

REGULATIONS

1. LAWS AND REGULATIONS RELATING TO FOOD QUALITY AND SAFETY

The legal framework for food production and distribution is laid down by the national laws and regulations of the PRC, as well as regional laws, regulations and measures promulgated by the relevant provincial or municipal authorities of the PRC. The principal laws and regulations in the PRC applicable to our Group include the following:

- (a) Food Safety Law of the PRC (中華人民共和國食品安全法) (the “**Food Safety Law**”) was promulgated by the Standing Committee of the National People’s Congress on 28 February 2009 and took effect on 1 June 2009. On 20 July 2009, Regulations for Implementation of Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) was promulgated and became effective on the same date. The Food Safety Law and regulations for its implementation set out the requirements for various aspects of safety standards of food and food additive production operation, food packaging and containers and the prescribed contents of food packaging labels, as well as stipulating the safety requirements in respect of premises, facilities and equipment for food production, transportation and trading.

A PRC food processing company is required to obtain a food production permit.

Enterprises in violation of the provisions of the Food Safety Law and the regulation for its implementation will, subject to individual circumstances, either be warned, ordered to rectify, have illegal gains confiscated, fined, ordered to stop production operation or required to make immediate announcement recalling sold products. The production permit of such enterprises may also be forfeited, or such enterprises or their officers may be invoked criminal liability where serious harms on body health have been inflicted.

- (b) Pursuant to the Rules on the Construction of Systems for Health Supervision (關於衛生監督體系建設的若干規定) which was implemented on 5 January 2005, the Ministry of Health of the PRC (衛生部) is responsible for the health supervision for the whole country. One of its major duties is to handle applications for health administrative licence and qualification accreditation within its terms of reference in accordance with laws. Provincial health supervision authorities are responsible for the organisation and coordination of health supervision within their respective jurisdictions. One of their major duties is also to handle applications for health administrative licence, qualification accreditation and routine health supervision within their terms of reference in accordance with laws. Health supervision authorities at the municipal or county level are responsible for routine health supervision within their respective districts. One of their major duties is to handle applications for health administrative licence in relation to certain health standards for food production and operation units, the catering industry and public canteens.

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- (c) The Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”) came into effect on 1 September 1993 with amendments made on 8 July 2000. Such law provides that a producer shall be responsible for the quality of products it produces and the quality of products shall pass relevant examinations. Products shall meet the requisite standards. The State also implements a regulation and inspection system focusing on random examinations of products.

Those violating the provisions of the Product Quality Law will be liable for various penalties, including being ordered to take corrective actions within a specified time, suspension of business, confiscation of illegal proceeds and payment of fine in accordance with the particular circumstances. In serious circumstances, business licence of the enterprises concerned will be revoked and criminal offences will be charged against such enterprises. Enterprises and persons directly responsible for such offences may be subject to criminal liability.

- (d) The Implemental Rules on the Supervision and Management of the Quality Safety of Food Production and Processing Enterprises (Provisional) (食品生產加工企業質量安全監督管理實施細則(試行)) (the “**QS Rules**”) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) (“**GAQSIQ**”) became effective on 1 September 2005. According to the QS Rules, the PRC has adopted the market admittance system on food quality safety. Enterprises operating food production and/or food processing shall maintain the production standards to guarantee food quality safety, and shall obtain production permit in accordance with relevant procedures. Food products shall not be distributed without passing relevant inspection and being stamped with the food quality safety market admittance symbols.
- (e) The Standardisation Law of the PRC (中華人民共和國標準化法) (the “**Standardisation Law**”) was promulgated by the Standing Committee of the National People’s Congress on 29 December 1988 and took effect on 1 April 1989. According to the Standardisation Law and its implemental regulations, the food hygiene standard is a compulsory standard imposed on food production enterprises. Products that fall short of the compulsory standards shall not be produced, distributed or imported.
- (f) The Regulation on the Management of Production Permit for Industrial Products (中華人民共和國工業產品生產許可證管理條例) was promulgated by the State Council and became effective on 1 September 2005. According to the Regulation on the Management of Production Permit for Industrial Products, the PRC government implements the National Industrial Product Production Permit for various manufacturing industries including edible oil production industry, where only enterprises that meet the prescribed quality standards could obtain the relevant permits.

