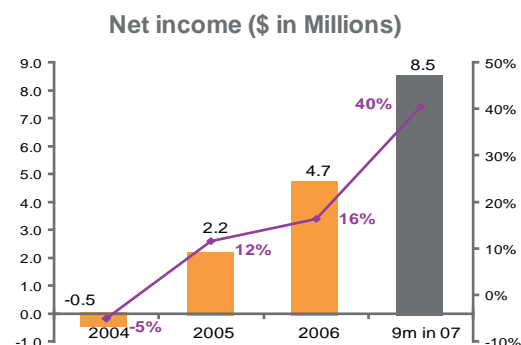
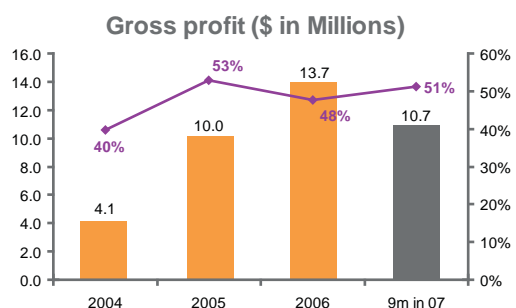
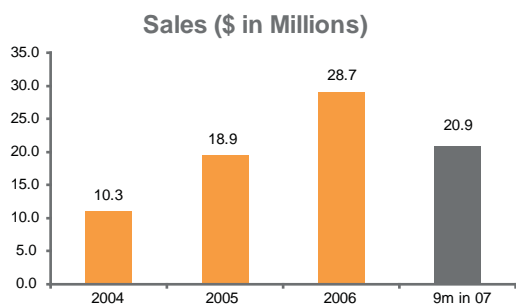


Listed on OTC BB: RHGP
Price (02/12/08): \$1.25
52-Week Range: \$1.10 - 3.13
Market Capitalization: \$43.9M
Shares Outstanding: 35.1M
Revenues (9m in 07): \$20.9M
Net Income (9m in 07): \$8.5M
EPS (9m in 07): \$0.24
P/E (ttm): 3.5
Fiscal Year End: October 31

Company Description - Founded in 1996 and located in Harbin of Heilongjiang Province in the Northeast China, Renhuang Pharmaceuticals, Inc. ("Renhuang" or "the Company"), develops, manufactures, and distributes a brand line of high quality nutraceutical, natural medicinal and bio-pharmaceutical products. Through its GMP certified facilities, the Company manufactures over 200 types of western, traditional Chinese medicines (TCM), and branded pharmaceuticals. Importantly, Renhuang controls an estimated 70% of China's natural source of Acanthopanax (also known as Siberian Ginseng), a widely used drug for multiple indications including depression, and hence dominates the market for Acanthopanax-based products. The Company sells raw materials and finished products using its extensive distribution network and third party distributors throughout China. Renhuang's distribution network includes 3,000 sales agents in 70 sales centers across 24 districts, covering over 50% of the greater China. Additionally, Renhuang exports its pharmaceuticals to Russia and Southeast Asia. For more information, visit <http://www.renhuang.com>.



>> Investment Highlights



Strong revenue growth and increasing profit. For 2006, revenue, gross profit and net income increased 52%, 37% and 115%, respectively. Most importantly, in the first nine months of 2007, revenue grew -4% to \$20.9 million, gross profit increased 1% to \$10.7 million, and net income increased 174% to \$8.5 million from the same period of the prior year, suggesting improved operational efficiency.

Extensive distribution network. Renhuang's extensive distribution network includes 3,000 sales representatives in 70 sales centers in 24 districts, covering 50% of great China area. Using its extensive network, the Company distributes products in Beijing, Shanghai, Guizhou, Qinghai, Xinjiang, Yunnan, Jiangxi, Shandong, and Heilongjiang. The Company also exports its products to Russia and Southeast Asia.

Control over an estimated 70% of China's natural sources for Acanthopanax (Siberian Ginseng). Renhuang controls 70% of natural resources of Acanthopanax in the Province of Heilongjiang, which holds 90% of natural resources of Acanthopanax in China. By controlling an estimated 70% of Chinese natural resources of Acanthopanax, Renhuang dominates the market for Acanthopanax-based products in China.

Strong R&D capabilities and pipeline of late-stage drugs. Using its extensive R&D capabilities, the Company develops nutraceuticals, drugs and TCM products. Renhuang has a pipeline of drugs including Lyophilized Syringin Powder for Injection, a novel anti-depression Chinese medicine, and plans to distribute them pending the approval from the Chinese State Food and Drug Administration (SFDA).

