Renhuang Pharmaceutical Co. Ltd. ("Renhuang China") was incorporated in February 2006 in the PR C. On March 3, 2006 Renhuang Medicine for Animals, a company controlled by Mr. Li Shaoming, invested 25 million Renminbi (or "RMB" then equal to approximately US $3.3 million) in cash in Renhuang China. On May 1, 2006 Old Renhuang transferred the majority of its operating assets, except buildings, to Renhuang China at the carrying amounts of Old Renhuang.

As a result, as of May 1, 2006, nearly 100% of revenue producing operations in Old Renhuang were transferred to Renhuang China.

Merger of Renhuang Pharmaceuticals and Harbin Renhuang

On August 28, 2006, Renhuang Pharmaceuticals, Inc., a Nevada corporation (the "Company") and a corporation incorporated under the laws of the British Virgin Island named Harbin Renhuang Pharmaceutical Company Limited (the "BVI") entered into a Share Exchange Agreement (the "Agreement") pursuant to which the Company acquired all of the outstanding capital stock of BVI in exchange for issuing 29,750,000 shares of the Company's common stock, par value $0.001 per share (the ''Common Stock'') to BVI's stockholders, representing 85% of the Company's capital stock on a fully diluted basis after taking into account the contemplated transaction. BVI is a holding company and at the time owned 100% of Renhuang China. This transaction is referred to throughout this report as the "Merger."

Post-Merger Business

As a result of the Merger, all of our operations are conducted through Renhuang China which is a wholly-owned subsidiary of the BVI which is in turn a wholly-owned subsidiary of the Company. Unless otherwise noted in this Annual Report on Form 10-K all references to "we," "us," "our company," "our," or the "Company" refer to the consolidated entity of Renhuang Pharmaceuticals, Inc., and its subsidiaries.

Renhuang China was incorporated in 2006 and is located in the capital of the province of Heilongjiang Province, in the northeastern corner of China. We are primarily engaged in the fields of research, manufacturing and distribution of Chinese medical products and bio-pharmaceutical products in the PRC. Our niche market is production and sale of traditional Chinese medical products and bio-pharmaceutical products, and our goal is to become the dominant manufacturer and supplier of a few carefully selected groups of products, primarily natural health care products, such as Acanthopanax and Ban Lan Gen derived from the roots of the Isatis plant, enzyme engineering series products, including Lysozyme enzyme, Shark Power health care products, Monoclonal Antibody Reagent Box Series Products, and traditional medical products, such as cold, flu and headache medicines.

Renhuang China has the ability to produce more than 100 types of products. Our product sales have reached more than 20 provinces and cities in China.

In the beginning of 2003, Old Renhuang purchased the land use rights to 100,000 square meters (approximately 1 million square feet) of land and built “City Bio-tech Medicine Park” located in the City of “A” in the Province of Heilongjiang. The project has been supported by the Chinese government in the form of a zero percent interest rate three-year loan in the amount of RMB 30 million (approximately US $3.7 million). The project was finished in 2004, and “City Bio-tech Medicine Park” received a “Good Manufacturing Practice” (GMP) certification from the Heilongjiang Food and Drug Administration on December 30, 2004. In the facility, we produce enzyme engineering series products, including SOD (Super Oxide Dismutase), Lysozyme enzyme, Shark Power health care products and other traditional medicine. Since May 1, 2006, Old Renhuang is leasing the buildings to Renhuang China on market terms disclosed in this report.

The Dongfanghong Acquisition:

In 2003, Old Renhuang acquired Dongfanghong Pharmaceutical Co. (DFH), a previously state-owned pharmaceutical company located in Heilongjiang Province, which then owned substantial amount of the wild Acanthopanax resources in Heilongjiang Province. DFH also owned a plant used to manufacture products utilizing Acanthopanax in the same city. The acquisition came with 73 GMP approved medicine products which were sold by DFH In 2004, one year after the acquisition, Old Renhuang generated US $3.75 million in revenue from the sale of Acanthopanax-based products and gained a 10% market share in China. As of May 1, 2006, Old Renhuang transferred all acquired operations of DFH to Renhuang China.

In the year ended October 31, 2008, the plant generated US $36 million in revenue of which US $23 million in revenue was from Acanthopanax-based products.

Products

Historically, our medical products portfolio is divided into three different categories:

1. Acanthopanax medical products - 53%*

2. Shark Power Healthcare products, and - 17%*

3. Traditional medical products. - 30%*

* Approximate percentage of the total revenue for the fiscal year ended October 31, 2008.

Acanthopanax (Siberian Ginseng)

Overview

Acanthopanax, which is known in the United States as Siberian Ginseng, has been used for centuries in China and Russia. Although a distant relative of American and Asian ginsengs (Panax sp .), with some overlap in its uses, Acanthopanax is a distinct plant with different active chemical components. Known to restore vigor, increase longevity, enhance overall health, and stimulate both a healthy appetite and a good memory, it is used in Russia to help the body adapt to stressful conditions and to enhance productivity.

In Chinese medicine, it is valued for its beneficial effects on “qi” (the Chinese term for vital energy or life force, pronounced “chee.”) and its ability to treat “yang” (known in Chinese medicine as one of the two fundamental forces, yang represents the male or active force.), deficiency in the spleen (distinct from the Western medical concept of spleen, this concept from traditional Chinese medicine is a way of describing a set of interrelated parts rather than an anatomical organ.) and the kidney. Like the panax ginsengs, Acanthopanax is considered to be an adaptogen, which means it helps in stressful circumstances and returns the body to a normal balanced state. For example, an adaptogen might lower blood pressure in someone who has high blood pressure, but raise it in another person who has low blood pressure. The active ingredients in Acanthopanax, eleutherosides (similar to ginsenosides in the panax species), are thought to increase stamina and to stimulate the immune system.

Until recently, most scientific research on Acanthopanax took place in Russia and the former Soviet Union. This research has largely supported its use to maintain health and strengthen the body rather than to treat particular disorders. Acanthopanax may help the body deal with physically and mentally stressful exposures such as heat, cold, physical exhaustion, viruses, bacteria, chemicals, extreme working conditions, noise, and pollution. By strengthening the immune system, it may also help prevent illness. Acanthopanax is especially popular among athletes or physical workers who require substantial sources of adaptive energy and endurance, such as long distance runners, rock climbers, bicyclists, scuba divers, dancers, tennis players and others seeking to enhance physical and mental performance and endurance.

Research

Siberian ginseng's active ingredients are a complex group of chemicals called eleutherosides . Eleutherosides are different than the ginsenocides found in the Panax varieties of ginseng, which is consistent with Chinese herbalists' claims that Siberian ginseng acts differently in the body than Korean or American ginseng. There has been some debate among herbalists whether Siberian ginseng should be considered a true ginseng at all, due to this difference in active ingredients.

Much of the research done on Siberian ginseng was performed by scientists in the former Soviet Union. Many of the study results are still unavailable in English. Those that have been translated, and more recent studies, have corroborated the benefits of Siberian ginseng.