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- (g) The Special Rules of the State Council on Strengthening the Supervision and Management of the Safety of Food and Other Products (國務院關於加強食品等產品安全監督管理的特別規定) (the “**Special Rules**”) was promulgated by the State Council and took effect on 26 July 2007. According to the Special Rules and its implemental opinions, the PRC government imposes expressed requirements on manufacturers and distributors for production and distributions of products which are related to human health and safety. More strict requirements are imposed on imported and exported products. For exported goods, manufacturers and distributors must ensure that the exported goods meet the standard set by the importing countries or regions, or by the contractual requirements. Further, the Special Rules emphasise the responsibilities of inspectors of exported goods. The regulatory authority will keep an “honor roll” and blacklist of the manufacturers and distributors of exported goods.
- (h) Provisions on Management of Food Recalls (食品召回管理規定) was promulgated by GAQSIQ and took effect on 27 August 2007. The recall of food produced or sold within the territory of the PRC as well as the supervision and administration thereof shall be governed by the Provisions on the Management of Food Recalls.

2. ENVIRONMENTAL PROTECTION REGULATIONS

The Ministry of Environmental Protection (環境保護部) is responsible for the overall supervision and control of environmental protection in the PRC. It formulates national rules for environmental protection and monitors the PRC’s environmental protection system. Environmental protection bureaus at the county level and above are responsible for environmental protection within their respective areas of jurisdiction.

- (a) The PRC Environmental Protection Law (the “**Environmental Protection Law**”) (中華人民共和國環境保護法) was promulgated on 26 December 1989. It requires all entities that produce pollutants or other hazardous substances to take necessary environmental protection measures and implement environmental protection methods, systems or procedures. Such measures and systems include the adoption of effective measures to control and properly dispose of waste gases, waste water, residue, dust or other waste materials. Any entity that discharges waste materials must register with the relevant environmental protection authority.

Penalties and remedies for the breach of the Environmental Protection Law include warnings, payment of damages and fines. Material violation of environmental laws and regulations that causes loss of properties or personal injuries or death may attract criminal liability.

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- (b) According to the Law of Prevention and Treatment of Water Pollution of the PRC (中華人民共和國水污染防治法) which was amended on 28 February 2008 and effective on 1 June 2008, all new, innovated or expanded construction projects discharging pollutants directly or indirectly into water must be constructed with due evaluation of impact on environment. Entities discharging pollutants directly or indirectly into water must report and register their contaminated wastes discharge facilities and treatment facilities and the types, amount and concentration of pollutants discharged under normal operating conditions and provide technical information in respect of prevention and control of water pollution to the local environmental protection authorities. Enterprises discharging pollutants into water should pay the prescribed waste discharge fees. If the discharges exceed the standard, they should pay the prescribed excess discharge fees and be responsible for any remedial actions.

Where the provisions of the Law of Prevention and Treatment of Water Pollution of the PRC are violated, the environmental protection administrative and supervisory authority shall impose penalties, subject to individual cases, such as warnings, fines, orders to suspend operations or even orders to close down, on enterprises which have violated the provisions. Enterprises having caused the water pollution hazards shall be responsible to get rid of the hazards and compensate any victims of such contamination.

- (c) Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) was promulgated and took effect on 29 November 1998. According to the regulations, state standards and local standards for the discharge of pollutants must be complied with in building construction projects that generate pollution; requirements for aggregate control of discharge of major pollutants must be met in areas concerned. The PRC practises the construction project environmental impact evaluation system. The work of construction project environmental impact evaluation shall be undertaken by entities having acquired certificates of corresponding qualifications.
- (d) The Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法) was amended and adopted on 29 December 2004, and the amended law took effect on 1 April 2005. "Solid waste" means articles and substances in solid, semi-solid state or gaseity in containers that are produced in the production and other activities and have lost their original use values or are discarded or abandoned, and articles and substances that are classified under the management of solid wastes by laws and regulations. For the prevention and control of environmental pollution by solid wastes, the PRC implements the principle that any entity or individual causing such pollution shall be responsible. The manufacturers, sellers, importers and users shall be responsible for the prevention and control of solid wastes pollution produced thereby.

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The environmental protection administrative department of the State Council shall, pursuant to state environmental quality standards and state economic and technical conditions, formulate state technical standards on the prevention and control of environmental pollution by solid wastes in collaboration with the relevant administrative departments of the State Council. The environmental protection administrative department of the State Council shall establish a system for monitoring environmental pollution by solid wastes, formulate unified monitoring standards and, in conjunction with relevant departments, set up a monitoring network.