Increased demand for TCM products in China. The market for TCM products in China is on the rise for a number of reasons. First, TCM products are generally cheaper and considered safer than their chemical counterparts. Second, higher SFDA regulations in the recent years have increased public confidence in these medicines. Finally, national insurance reimbursements for TCM products have increased (from 36% in 2000 to 44% in 2004) and the trend is expected to continue over the coming years.

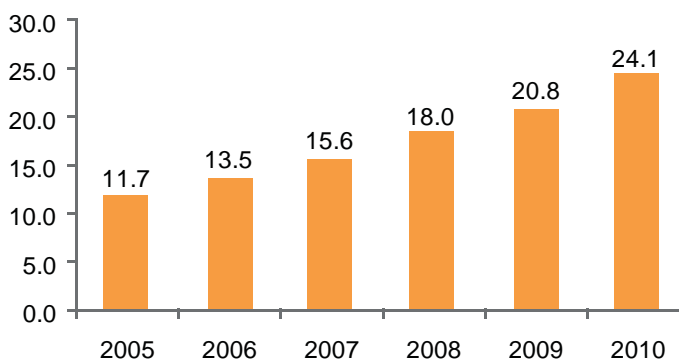
>> The Market Opportunity

Growing Chinese pharmaceutical market to the fifth-largest by 2010. According to IMS Health, an international market research firm, the pharmaceutical market in China is expected to grow twice as fast as the world market, reaching \$18B in 2008. Additionally, Boston Consulting Group expects that Chinese pharmaceutical market, currently the seventh-largest in the world, will reach \$24B by 2010 (CAGR=15.5%), making China the fifth-largest pharmaceutical market.

Strong demand for pharmaceuticals is due to growing affluence, larger middle class, and elderly population. Economic growth in China exceeded 10% for the fourth consecutive year in 2006. As the standard of living increases, so does middle class population and the public awareness of health and dietary issues. According to National Bureau of Statistics, elderly population (60+) has grown from 130M (10.5% of the overall population) in 2000 to 144M (11%) in 2005, and will reach 171M (12.6%) by 2010 as estimated by the PRC National Population and Family Planning Commission statistics. In addition, elderly's health care spending is approximately five times higher. These trends suggest a strong growth opportunity for companies which manufacture and distribute pharmaceuticals in China.

Growing government support for Chinese healthcare industry. Chinese government has significantly increased its healthcare spending in recent years and this trend is expected to continue as the government's investment in the rural China increases. Specifically, in March 2006, Chinese government announced 22 billion Yuan (approximately \$2.8 billion) of healthcare spending in the rural China (People's Daily 2006). In addition, the number of government supported insurance plans is expected to increase from 157M in 2006 to 300M by the end of 2010. Thus, demand for pharmaceuticals covered by these insurance plans, including prescription, OTC and TCM, is expected to increase significantly over the coming years.

Projected Pharmaceutical Sales in China (\$ in Billions)



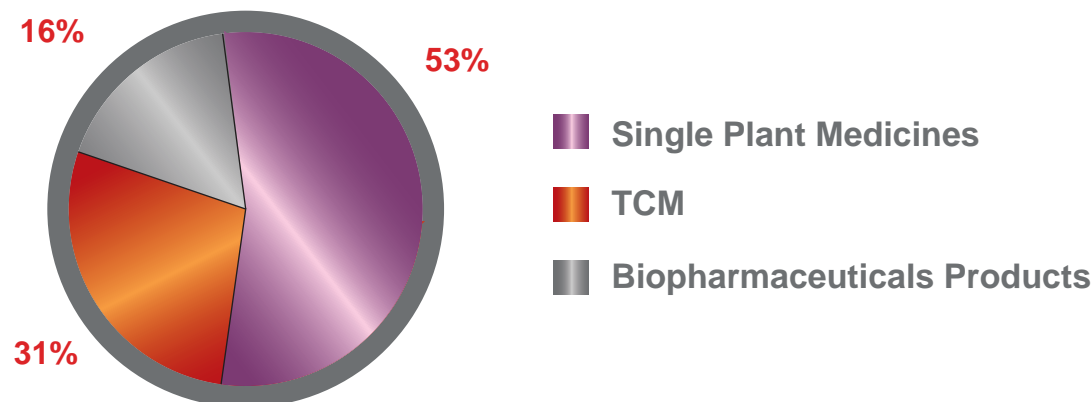
Sources: IMS, Boston Consulting Group

>> Competitive Landscape

The barriers to entry in Chinese pharmaceuticals are relatively low primarily due to low regulatory hurdles. Since the SFDA approves over 10,000 drugs per year, the industry is highly fragmented, with a number of drug products available for the same indication under different trade names and prices. Thus, product quality, brand, R&D and manufacturing capabilities, market access, and the quality of the relationships with the key product distributors are key success factors for Chinese pharmaceutical companies. With its GMP-certified manufacturing capabilities, extensive distribution network, high-quality branded products, and its dominant market share for Acanthopanax-based products, Renhuang is well-positioned to compete in the competitive market for Chinese pharmaceuticals.