Siberian ginseng has been documented in studies to improve physical endurance, oxygen uptake, recovery, and overall performance in athletes, ranging from runners to weightlifters. A 1986 study in Japan showed that Siberian ginseng improves oxygen uptake in exercising muscle.
Siberian ginseng has been documented to normalize blood pressure in patients with high and low blood pressure.
Siberian ginseng has been shown to reduce stress symptoms in general. A 1996 study in Japan concluded that Siberian ginseng can protect against gastric ulcers.
Animal studies showed Siberian ginseng helped fight against toxic chemicals and exposure to harmful levels of radiation. A 1992 Russian study showed that Siberian ginseng reduced the occurrence of tumors in rats when exposed to radiation. Another Russian study showed that women undergoing radiation for breast cancer had a significant reduction of side effects when given Siberian ginseng.
A 1987 German study, using human subjects in a double-blind test, demonstrated that eleuthero ginseng boosts immune system response and enhances the body's overall resistance to infection. Other studies have shown that Siberian ginseng increases activity of lymphocytes and killer cells in the immune system.

Another popular but unproven use of Acanthopanax is to maintain or restore mental alertness.

Physical Performance

Although Acanthopanax is frequently used to enhance physical stamina and increase muscle strength, studies have shown mixed results for these purposes.

Male Fertility

Acanthopanax has a long history of folkloric use for male infertility. Animal studies suggest that Acanthopanax may be helpful in increasing reproductive capacity.

Viral Infection

In a laboratory study, an extract of Acanthopanax slowed the replication of certain viruses, including influenza A (which causes the flu) as well as human rhinovirus and respiratory syncytial virus (both of which cause symptoms of the common cold). A different 6-month study of 93 people with herpes simplex virus type 2 (which generally causes genital herpes lesions) found that Acanthopanax reduced frequency, severity, and duration of outbreaks. It had no effect, however, in test tubes on adenovirus (another cause of the common cold and other respiratory infections) or herpes simplex virus type 1 (which generally causes oral herpes lesions).

Market Analysis on Acanthopanax in China:

The resources for Acanthopanax medicine are mostly derived from wild Acanthopanax. Due to favorable conditions and temperature in the Heilongjiang Province, where Renhuang is located; 90% of the wild Acanthopanax in the PRC suitable for medicine comes from Heilongjiang Province.

The purchase price of Acanthopanax has been stable at RMB 2.8 per kilogram in 2007 and RMB 2.00 per kilogram in 2008.

Due to its increasing popularity in United States, Japan and European countries, exporting Acanthopanax medicine is expected to generate additional revenue for us in the near future.

Future Strategies for our Acanthopanax Products

With our position in the marketplace, we plan to capitalize on increased brand recognition. Through a controlled expansion plan, we plan to expand our market shares in local provinces and eventually throughout China. We hope to eventually be identified as the leading manufacturer of Acanthopanax products.

Through increased market awareness, we anticipate entering into strategic foreign partnerships, which we expect will result in increased international sale of Acanthopanax medicine in the near future.

Acanthopanax Revenue:

During the year ended October 31, 2008, Acanthopanax medical products have generated approximately 53% of our total revenue. Due to the amount of wild Acanthopanax resources we control, and our technology, we believe that we will control more than 50% share of the market of Acanthopanax-based medical products in China in the near future. It is further anticipated that the market for Acanthopanax-based products will continue to grow at an average annual rate of up to 30% and thereby remain our primary revenue generating product.

Shark Power Healthcare Products

Shark Power Healthcare products are made from Squalene, the scientific name for “Nose Oil,” a low density compound stored in the liver of sharks. These medicines contain extracts of shark liver oil and are used to improve oxygen levels in human blood. Squalene, when taken into the body, is believed to remove animal fat and various waste materials whilst circulating in the blood, cleaning blood vessels and the blood stream. Traditional medicine believes that benefits include the treatment and prevention of arteriosclerosis, improving the function of the kidneys and liver.

Our research and development center has developed natural medicines utilizing Squalene - the Shark Power Healthcare Series. Our medicine was awarded the “Special Golden Prize at the Ninth Chinese Patent Technology New Product Exhibition,” and a gold medal at the London International Patent Technology Exhibition.

Clinical research has shown that this medicine can improve the ability to carry and transport oxygen in blood, enhance the oxygen absorption and utilization factor of an organism’s organs, dredge the blood vessels, and increase the speed of blood's oxygen transportation and the supply of oxygen to the heart, brain, lung and liver. It is also believed to be able to effectively treat a multitude of symptoms caused by secondary health problems such as dizziness, insomnia, memory loss, low energy, back pain, fatigue, and the common cold, with stable and safe effects.

Shark Power Healthcare Products Revenue

In the year ended October 31, 2008, the revenue from Shark Power Healthcare products has accounted for approximately 17% of our total revenue, compared to 13% for the same period ended October 31, 2007.

Traditional Medical Products

In addition to Acanthopanax medical products and Shark Power Healthcare products, we produce traditional medicine products, such as medicine for flu, headache, female menstrual irregularities and other ailments. Revenue from these traditional medical products accounted for 30% of our total revenue for the fiscal year ended October 31, 2008, 34% of our total revenue for the fiscal year ended October 31 2007, and 35% of our total revenue for the period from May 1, 2006 to October 31, 2006. We own 40 medical products with GMP certificates, of which certain popular products are market leaders in their class and most other products generate a stable stream of revenue. We designate those products that we believe are among our most promising products as “Star” products.

Three “Star” products

“Tianma pills” and “Compound Yang Jiao Tablets” also known as “Tornado pills” are our “Star” traditional medicines for treating headaches. Although western headache medicines have a larger market shares in China, they have also been shown to have greater side effects. Research indicates that most other Chinese traditional medicines have fewer side effects, but cannot reach the same curative effects as western medicines. We believe that “Tianma” and “Tornado” not only produce strong visible curative effects, but also causes little or no side effects.

In the fiscal year ended October 31, 2008, revenue from the sales of “Tianma pills” and “Compound Yang Jiao Tablets” was $3.9 million and $5 million, respectively. The revenue from sales of the two medicines in the fiscal year ended October 31, 2007 was approximately $1.97 million and $5.42 million, respectively.

Another “Star” medicine of ours is “Powder For Restoring Pulse Beat” granulate (also known as “Shengmai Granulate”). In the fiscal year ended October 31, 2008, revenue from the sales of Shengmai Granulate was $2.5 million. In the year ended from November 1, 2006 to October 31, 2007, revenue from this product reached $1.9 million.

We also produce several additional traditional medical products that each account for lesser percentages of our total revenue. These products, through brand recognition, generate stable revenue for us. When we expand our product offerings, we anticipate that these additional products will be replaced by higher margin products.

Products in the Development Stage

We are currently developing the following products. We began the early stages of our research and development on these products in 2006 and, previously, these products were developed by Old Renhuang. In the fiscal year ended October 31, 2008, we spent approximately $2.1 million on R&D.

Lysozyme Enzyme Products

Studies have indicated that lysozyme, an enzyme occurring naturally in egg white, human tears, saliva, and other bodily fluids, is capable of destroying the cell walls of certain bacteria and thereby acting as a mild antiseptic.

Egg white has a high content of lysozyme, making egg white (albumen) the preferred raw material for industrial production of the lysozyme enzyme.