Government authorities shall impose different penalties against persons or enterprises in violation of the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes depending on the individual circumstances and extent of contamination. Such penalties include warnings, fines, orders to take remedial actions within specified period, orders to suspend production, orders to re-install contamination prevention and remedial facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises. Where the violation committed is serious, persons in violation may be required to pay damages to victims. Persons directly responsible may be subject to criminal liability.

- (e) According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) which was amended in 2000 and became effective on 1 September 2000, new construction projects, expansion or reconstruction projects which discharge atmospheric pollutants shall be governed by the State regulations concerning environmental protection for such projects. Units that discharge atmospheric pollutants must, pursuant to the provisions of the administrative department of environmental protection under the State Council, report to the local administrative department of environmental protection its existing discharge and treatment facilities for pollutants and the types, amount and concentration of pollutants discharged under normal operating conditions and submit to the same department relevant technical data concerning the prevention and control of atmospheric pollution. Enterprises discharging pollutants into the atmosphere should pay the prescribed waste discharge fees.

Where the provisions of the Law of the PRC on the Prevention and Control of Atmospheric Pollution are violated, the environmental protection administrative and supervisory authority shall impose penalties, subject to individual cases, such as warnings, fines, orders to suspend operations or even orders to close down, on enterprises which have violated the provisions. Enterprises having caused the atmospheric pollution hazards shall be responsible to get rid of the hazards and compensate any victims of such contamination.

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- (f) The Administrative Measures for Urban Drainage License (the “**Measures**”) (城市排水許可管理辦法) were promulgated by the Ministry of Construction on 25 December 2006 and came into effect on 1 March 2007. The Measures apply to the applications for urban drainage licenses within the territory of the PRC, as well as to the supervision and administration of the drainage entities’ draining sewage into the urban drainage pipe network and its accessory facilities.

Under the Measures, to drain sewage into the urban drainage pipe network and its accessory facilities, a drainage entity must apply for an urban drainage license. The drainage entity shall drain sewage according to the licensed drainage type, total volume, time limit, location and number of the drainage exits, types and concentration of pollutants discharged, etc.. A drainage administrative department shall, in accordance with the relevant laws, regulations and the Measures, supervise and inspect the sewage drained by the drainage entities within the ambit covered by the urban drainage pipe network and its accessory facilities. These drainage entities shall, according to the urban drainage plan and other relevant requirements, drain sewage into the urban drainage pipe network and its accessory facilities, otherwise they will be warned or fined by the drainage administrative department.

3. WORK SAFETY

The Law of the PRC on Work Safety (中華人民共和國安全生產法) (the “**Work Safety Law**”), was promulgated and came into effect on 1 November 2002. Production and business units shall abide by the Work Safety Law and other laws and regulations concerning work safety and ensure work safety by setting up and improving the responsibility system for work safety and improving the conditions for it to guarantee work safety. The relevant departments under the State Council shall, in compliance with the requirements for safeguarding work safety and in accordance with law, formulate relevant national or industrial standards without delay and make timely revisions on the basis of technological advancement and economic development. Production and business units shall implement the national or industrial standards for work safety formulated in accordance with laws. Production and business units shall attain the standards for work safety as specified by the provisions in the Work Safety Law and relevant laws, administrative regulations and national standards or industrial specifications. Production and business units that do not meet such standards are not allowed to be engaged in production and business activities.

The principal leading members of production and business units are charged with the following responsibilities for work safety: (1) setting up and improving the responsibility system for work safety in their own units; (2) making arrangement for formulating rules and operating rules for work safety in their own units; (3) guaranteeing an effective input into work safety in their own units; (4) supervising over and inspecting work safety in their own units and, in a timely manner, eliminating hidden dangers threatening work safety; (5) making arrangements for the formulation and implementation of their own units’ rescue plans for accidents; and (6) submitting to higher authorities timely and truly report on accidents due to lack of work safety.

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Any decision-making body, principal leading member of a production or business unit or individual investor that fails to guarantee, in accordance with the provisions of the Work Safety Law, the funds for input essential to work safety, thus resulting in the lack of conditions for work safety, the production or business unit shall be ordered to set it right by providing the necessary amount of funds within a specified time. If it is not remedied on the expiration of the time limit, the production or business unit shall be ordered to suspend production or business operation.