GMP- Certified Manufacturing Facilities

In 2003, Renhuang acquired Dongfanghong Pharmaceutical Co. (Dongfanghong), which owns 70% of the natural resources for Acanthopanax in the Province of Heilongjiang. Furthermore, the Company acquired 73 GMP approved drugs, and the entire manufacturing operation of Dongfanghong in 2006. In addition, Renhuang owns a GMP certified manufacturing plant, Acity Biotech Medicine Park in the Province of Heilongjiang, where the Company manufactures Acanthopanax based products, Shark Power health care products and other TCMs. The Company also owns a GMP-certified plant, Qingyang extraction factory. Using cutting-edge technology and state of art equipment, the Company manufactures a many as 200 types of pharmaceuticals in 15 different forms.



*The products as percentage of the total revenue from October 31, 2006 to July 31, 2007

Research & Development Centers

The Company's R&D centers include the following: Information Center, Cooperation Center, ResearchCenter, the Harbin Renhuang Marine Healthcare Medicine Center, and Post-Doctor Research Working Station, where research scientists (PhDs) perform research. The R&D centers use advanced equipment, and advanced analytical instruments to replicate the commercial assembly lines. Over 50% of the research scientists in the R&D centers hold advanced degrees.

Extensive Distribution Network

Renhuang's extensive distribution network includes 3,000 sales agents in 70 sales centers in 24 districts, covering 50% of great China area. The Company also exports its products to Russia and Southeast Asia.

Sales Channels




The Company currently distributes its raw materials and finished products through raw material market, wholesale market, OTC market, and direct sales. Additionally, the Company manufactures and develops products for third party distributors.



High Quality Branded Products

The Company's lead branded products include the following:

Product	Use	
Acanthopanax (Siberian Ginseng)	<ul style="list-style-type: none"> ● A plant exclusive to Helongjiang province ● Leading branded drug for depression ● Other applications: <ul style="list-style-type: none"> > Overall health and spirit > Depression and melancholy > Memory enhancement > Fatigue, stress > Sleep disorders > Endurance > Boosts Immune system > Counter balances spleen and kidney functional dysregulation 	
Shark Power Health Care Products	<ul style="list-style-type: none"> ● A natural marine biological medicine extracted from shark liver oil or Squalene ● The only drug approved in China to treat oxygen deficit ● Improve oxygen levels in human blood ● Other health benefits include: <ul style="list-style-type: none"> > Enhances kidney and liver function > Lowers cholesterol levels > Alleviates occurrence of heart disease > Increases leukocyte in blood > Fights fatigue and improves overall health 	
Ginseng Ointment	<ul style="list-style-type: none"> ● A formulation extracted from Ginseng, herbs and animal parts ● Leading drug for improving kidney function ● Other health benefits include: <ul style="list-style-type: none"> > Improving circulation > Improving metabolism > Enhance hematopoietic system > Maintains endocrine balance > Reinforces kidney function > Boosts immune system 	
TCM	Have little or no side effects compared with the western medicines.	
Tianma pills	Headaches	

Shengmai granulate	Female gynecological complications	
Tornado pills	Headaches	
Banlangen granulate	Influenza	

Development pipeline

Renhuang has a pipeline of pharmaceuticals including Lyophilized Syringin Powder for Injection, a novel anti-depression Chinese medicine, and plans to distribute them pending the approval from SFDA.

>> Strategy for Growth

Organic growth

Renhuang plans to grow by using the following strategies:

Focus on brand building and direct sales in rural china

The Company's niche market includes branded bio-pharmaceuticals and TCM products. Renhuang plans to become the dominant manufacturer and distributor of a selected group of branded products including Acanthopanax and Ban lan gen, derived from the roots of the Isatis plant; Shark Power health care products; and TCM products for common illnesses including cold, flu and headaches.

To establish its branded products, the Company plans to distribute them in major cities such as Beijing and Shanghai through main distribution centers, which distribute to major pharmacy chains in both urban and suburban regions. Additionally, the Company plans to target top tier hospitals with the highest quality controls. These hospitals lead mid and low level hospitals with respect to the branded products used. Finally, the Company plans to advertise its new and unique products using domestic media.

Expand into overseas markets

Due to increased demand for Acanthopanax-based products in the United States, Japan and other European countries, Renhuang plans to export Acanthopanax to these countries in the near future. With increased popularity of Acanthopanax-based products in the United States, Japan and European countries, the Company expects additional revenue from exporting Acanthopanax to these countries in the near future.

Strategic partnerships

The Company plans to expand its product and market opportunities through strategic partnerships. Lead candidates include research focused institutions, and distribution centers.