Currently, we do not believe there are any companies in China with the ability to produce lysozyme on a large scale, despite the fact that it has a large potential market. Lysozyme can be used as an antiseptic for food products, which could compete with chemical antiseptics at a cost lower than similar products produced outside of China. The major uses of Lysozyme products are as follows:

1) Lysozyme compound biological antiseptic (food packing coating and food bag)

2) Lysozyme drug preparation (tablets and oral liquid)

3) Lysozyme biotech pesticide

4) Lysozyme home-use disinfectant products (paper towels, detergent, and other such home-use cleaning products)

5) Lysozyme biotech veterinary medicine

6) Lysozyme biotech preparation

During the fiscal year ended October 31, 2008, our lysozyme enzyme product is in the preliminary testing stage. In the future, we hope to launch lysozyme enzyme products in the food antiseptic area, which we believe is the largest potential market for lysozyme. Our management estimates that we will achieve significant revenue growth in this product in the next 5 years.

Monoclonal Antibody Reagent Box Series Products

Monoclonal Antibody Reagent Box is an excellent reagent for Immunofluorescence mapping studies in patients with Epidermolysis Bullosa. The total sales volume of China's biotechnology products was approximately RMB 50 billion (US $7.2 billion) in 2008. Of this total, the sales volume of medicine and health-care products including medicine of gene products, vaccines, diagnosis reagents, certain antibiotics, amino acids for medical use, vitamins, blood products, bio-chemical medicines and certain functional food was RMB 30 billion (US $4.3 billion), accounting for approximately 50 percent of the total sales volume of the industry.

Chinese companies in the Monoclonal Antibody Reagent Box industry are primarily small to mid-sized privately-owned enterprises without any government support. The production scale in China is still relatively small and it is a niche market when compared with other developed countries. Due to the large population and potential market in China, this area is already being pursued by certain pharmaceutical companies.

Sales and Marketing

We primarily market our products through four business channels: the over-the-counter market for non-prescription medicine, direct sales, wholesale, and raw materials. We have more than 70 sales centers organized in 24 districts through distributors. Furthermore, we have developed alliances with third-party distributors who have sales channel relationships but lack manufacturing or product development capabilities.

Four-Pronged Approach to Achieve Market Goals

First, our goal is to build the brand names for our products. Approximately 90% of the Chinese population lives in the countryside and have relatively lower incomes. Due to a diverse product mix, adjusted to appeal to lower income consumers, we believe our traditional drugs will have a relatively high level of penetration in those non-urban areas. Distribution to end-consumers is obtained through our own sales personnel without middlemen costs.

Second, we use key cities such as Beijing and Shanghai as our geographical sales centers to distribute our products to major drug chain stores in urban and suburban areas nationwide. Our approach is to use selected cities as sample targets, supported by initial promotion and investments enabling the products to enter into well-known drug chain stores.

Third, we focus on top-level hospitals in the country, which have higher quality standards and more stringent approval procedures for new products and brands. Traditionally, hospitals in China are divided into different levels based upon their geographic scope. Junior level hospitals only care for smaller geographic areas, mid-level hospitals will care for larger geographic areas, and senior level hospitals will handle even larger regions. By focusing on the top tier of the hospital industry, our strategy is to work from the top down and gain access to mid- and low-level hospitals when our brands and products have been established in the higher ranks.

Fourth, we promote our products in the domestic media, including television, radio, newspapers, magazines and trade publications.

Our sales force consists of independent sales distributors that purchase our product directly from us to sell to their customers. These independent sales distributors may receive a rebate for a percentage of the purchase price they pay us on certain products based on volume of product sold. Our products reach drug stores, hospitals and end consumers across China through this sales network.

Locations of Our Independent Distributors' Sales Offices in China.

Research and Development

Old Renhuang established a R&D center in 2002 in Harbin City, China which was transferred to Renhuang China in 2006. Currently, our center employs 30 researchers, engineers and technicians working in the following functions:

- Comprehensive testing
- New product development
- Nutraceutical and healthy food development
- Standard extracts development
- Biopharmaceutical products development
- Mid-scale testing
- Diagnostic reagent development
- Product approval submission

Through our research control and relative dominant position related to our Acanthopanax products, we believe we are on the verge of positioning Acanthopanax as an independent segment in the Chinese drug industry. In order to achieve this goal, we plan on building an Acanthopanax base, to become the largest GMP approved Acanthopanax base in China, including six parts: (1) wild Acanthopanax protection; (2) research; (3) seeding; (4) cultivating; (5) processing; and (6) exporting.

In addition, we plan to continually upgrade our products by using follow-up research projects. This continued development focuses on the following three areas: (1) the development of biotech products, with the focus on practical applications of lysozyme and hyperoxide mutase, and the research and development of gene engineering drugs; (2) the research and development of Chinese traditional medicine products, including but not limited to additional use of Acanthopanax and Shizandra Berry; and (3) research and development of Western drugs for generic production, where we are able to complete the generational replacement of traditional drugs in a short period of time.

We utilize our marketing network system to provide periodic market feedback information, market demand information, evaluation of new products inside and outside of China, domestic and foreign authority research topics and product technology feedback information.

Research Center and Mid-Testing Base

Formed by different labs, these research and mid-testing facilities are simulating the assembly lines.

Renhuang Bio-Tech Drugs and Healthcare Products Research Center

This facility is mainly focused on the research and development of bio-tech drugs,and healthcare products.

Post-doc Research Workstation

The major task is to do research and development on Acanthopanax and other North-China medical products and to develop medicine qualified to international standard. This unit also performs research and development on gene engineering drugs, like tumor Chalone.

Industry Analysis

The Current Chinese Pharmaceutical Market

Traditionally, the pharmaceutical market is defined based on the different medical usage and is generally split into the prescription drug market and non-prescription medicine market (“OTC”).

The annual revenue of the medicine market in China is estimated to be approximately 1 trillion RMB (US$ 140 billion) in 2008 .

There are about 2,000 pharmaceutical companies with GMP Certificates in China, Renhuang is one of the pharmaceutical companies that has obtained the GMP Certificate under strict control of the Chinese government. As our market grows, we anticipate increased production volume through acquisitions and/or additional production facilities.

Our first and primary target market is China, where we believe a growing middle class with demands for improved healthcare has created a sustainable need for quality healthcare products. Our secondary market in the long-term future is the United States and other regions of the world.

Most of the recognized brands in China are manufactured by multi-national drug companies with higher market share than domestic brands. Based on our research, there are approximately 2,000 drug companies with GMP certificates, producing a variety of traditional and modern Chinese medical products. Furthermore, Chinese drug companies produce 300 different types of biotech products including vaccines, antiserum, blood products, and diagnosing reagents for internal and external use.

—Market Shares of various pharmaceutical products

The Current State of the Biotech Industry in China

The biotech industry in China has undergone fundamental improvements in recent years. China’s biological product market, which includes gene engineering drugs, vaccines, antibodies, and blood products, surpassed 30.3 billion RMB in 2005, 39.1 billion RMB in 2006, 44.6 billion RMB in 2007, and 53 billion RMB in 2008

In order to accelerate the development of the PRC's domestic biotech industry, the Chinese government has invested in biotech research and development. Biotech engineering and bio-drugs are making progress and a series of key technologies have been built. Tens of gene drugs are fast approaching the area of practical use and the Chinese biotech R&D industry is rapidly becoming more mature and competitive.