Those violating the provisions of the Work Safety Law will be liable for various penalties, including being ordered to take corrective actions within a specified time, suspension of business, confiscation of illegal proceeds and payment of fine in accordance with the particular circumstances. In serious circumstances, business licenses will be revoked or criminal offences will be charged. Enterprises and persons directly responsible for the offences may be subject to criminal liability.

4. EXPORT-RELATED LAWS AND REGULATIONS

- (a) Pursuant to the PRC Customs Law (中華人民共和國海關法) amended on 8 July 2000 and took effect on 1 January 2001, engagement in commissioned customs declarations without custom registration is banned. Illegal income so obtained shall be forfeited and a fine may be imposed. Individuals receiving or delivering import and export goods, declarant enterprises and declarant individuals bribing the customs staffs will have their registration and qualification for custom declaration revoked and cancelled, be fined by the customs, be subject to criminal liability, and be not qualified to be re-registered as a customs declarant or to apply for customs declaration qualification certificate.
- (b) Pursuant to the Regulations of Customs of the PRC on Implementing the Registration System of Declarant Units (中華人民共和國海關對報關單位註冊登記管理規定) promulgated on 31 March 2005 and took effect on 1 June 2005, declarant units for any of the following circumstances will be warned by the customs and be ordered for correction, and a fine between RMB1,000 and RMB5,000 may be imposed:
 - (i) the declarant enterprise fails to duly effect change of registration procedures after obtaining approval for change of registration; and
 - (ii) the declarant fails to duly effect change of registration procedures in the event the contents for customs registration, such as name of the enterprise, nature of the enterprise, address of the enterprise, legal representative etc., have changed.
- (c) The Provisional Rules on Administration of Export Food Hygiene (中華人民共和國出口食品衛生管理辦法(試行)) (the “**Export Food Rules**”) was issued by the State Administration of Export-Import Commodities Inspection of the PRC (中華人民共和國進出口商品檢驗局) (now replaced by GAQSIQ) and the Ministry of Health of the PRC on 16 July 1984. According to the Export Food

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Rules, food production enterprises which conduct production of export food should register with the Provincial Administration for Entry-Exit Inspection and Quarantine. Export food which is lack of export inspection or fails to pass the export inspection should not be exported.

- (d) The Regulatory Rules on Hygiene Registration of Enterprises Producing Export Foods (出口食品生產企業衛生註冊登記管理規定) (“**Hygiene Registration Rules**”) was issued by GAQSIQ and became effective on 20 May 2002. According to the Hygiene Registration Rules, the PRC adopted the registration system on the enterprises that produce, process or store export foods (“**Food Production Enterprises**”). The Certification and Accreditation Administration of the PRC (國家認證認可監督管理委員會) (“**CNCA**”) is in charge of the nationwide registration of Food Production Enterprises in the PRC. Local Administration for Entry-Exit Inspection and Quarantine directly administrated by GAQSIQ is in charge of the registration of the hygiene registration work within their jurisdictions. Food Production Enterprises within the scope of the Catalogue of the Food Products Under Export Food Hygiene Registration Control (實施出口食品衛生註冊、登記的產品目錄) shall be under the administration of the hygiene registration. Food Production Enterprises within the scope of the Catalogue of Products for Hygiene Registration to be reviewed according to HACCP System (衛生註冊需評審 HACCP體系的產品目錄) shall be reviewed according to Hygiene Requirements for Enterprises producing export foods formulated by GAQSIQ and the Hazard Analysis and Critical Control Point (HACCP) System and Guidelines for its Application (危險分析和關鍵控制點(HACCP)體系及其應用準則) issued by the Codex Alimentarius Commission (國際食品法典委員會).
- (e) The Rules on the Administration of Labelling of Import and Export Foods (進出口食品標籤管理辦法) (the “**Food Labelling Rules**”) was issued by the State Administration for Entry-Exit Inspection and Quarantine (國家出入境檢驗檢疫局) (now replaced by GAQSIQ) on 15 February 2000. According to the Food Labelling Rules, all export food labels shall be inspected by relevant inspection entities and obtain the Certificate for the Examination of Import and Export Food Labels (進出口食品標籤審核證書). According to an announcement on Adjusting the Examining and Approving of the Label System on Import and Export Foodstuff and Cosmetics (關於調整進出口食品、化妝品標籤審核制度的公告) released by GAQSIQ on 24 March 2006, the inspection of labels shall be conducted with the inspection and quarantine of such import and export food, and the requirement for the pre-inspection of labels has been cancelled.
- (f) Pursuant to the Regulations for Administration of Import and Export Goods of the PRC (中華人民共和國貨物進出口管理條例), the PRC provides for the implementation of quota management on restricted export goods with quantity restrictions, while other restricted export goods are subject to license management. Catalogues for goods with export restriction are devised, revised and promulgated by the supervisory departments for external trades in consultation with the State Council. Pursuant to the Administration