Acquisitions

Renhuang plans to further expand its operations through planned acquisitions. Focus targets include: 1) companies with suitable pipeline, technology, and line of business, and 2) distribution channels.

>> Peer Valuation

Company	Ticker	Price	Market Cap (MM)	P/E (ttm)	P/S (ttm)	EV/EBITDA (ttm)
Renhuang Pharmaceuticals	RHGP.OB	1.25	43.9	3.5	1.3	NA
China Medicine Corporation	CHME.OB	2.1	37	4.0	1.1	4.0
Genesis Pharmaceuticals Enterprises Inc.	GTEC.OB	0.3	105	4.8	32.7	NA
China Biotics Inc.	CHBT.OB	12.0	200	17.1	5.9	10.2
WuXi PharmaTech (Cayman) Inc.	WX	24.0	1530	75.5	12.2	45.1
Tongjitang Chinese Medicines Co.	TCM	8.1	267	9.0	3.4	7.4
3SBio Inc.	SSRX	10.5	228	20.4	9.7	14.4
American Oriental Bioengineering Inc.	AOB	9.6	731	17.1	5.0	11.1
Simcere Pharmaceutical Group	SCR	11.0	707	16.7	4.0	13.4
Lotus Pharmaceuticals, Inc.	LTUS.OB	0.9	37	6.7	0.8	4.5
Sinovac Biotech Ltd.	SVA	3.9	163	27.6	5.2	12.4
Average (Excluding RHPG)			400	19.9	8.0	13.6

Data as of February 8, 2008 according to Yahoo.finance

>> Management

Mr. Shaoming Li, Founder, Chairman & CEO. Mr. Li founded Harbin Renhuang Pharmaceutical Co. Ltd in 1996, and has served as its Chairman ever since. Previously, Mr. Li served as Vice Chairman of Shenzhen Health Pharmaceutical Co from 1984 to 1996. Mr. Li is a Professor at Harbin Business University and Northeastern Agriculture University, and serves as Vice Chairman of Heilongjiang Provincial Chinese Traditional Medicine Association and Heilongjiang Provincial Medicine Association. He obtained his bachelor's degree in finance from Central University of Finance and Economics in Beijing.

Mr. Magnus Moliteus, Independent Director. Mr. Moliteus has served as CEO and President of Pharmacia, Inc. from 1977 to 1999. He currently serves as a board member for several international companies.

Mr. Andy Wu, Independent Director and Chairman of the Audit Committee. Mr. Wu currently serves as Tax Manager for Price Waterhouse Coopers Beijing Office. His previous experience includes accounting and auditing work for Deloitte and KPMG. He has obtained his PhD in Finance and Taxation from Xiamen University.

Mr. Fanrong Meng, Director. He currently serves as CEO of Harbin Venture Capital Ltd. He has over 15 years of investment and investment banking experience in China. He obtained his master degree in Finance from Xiamen University.

Mr. Jingwang Lou, Chief Sales & Marketing Officer. Mr. Lou has over 20 years of management experience in pharmaceutical industry, and extensive experience in project management, sales and marketing, and business development. He earned his bachelor's degree from Inner Mongolia Medical Management College.

Mr. Yuhai Cui, Chief R&D Officer. Mr. Cui has over 10 years of product development and project management experience in large pharmaceutical companies. He holds a master's degree in microbiology and biochemistry from China Medical University.



>> Selected Financial Data

**CONDENSED CONSOLIDATED STATEMENTS
OF OPERATIONS**

	For six months ended October 31,		For nine months ended July 31,	
	2006	2005	2007	2006
Total revenues	12,247,489	11,721,151	20,890,656	21,841,797
Total cost of revenue	6,143,277	4,721,296	10,184,980	11,222,730
Gross profit	6,104,212	6,999,855	10,705,676	10,619,067
Total operating expenses	1,708,117	4,974,226	2,264,088	
Operating income (loss)	4,396,096	2,026,229	8,441,588	NA
Other Income	8,482		-	
Income from continuing operations	4,404,578	2,025,629	8,458,873	NA
Net income (loss)	4,404,578	1,768,776	8,458,873	3,079,915
EPS (basic)	0.13	NA	0.24	NA
EPS (diluted)			0.24	
Common shares (basic)	35,236,624	NA	35,019,976	NA
Common shares (diluted)			35,019,976	

Selected Balance Sheet Data

	July 31, 2007	October 31, 2006
	Unaudited	Audited
Cash and cash equivalents	53,660	1,021,267
Total current assets	19,012,704	10,571,637
Total assets	22,316,186	13,288,532
Total current liabilities	2,258,887	2,663,757
Total liabilities	2,258,887	2,663,757
Total stockholders' equity	20,057,299	10,624,775

>> For Further Information

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