Competition

We are subject to intense competition. Some of our competitors have greater financial resources, larger staff, and better established market recognition than us. Below are lists of Chinese companies that we view as our competitors in each of our product series.

Acanthopanax Product Series Competitors

Hongdoushan Pharmaceuticals, with main Acanthopanax products of tablets, and with approximately 7% of the market share of Acanthopanax tablets.

Wangdashang Pharmaceuticals, with main Acanthopanax products of tablets and syrup, and with approximately 5% and 2% of the market share of Acanthopanax tablets and syrup, respectively.

Lianhuahu Pharmaceuticals, with main Acanthopanax products of ointment and raw product, and with approximately 15% and 10% of the market share of Acanthopanax ointment and raw products respectively.

Harbin Shengyuan Pharmaceuticals, with main Acanthopanax product of Acanthopanax ointment, and with approximately 10% of the market share of Acanthopanax ointment.

Shark Power Healthcare Series Competitors

Beijing Saishali Company, with approximately 17% market share
Shantou Xianle Pharmaceuticals, with approximately 8% market share
Shangai Zhongyang Donghai Pharmaceuticals, with approximately 5% market share

Traditional Medical Products Competitors

Compound Yang Jiao Tablets

Harbin Sanjing North Pharmaceuticals, with approximately 16% market share
Harbin Huarui Pharmaceuticals, with approximately 15% market share
Harbin Mingmu Pharmaceuticals, with approximately 9% market share

Tianma Pills

Sigpore Xinri Pharmaceuticals, with approximately 20% market share
Guizhou Yibai Pharmaceuticals, with approximately 18% market share
Sanjiu Pharmaceuticals, with approximately 20% market share

Powder For Restoring Pulse Beat

Gansu Foci Pharmaceuticals, with approximately 12% market share
Hubei Meibao Pharmaceuticals, with approximately 8% market share
Nanning Weiwei Pharmaceuticals, with approximately 6% market share

Lysozyme Products Competitors

We believe there are few companies with the ability to produce lysozyme products on a large scale. Thus, the competition is scarce.

Competitive Strengths

Experienced Management Team

Our management team has over 35 years of experience in the pharmaceutical industry combined, which, when compared to Old Renhuang's historical numbers, generated historical annual growth in both sales and profits.

Through the acquisition of DFH in 2003, Old Renhuang obtained most of the wild resources of Acanthopanax in Heilongjiang Province. As of May 1, 2006, Old Renhuang transferred all acquired operations of DFH to Renhuang China. We believe that we have a relatively dominant position in terms of resource control. We estimate that our cost of production is 30% lower than the competition.

In addition to our advantageous access to wild Acanthopanax sources, we believe that we have the following competitive strengths related to Acanthopanax:

Resources Cultivation

Current wild Acanthopanax resources may not be able to fulfill the rapidly growing demand. Therefore, we have started to cultivate Acanthopanax in woodland areas. Our cultivated Acanthopanax achieves, in all material respects, the same effects as wild Acanthopanax, mainly due to our use of wild Acanthopanax seeds and other production methods as well as its extraordinarily favorable climate conditions in Heilongjiang Province.

Lower Production Costs

We have successfully developed new extraction technology during the process of cultivating and producing Acanthopanax. Based on our estimates, we believe that our new technology will lead to production costs that will be lower than our competitors.

We believe that our Shark Power Healthcare products have the following competitive strengths:

State Drug Administration Approval

Our Shark Power Healthcare products have received Good Manufacturing Practice ("GMP") certificates from the State Drug Administration ("SDA"). As most healthcare products produced in China have not obtained GMP certificates, our Shark Power Healthcare products have a strong competitive advantage. Our Shark Power Healthcare products are also distributed through hospital channels, which is not the case for most other similar health care products.

Lower Production Costs

The retail price of Shark Power Healthcare products has historically been lower than the price of similar products from our competitors due to our lower raw material costs. We purchase raw materials indirectly from Australia at prices which we believe are as much as 20% lower than the cost of these materials when obtained from coastal areas in China, where most competitors purchase their materials.

In addition, we believe our business possesses the following competitive strengths:

The ability to upgrade our products by using our follow-up research projects enables us to continue our product development.
We have developed an independent research cooperation system, which can provide support to our research and development of new products.
We have been awarded outstanding levels of status by provincial, city and regional governments.
We employ an experienced research team of scientists.
Through efficiency and our production facilities, we believe our production costs are on average 5% to 10% lower than those of our competitors.

Official Accomplishments

The Chinese government has appraised us as "The Best Quality and Credit Company", "The Company with The Best Social Image", and "The Most Trustful Consumer Products Company".
Our Lysozyme and Hyperoxide mutase projects have been included into the most important national level project in the State Scientific Administration.
Biotech drug garden has been included into the national transforming projects of North Eastern China heavy industry base, and in the projects which may obtain zero interests loans from the Chinese government.

Customers

Our primary independent sales distributors are listed in the table below. These sales distributors account for more than 5% of our revenue. The revenue figures listed below are revenues received from these distributors before any reduction for any volume rebates we may have paid to these distributors.

Customer	Revenue for FYE October 31, 2008, Before Rebate (RMB)	Revenue for FYE October 31, 2008, Before Rebate (USD)	% of Total Revenue
Baojin Yang	31,581,025	4,511,575	10.49%
Gang Hua	31,254,600	4,464,943	10.39%
Hui Zhao	27,295,538	3,899,363	9.07%
Jing Hua	16,440,235	2,348,605	5.46%
Hongtao Zhang	16,717,400	2,388,200	5.56%
Xuchang Li	17,565,717	2,509,388	5.84%
Sijiang Qin	16,493,200	2,356,171	5.48%
Jianjun Wu	16,791,873	2,398,839	5.58%
Yong Hua	15,918,671	2,274,096	5.29%
Xue Qin	15,870,769	2,267,253	5.27%

Employees

We employ more than 600 full time individuals, including 150 employees in managerial positions, 60 employees as sales managers, 12 R&D managers among 30 employees in our R&D department, and more than 400 general workers. We also utilize approximately 22 independent sales distributors in various sales offices that work as independent contractors.

Government Regulation

The State Drug Administration

The SDA of China has set up a classification administrative system in 1999 for prescription and OTC drugs. Since then, the SDA has issued a series of guidelines on the interpretation of the new classification system for labeling, usage instructions and packaging of OTC products. The SDA currently requires that pharmaceutical manufacturers clearly label drugs for OTC sales and distinguish them from those, under SDA regulations, acceptable to be sold in hospitals. We have instituted policies that we believe comply with SDA regulations. We successfully passed all GMP investigations by SDA and received approval certificates.

In September 2005, Old Renhuang received a certification for exporting products by Entry-Exit Inspection and Quarantine Administration, and received a self-reporting inspection registration certificate. In May 2006, all certificates were transferred to Renhuang China.

Environmental Matters

We have not been required to perform any investigation or clean-up activities, nor have we been subject to any environmental claims. There can be no assurance, however, that this will remain the case in the future.

Trade Names and Service Marks

We do not currently own any Trade Names, Trade Marks or Service Marks.

ITEM 1A – RISK FACTORS

Cautionary Statement Regarding Future Results, Forward-Looking Information And Certain Important Factors

In this report we make, and from time to time we otherwise make, written and oral statements regarding our business and prospects, such as projections of future performance, statements of management's plans and objectives, forecasts of market trends, and other matters that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements containing the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "expects," "anticipates," "intends," "target," "goal," "plans," "objective," "should" or similar expressions identify forward-looking statem which may appear in documents, reports, filings with the Securities and Exchange Commission, news releases, written or oral presentations made by officers or other representatives made by us to analysts, stockholders, investors, news organizations and others, and discussions with management and other of our representatives. For such statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Our future results, including results related to forward-looking statements, involve a number of risks and uncertainties. No assurance can be given that the results reflected in any forward-looking statements will be achieved. Any forward-looking statement speaks only as of the date on which such statement is made. Our forward-looking statements are based upon assumptions that are sometimes based upon estimates, data, communications and other information from suppliers, government agencies and other sources that may be subject to revision. Except as required by law, we do not undertake any obligation to update or keep current either (i) any forward-looking statement to reflect events or circumstances arising after the date of such statement, or (ii) the important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or which are reflected from time to time in any forward-looking statement.

In addition to other matters identified or described by us from time to time in filings with the SEC, there are several important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or results that are reflected from time to time in any forward-looking statement. Some of these important factors, but not necessarily all important factors, include the following:

Risks Related To Our Business, Operations and Industry

Current economic conditions may adversely impact demand for our products, reduce access to credit and cause our customers and others with which we do business to suffer financial hardship, all of which could adversely impact our business, results of operations, financial condition and cash flows.

Our business, financial condition and results of operations have and may continue to be affected by various economic factors. The worldwide economy is undergoing a period of slowdown and the future economic environment may continue to be less favorable than that of recent years. This slowdown has, and could further lead to, reduced consumer and business spending in the foreseeable future, including by our customers. Reduced access to credit has and may continue to adversely affect the ability of consumers to purchase our fire safety products and systems. In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers and other service providers. If such conditions continue or further deteriorate, our industry, business and results of operations may be severely impacted.

We will need to raise additional capital to expand our business.

For the foreseeable future, we will fund all of our operations and capital expenditures from cash on hand and potential future internally generated cash flow. Currently, we believe we have sufficient cash on hand to fund our operations and planned expansions. However, changes may occur that would consume our available capital, including changes in and progress of our development activities, acquisitions of additional candidates and changes in regulation. We will then need to seek additional sources of financing, which may not be available on favorable terms, if at all. If we do not succeed in raising additional funds on acceptable terms, we may be unable to complete our expansion and future growth. In addition, we could be forced to discontinue product development, reduce or forego sales and marketing efforts and forego attractive business opportunities. Any additional sources of financing will likely involve the issuance of our equity securities, which will have a dilutive effect on our stockholders.

Our profitability is limited.

We will need to generate significant revenues in order to achieve and maintain profitability. We may not be able to generate these revenues or achieve profitability in the future. Our failure to achieve or maintain profitability could negatively impact our business, operating results and financial conditions.

We may be unable to obtain and maintain the necessary Chinese or worldwide regulatory approvals to commercialize our products.

To commercialize certain of our current and future products, we require approvals from SDA and any FDA-equivalent regulatory authorities in foreign jurisdictions. Currently, we do not sell our products to the United States, but if we plan to commercialize our products to the U.S., we will require FDA approval for some of our products. To apply for approval, we must submit to the FDA a New Drug Application, or NDA, demonstrating that the product candidate is safe for humans and effective for its intended use. This demonstration requires significant research and animal testing, which are referred to as pre-clinical studies, as well as human testing, which are referred to as clinical trials. Satisfaction of the FDA's regulatory requirements typically takes many years, depending upon the type, complexity and novelty of the product candidate and requires substantial resources for research, development and testing. We cannot predict whether our research and clinical approaches will result in drugs that the FDA or FDA-equivalent in other jurisdictions consider safe for humans and effective for indicated uses. The FDA has substantial discretion in the drug approval process and may require us to conduct additional pre-clinical and clinical testing or to perform post-marketing studies. The approval process may also be delayed by changes in government

regulation, future legislation or administrative action or changes in FDA policy that occur prior to or during our regulatory review. Delays in obtaining regulatory approvals may:

delay commercialization of, and our ability to derive product revenues from, our product candidates;
impose costly procedures on us; and

diminish any competitive advantages that we may otherwise enjoy.

In foreign jurisdictions, we must receive approval from the appropriate regulatory authorities before we can commercialize any drugs. Foreign regulatory approval processes generally include all of the risks associated with the FDA approval procedures described above.

We cannot guarantee that we will maintain and receive the approvals necessary to commercialize our current and future products for sale in China, United States or elsewhere.

Clinical trials are very expensive, time-consuming and difficult to design and implement.

Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The clinical trial process is also time consuming. We estimate that clinical trials of our product candidate will take at least several years to complete. Furthermore, failure can occur at any stage of the trials, and we could encounter problems that cause us to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including:

unforeseen safety issues;
determination of dosing issues;
lack of effectiveness during clinical trials;
slower than expected rates of patient recruitment;
inability to monitor patients adequately during or after treatment; and
inability or unwillingness of medical investigators to follow our clinical protocols.

In addition, we, SDA, FDA or FDA-equivalent institutions in foreign jurisdictions may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the regulatory bodies find deficiencies in our Investigational New Drug, or IND, submissions or the conduct of these trials. Therefore, we cannot predict with any certainty the schedule for future clinical trials.

The results of our clinical trials may not support our product candidate claims.

Even if our clinical trials are completed as planned, we cannot be certain that their results will support our product candidate claims. Success in pre-clinical testing and early clinical trials does not ensure that later clinical trials will be successful, and we cannot be sure that the results of later clinical trials will replicate the results of prior clinical trials and pre-clinical testing. The clinical trial process may fail to demonstrate that our product candidates are safe for humans and effective for indicated uses. This failure would cause us to abandon a product candidate and may delay development of other product candidates.

Physicians, patients and other end consumer may abandon existing or choose not to accept and use our new drugs.

Physicians and patients may not accept and use our products. Acceptance and use of our product will depend upon a number of factors including:

perceptions by members of the health care community, including physicians, about the safety and effectiveness of our products;
cost-effectiveness of our product relative to competing products; and

effectiveness of marketing and distribution efforts by us and our licensees and distributors, if any.

Because we expect sales of our current and future products to generate substantially all of our product revenues for the foreseeable future, the failure to find market acceptance would materially harm our business and results of operations.

Our drug-development program depends upon third-party research scientists who are not subject to our control.

We depend upon independent investigators and collaborators, such as universities and medical institutions, to conduct our pre-clinical and clinical trials under agreements with us. These collaborators are not our employees and we cannot control the amount or timing of resources that they devote to our programs. These investigators may not assign as great a priority to our programs or pursue them as diligently as we would if we were undertaking such programs ourselves. If outside collaborators fail to devote sufficient time and resources to our drug-development programs, or if their performance is substandard, the approval of our applications, if any, and our introduction of new drugs, if any, will be delayed. These collaborators may also have relationships with other commercial entities, some of which may compete with us. If our collaborators assist our competitors at our expense, our competitive position and business could be materially and adversely affected.

We need to increase our selling, marketing and distributing network.

We need significant capital expenditures, time and management resources to market our products and to establish and develop an in-house marketing and sales force with technical expertise. There can be no assurance that we will be able to establish, maintain or develop in-house sales and distribution capabilities. To the extent that we depend on third parties for marketing and distribution, any revenues we receive will depend upon the efforts of such third parties, and there can be no assurance that such efforts will be successful.

If we cannot compete successfully for market share against other similar product oriented companies, we may not achieve sufficient product revenues and our business will suffer.

The market for our product candidates is characterized by intense competition and rapid technological advances. We will compete with a number of existing and future drugs and therapies developed, manufactured and marketed by others. Existing or future competing products may provide greater therapeutic convenience or clinical or other benefits for a specific indication than our products, or may offer comparable performance at a lower cost. If our products fail to capture and maintain market share, we may not achieve sufficient product revenues and our business will suffer.

We will compete against fully integrated pharmaceutical companies and smaller companies that are collaborating with larger pharmaceutical companies, academic institutions, government agencies and other public and private research organizations. Many of these competitors have either alone or together with their collaborative partners, operate larger research and development programs or have substantially greater financial resources than we do, as well as significantly greater experience in:

developing drugs;
undertaking pre-clinical testing and human clinical trials;
obtaining regulatory approvals of drugs;
formulating and manufacturing drugs; and
launching, marketing and selling drugs.

Developments by competitors may render our products or technologies obsolete or non-competitive.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. A large number of companies are pursuing the development of pharmaceuticals that target the same diseases and conditions that we are targeting. We face competition from pharmaceutical and biotechnology companies in China and other countries. In addition, companies pursuing different but related fields represent substantial competition. Many of these organizations competing with us have substantially greater capital resources, larger research and development staffs and facilities, longer drug development history in obtaining regulatory approvals and greater manufacturing and marketing capabilities than we do. These organizations also compete with us to attract qualified personnel and parties for acquisitions, joint ventures or other collaborations.

If we fail to adequately protect or enforce our intellectual property, the value of our intellectual property rights would diminish and our business would be harmed.

Our success, competitive position and future revenues will depend in part on our ability and the abilities of our licensors to obtain and maintain patent protection for our products, methods, processes and other technologies, to preserve our trade secrets, to prevent third parties from infringing on our proprietary rights and to operate without infringing the proprietary rights of third parties.

Our success is partly dependent upon the skills, knowledge and experience of our scientific and technical personnel, our consultants and advisors as well as our licensors and contractors. To help protect our proprietary know-how and our product developments for which patents may be unobtainable or difficult to obtain, we rely on trade secret protection and confidentiality agreements. To this end, it is our policy to require all of our employees, consultants, advisors and contractors to enter into agreements which prohibit the disclosure of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business. These agreements may not provide adequate protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information. If any of our trade secrets, know-how or other proprietary information is disclosed, the value of our trade

secrets, know-how and other proprietary rights would be significantly impaired and our business and competitive position would suffer.

We may not successfully manage our growth.

Our success will depend upon the expansion of our operations and the effective management of our growth, which will place a significant strain on our management and on our administrative, operational and financial resources. To manage this growth, we must expand our facilities, augment our operational, financial and management systems and hire and train additional qualified personnel. If we are unable to manage our growth effectively, our business would be harmed.

We give no assurances that any plans for future expansion will be implemented.

Under our current business plan, we intend to expand our production of our current products. However, we have not made any definitive plans or signed any binding agreements to implement this expansion strategy. We may decide to use operating income to finance these expenditures, which would reduce our operating capital.

We have a limited operating history and limited historical financial information upon which you may evaluate our performance.

We began our operations in 2006 and continue to face risks in a growth industry. We may not successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of our common stock to the point investors may lose their entire investment. Even if we accomplish these objectives, we may not generate positive cash flows or the profits we anticipate in the future.

We will face substantial competition, some of which may be better capitalized and more experienced than us .

We face competition in the pharmaceutical and medical product industry. Although we view ourselves in a favorable position vis—vis our competition, some of the other pharmaceutical and medical product companies that sell into our markets may be more successful than us and/or have more experience and financial resources than we do. This additional experience and financial resources may enable our competitors to produce more effective pharmaceuticals and sell their product with more success than we are able to, which would decrease our sales.

We rely on key executive officers and scientific advisors, and their knowledge of our business and technical expertise would be difficult to replace.

We are highly dependent on our principal scientific, regulatory and medical advisors. We do not have “key person” life insurance policies for any of our officers. The loss of the technical knowledge and management and industry expertise of any of our key personnel could result in delays in product development, loss of customers and sales and diversion of management resources, which could adversely affect our operating results.

Risks Related to Doing Business in China

Our manufacturing plants are located in China and our pharmaceutical and medical products production, sale and distribution are subject to Chinese regulation.

Economic reforms adopted by the Chinese government have had a positive effect on the economic development of the country, but the government could change these economic reforms or any of the legal systems at any time. This could either benefit or damage our operations and profitability. Some changes that could have this effect are: i) level of government involvement in the economy; ii) control of foreign exchange; iii) methods of allocating resources; iv) balance of payment positions; v) international trade restrictions; and vi) international conflict. Additionally, as a manufacturer of pharmaceutical and medical products located in China, we are a state-licensed company and facility and subject to Chinese regulations and laws. The Chinese government has been active in regulating the pharmaceutical industry. If we were to lose our state-licensed status we would no longer be able to manufacture pharmaceuticals in China, which is our sole operation.

We depend upon governmental laws and regulations that may be changed in ways that will harm our business.

Our business and products are subject to government regulations mandating the manufacturing of pharmaceuticals in China and other countries. Changes in the laws or regulations in China, or other countries we sell into, that govern or apply to our operations could have a materially adverse effect on our business. For example, the law could change so as to prohibit the use of certain pharmaceuticals. If one of our pharmaceuticals or medical products are prohibited, this change would reduce our productivity of that product.

The Chinese government exerts substantial influence over the manner in which we must conduct our business activities.

China only recently has permitted provincial and local economic autonomy and private economic activities. The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, pharmaceutical regulations, and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

Future inflation in China may inhibit our activity to conduct business in China.

In recent years, the Chinese economy has experienced periods of rapid expansion and high rates of inflation. During the past ten years, the rate of inflation in China has been as high as 20.7% and as low as -2.2%. These factors have led to the adoption by Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. While inflation has been more moderate since 1995, high inflation may cause Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

The majority of our revenues will be settled in Renminbi and U.S. Dollars, and any future restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund any future business activities outside China or to make dividend or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the Renminbi for current account transactions, significant restrictions still remain, including primarily the restriction that foreign-invested enterprises may only buy, sell or remit foreign currencies after providing valid commercial documents, at those banks in China authorized to conduct foreign exchange business. In addition, conversion of Renminbi for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the Renminbi.

The value of our securities will be affected by the foreign exchange rate between U.S. dollars and Renminbi.

The value of our common stock will be affected by the foreign exchange rate between U.S. dollars and Renminbi, and between those currencies and other currencies in which our sales may be denominated in the future. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operational needs and should the Renminbi appreciate against the U.S. dollar at that time, our financial position, the business of the Company, and the price of our common stock may be harmed. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of declaring dividends on our common stock or for other business purposes and the U.S. dollar appreciates against the Renminbi, the U.S. dollar equivalent of our earnings from our subsidiaries in China would be reduced.

Our business is largely subject to the uncertain legal environment in China and your legal protection could be limited .

The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which precedents set in earlier legal cases are not generally used. The overall effect of legislation enacted over the past 20 years has been to enhance the protections afforded to foreign invested enterprises in China. However, these laws, regulations and legal requirements are relatively recent and are evolving rapidly, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to foreign investors, such as the right of foreign invested enterprises to hold licenses and permits such as requisite business licenses. In addition, some of our executive officers and our directors may be residents of China and not of the United States, and substantially all the assets of these persons are located outside the U.S. As a result, it could be difficult for investors to affect service of process in the United States, or to enforce a judgment obtained in the United States against us or any of these persons.

Risks Related to Shares of Our Common Stock

Our common stock has been thinly traded and we cannot predict the extent to which a trading market will develop.

Our common stock is quoted on the Pink Sheet Electronic Over the Counter Market (the "Pink Sheets"), an electronic quotation service for securities traded over-the-counter. Our common stock is thinly traded compared to larger, more widely known companies. Thinly traded common stock can be more volatile than common stock trading in an active public market. We cannot predict the extent to which an active public market for our common stock will develop or be sustained.

Because we are subject to the "penny stock" rules, the level of trading activity in our stock may be reduced.

Our common stock is traded on the Pink Sheets. Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain penny stock rules adopted by the Securities and Exchange Commission. Penny stocks, like shares of our common stock, generally are equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on NASDAQ. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, broker-dealers who sell these securities to persons other than established customers and "accredited investors" must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security subject to the penny stock rules, and investors in our common stock may find it difficult to sell their shares.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our executive offices in the United States are provided to us at no cost at the offices of one of our shareholders, Viking Investments USA, Inc., which are located at 65 Broadway, 7 th Floor, New York, New York. The fair market value of the office space we utilize is approximately $2,000 per month.

Our operations in China are conducted out of our offices located at No. 281 Taiping Road, Taiping District Harbin, Heilongjiang Province, 150050, P.R. China. These offices are owned by Old Renhuang and we rent the space pursuant to a one year lease. We currently lease a total of 105,416 square feet, with approximately 15,000 square feet used for executive offices and approximately 90,000 square feet used for production and inventory.

ITEM 3 - LEGAL PROCEEDINGS

We are not a party to, or threatened by, any litigation or procedures.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no events that are required to be reported under this Item.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is currently quoted on the Pink Sheet OTC market of the National Association of Securities Dealers, Inc., under the symbol "RHGP." Our common stock is only traded on a limited or sporadic basis and should not be deemed to constitute an established public trading market. There is no assurance that there will be liquidity in the common stock.

The following table sets forth the high and low bid information for each quarter within the two most recent fiscal years, as provided by the Over-The-Counter Bulletin Board. The information reflects prices between dealers, and does not include retail markup, markdown, or commission, and may not represent actual transactions.

Quarter Ended	High	Low
January 31, 2007	3.95	3.90
April 30, 2007	3.10	3.10
July 31, 2007	2.50	2.50
October 31, 2007	2.28	2.25
January 31, 2008	1.65	1.60
April 30, 2008	0.82	0.82
July 31, 2008	1.06	1.06
October 31, 2008	0.65	0.65
January 31, 2009	0.20	0.20
April 30, 2009	0.20	0.20
July 31, 2009	0.69	0.20
October 31, 2009	1.25	0.50

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than $5.00 per share, subject to a few exceptions that we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

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Holders

As of November 23, 2009, there were 37,239,536 shares of our common stock issued and outstanding held by 80 holders of record.

Dividend Policy

We do not expect to pay any dividend in the foreseeable future. We intend to apply our earnings, if any, in expanding our operations and related activities. The payment of cash dividends on our common stock in the future will be at the discretion of the Board of Directors and will depend upon such factors as earnings levels, capital requirements, our financial condition and other factors deemed relevant by the Board of Directors.

ITEM 6 – SELECTED FINANCIAL DATA

Not required.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Disclaimer Regarding Forward Looking Statements

Our Management's Discussion and Analysis or Plan of Operations contains not only statements that are historical facts, but also statements that are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Restatement of Financial Statements

The following discussion and analysis gives effect to the restatement described in Note 20 to the consolidated financial statements for the fiscal year ended October 31, 2008 contained herein. Accordingly, certain of the data set forth in this section is not comparable to discussions and data in our previously filed annual report for corresponding period. The consolidated balance sheet as of October 31, 2008, the consolidated statement of operations for the fiscal year ended October 31, 2008 and the consolidated statement of cash flows for the fiscal year ended October 31, 2008 present the effect of changes in our consolidated financial statements caused by the restatement.

Overview

As of March 3, 2006, we discontinued our previous operations as a company specializing in the providing of home financing through the brokerage of residential home loans. On September 7, 2006, we acquired 100% of the issued and outstanding shares of Harbin Renhuang Pharmaceutical Company Limited, a corporation incorporated under the laws of the British Virgin Island, (‘‘BVI’’), whose only assets are 100% of the equity of Harbin Renhuang Pharmaceutical Co. Ltd., incorporated under the laws of the Peoples Republic of China (“Renhuang China”) mainly focused on the research, production and sales of traditional Chinese and Western medical and bio-pharmaceutical products in China.

On May 1, 2006, Harbin Renhuang Pharmaceutical Stock Co. Ltd., ("Old Renhuang") transferred the majority of its operating assets to Renhuang China, with the exception of the buildings Old Renhuang owns (including where we rent our office space and production facilities), and Old Renhuang's account receivables, inventories and other assets with zero or insignificant value. The principal business activities of Renhuang remained unchanged. On March 3, 2006 Renhuang Medicine for Animals Co. Ltd. a company controlled by Mr. Li Shaoming, invested 25 million RMB (about US $3.3 million) in cash in Renhuang China.

Our pharmaceutical products are distributed through our approximately 22 independent sales distributors. These distributors have more than 70 sales offices with more than 3,000 sales people. Upon the effectiveness of the Merger, we adopted the business of Renhuang China, which we have continued as our sole line of business.

Upon closing of the Merger, BVI and its subsidiary Renhuang China became our wholly owned subsidiaries. The Former stockholders of BVI own approximately 85% of our issued and outstanding common stock.

Reverse Merger

Our acquisition of the BVI company and its subsidiary Renhuang China was accounted for as a reverse merger, because, after giving effect to the share exchanges, the former stockholders of BVI hold a majority of our outstanding common stock on a voting and fully diluted basis. As a result of the share exchanges, Renhuang was deemed to be the acquirer for accounting purposes. Accordingly, the financial statements presented are those of Renhuang China for all periods prior to our acquisition of the BVI company on September 7, 2006, and the financial statements of the consolidated companies from the acquisition date forward.

Change in Fiscal Year

On December 5, 2006, our Board of Directors approved the change of our fiscal year end from April 30 to October 31. Our Annual Report on Form 10-K for the period ended October 31, 2006 was a transition report, and included information for the six-month transitional period from May 1, 2006 to October 31, 2006.

Year Ended October 31, 2008 Compared to Year Ended October 31, 2007

For the fiscal year ended October 31, 2008, we generated $34,474,490 in revenues and cost of sales of $15,980,638. With these revenues and cost of sales for the year ended October 31, 2008, we had a net income of $10,291,099. For the fiscal year ended October 31, 2007, we generated $28,040,174 in revenues on cost of sales of $13,693,892. With these revenues and cost of sales for the year ended October 31, 2007, we had a net income of $9,596,632.

Revenues, Expenses and Net Income

	Year Ended October 31, 2008	Year Ended October 31, 2007
Revenue	$ $34,474,490	$ 28,040,174
Cost of Sales	(15,980,638)	(13,693,892)
Selling and Distribution Expenses	(163,355)	(166,567)
Advertising Expenses	(3,155,063)	(1,358,900)
General and Administrative Expenses	(2,620,656)	(2,553,541)
Research and Development	(2,124,511)	(282,009)
Provision for Doubtful Accounts	(243,282)	(130,634)

Depreciation and Amortization		(13,578)		(293,637)
Other Income (Cost)		117,692		35,638
Net Income	$	$10,291,099	$	9,596,632

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Revenues

Our revenues for the year ended October 31, 2008 were 34,474,490 compared to revenues of $28,040,174 for the year ended October 31, 2007, representing an increase of $6,434,316, or 23%. This increase was primarily due to our success in marketing expansion, with an adjustment on products. During the year ended October 31, 2008, we increased production of our products with higher profit margins and decreased production of our products with lower profit margins. Our revenues for the year ended October 31, 2008 consisted primarily of sales of the following products: Acanthopanax products (approximately 53%), Shark Power Healthcare products (approximately 17%), and other Chinese traditional medical products (approximately 30%)

Cost of Sales

Our cost of sales for the fiscal year ended October 31, 2008, which consisted primarily of raw material, labor and production costs, were $15,980,638 as compared to cost of sales of $13,693,892 for the fiscal year ended October 31, 2007, representing an increase of $2,286,746, or 16.7%. The increase in our cost of sales was primarily due to the increase of revenue.

Selling and Distribution Expenses

Our selling and distribution expenses consist of expenses related to the actual sales of our products and the costs we incur in distributing those products such as expansion costs, and salaries of sales staff. For the fiscal year ended October 31, 2008, our selling and distribution expenses were $163,355, as compared to $166,567 for the fiscal year ended October 31, 2007, representing a slight decrease of $3,212, or 1.9%.

Advertising Expenses

For the fiscal year ended October 31, 2008, we had advertising expenses of $3,155,063 as compared to $1,358,900 for the fiscal year ended October 31, 2007, representing an increase of $1,796,163, or 132.2%. Our advertising expenses consisted of expenses related to the advertising of Acanthophanax and our traditional Chinese medicines. Our advertising expenses for the fiscal year ended October 31, 2008 were substantially higher than our advertising expenses for the fiscal year ended October 31, 2007 primarily due to our efforts to expand our market share.

General and Administrative Expenses

Our general and administrative expenses were $2,620,656 for the fiscal year ended October 31, 2008, compared to $2,553,541 for the fiscal year ended October 31, 2007, representing a slight increase of $67,115, or 2.6%. Our general and administrative expenses for the fiscal year ended October 31, 2008 primarily consisted of the following: $145,391 for traveling expenses, $868,402 for payroll, $178,358 for office expenses, $69,384 for vehicle usage expenses, $44,183 for telephone charge, $22,801 for employee’s welfare and $159,695 for entertainment expenses

Research and Development

Our research and development expenses were $2,124,511 for the fiscal year ended October 31, 2008, compared to research and development expenses of $282,009 for the year ended October 31, 2007, representing a significant increase of $1,842,502, or 653.3%. This increase was primarily due to our development of Acanthopanax cultivation and extraction of effective parts and the increased research and development of other medicine.

Depreciation and Amortization

We had depreciation and amortization expenses of $339,257 for the fiscal year ended October 31, 2008, with $325,679 included in the costs of good sold, compared to $293,637 for the fiscal year ended October 31, 2007, representing an increase of $45,620, or 15.5%. For both periods our depreciation and amortization expenses related to machinery, equipment and vehicles.

Net Income from Operations

Our net income for the fiscal year ended October 31, 2008 was $10,291,099, compared to $9,596,632 for the fiscal year ended October 31, 2007. Our net income increased significantly due to higher revenue and sales of higher gross margin products for the fiscal year ended October 31, 2008.

Liquidity and Capital Resources

Our cash, current assets, total assets, current liabilities, and total liabilities as of October 31, 2008 and 2007, respectively, are as follows:

	October 31, 2008	October 31, 2007
Cash and Cash Equivalents	$ 9,747,693	$ 10,153,603
Total Current Assets	33,384,894	22,283,186
Total Assets	36,005,843	24,889,471
Total Current Liabilities	1,961,087	3,495,971
Total Liabilities	1,961,087	3,495,971
Working Capital	31,423,807	18,787,215

Sources and Uses of Cash

Operations

Net cash provided by (used in) operating activities was $(1,227,941) for the year ended October 31, 2008, compared to $8,876,363 for the year ended October 31, 2007. Our cash from operating activities for the year ended October 31, 2008 was primarily ($11,431,340) in net trade receivables, ($1,513,512) in inventories, $361,427 in other net receivables, $22,642 in third party accounts payable and accruals, and $490,903 in other payables.

Investments

Net cash used in investing activities was $110,760 for the year ended October 31, 2008, compared to $45,741 for the year ended October 31, 2007. For the year ended October 31, 2008 and 2007, all our cash used in investing activities related to the acquisition of property, plant and equipment.

Financing

Net cash provided by financing activities was nil for the year ended October 31, 2008 and 2007.

Debt Instruments, Guarantees, and Related Covenants

We do not have any long term debt and no significant short term debt, and have not entered into any guarantee arrangements or other related covenants.

Critical Accounting Policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management's initial estimates as reported. On an on-going basis, we evaluate our estimates including the allowance for doubtful accounts and inventories, the salability and recoverability of our products, income taxes and contingencies and remaining useful lives of our tangible and certain intangible assets. We base our estimates on historical experience and on other assumptions that we believes to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of our significant accounting policies are located in the notes to the financial statements which are an integral component of this filing.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

		Payments due by period			
Obligations	Total	1 Year	2 Years	3Years	4Years
Long-Term Debt Obligations	-0-	-0-	-0-	-0-	-0-
Capital Lease Obligations	-0-	-0-	-0-	-0-	-0-
Operating Lease Obligations - Total	496,645	433,649	62,996	-0-	-0-
Operating Lease Obligations - Related Party	307,656	307,656	-0-	-0-	-0-
Operating Lease Obligations - Third Party	188,989	125,993	62,996	-0-	-0-
Purchase Obligations	-0-	-0-	-0-	-0-	-0-
Other Long-Term Liabilities	-0-	-0-	-0-	-0-	-0-
Total Contractual Obligations	496,645	433,649	62,996	-0-	