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Regulations for Goods Export License (貨物出口許可證管理辦法) amended on 7 May 2008 and took effect on 1 July 2008, the PRC has implemented export license management on goods with export restriction. The Ministry of Commerce (商務部) in consultation with the General Administration of Customs (海關總署) is responsible for the devising, revision and promulgation of the annual Catalogues for Goods subject to Export License Management.

Import or export of goods subject to import and export restriction exceeding the approved and permitted scope shall be liable to criminal offence according to provisions of the criminal law relating to trafficking or illegal operation. Where criminal offence is irrelevant, penalty can be imposed according to the relevant provisions of the PRC Customs Law. The supervisory authority for foreign trade under the State Council may also suspend or even revoke the relevant license for external trade operation.

5. APPROVALS FROM PRC GOVERNMENTAL AUTHORITIES RELATING TO THE REORGANISATION AND THE PROPOSED LISTING

(a) Notice 75

Pursuant to the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Roundtrip Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“**Notice 75**”) promulgated by the State Administration of Foreign Exchange (“**SAFE**”) on 21 October 2005, domestic resident natural persons or legal persons are required to register with the relevant local branches of SAFE before they directly establish or indirectly control any offshore special purpose vehicles for the purpose of capital raising using assets or equity interests of their PRC companies. “Domestic resident natural person” is defined in Notice 75 as any individual who holds PRC identification documents such as resident ID cards or passports, or any individual who does not have such identification documents but habitually resides in the PRC for economic reasons. “Domestic resident legal person” is an enterprise or economic organisation legally established in the PRC.

Our PRC Legal Advisers have advised that the acquisition of 100% equity interest in Corn Industry by Corn BVI from Sanxing Grease pursuant to the equity transfer agreement dated 11 January 2007 entered into between Sanxing Grease and Corn BVI (the “**Equity Transfer**”), as mentioned in the section headed “History and Corporate Development” in this prospectus, is not subject to Notice 75 and the registrations prescribed thereof on the basis that Corn BVI is not an offshore special purpose vehicle referred to under Notice 75. Accordingly, the Equity Transfer does not constitute a roundtrip investment under Notice 75.

Our PRC Legal Advisers have further advised that the acquisition of 99.8% interest in Corn BVI by Sanxing Trade from Mr. Koay (the “**Acquisition**”), as mentioned in the section headed “History and Corporate Development” in this prospectus, is not subject to Notice 75 and the registrations prescribed thereof given

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that Sanxing Trade is not an offshore special purpose vehicle as referred to under Notice 75 as it was established in Mauritius with limited liability on 8 November 2006 for the purpose of carrying out the principal business of overseas trading of edible corn oil products, and hence, the acquisition of 99.8% interest in Corn BVI, which is an offshore company, by Sanxing Trade from Mr. Koay, a non-PRC individual, does not constitute a roundtrip investment under Notice 75. The Acquisition was carried out between two offshore companies, which does not fall into the concept of “direct investment into domestic companies” as defined in Notice 75.

For further details about the Equity Transfer and the Acquisition, see section headed “History and Corporate Development” in this prospectus.

As advised by our PRC Legal Advisers, the Equity Transfer, the Acquisition and the Listing do not constitute any investments under Notice 75.

(b) M&A Rules

On 8 August 2006, six PRC regulatory agencies, including the Ministry of Commerce (“MOFCOM”) and the China Securities Regulatory Commission (“CSRC”), promulgated the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006. Articles 6 and 10 of the M&A Rules require that mergers and acquisitions of domestic enterprises by foreign investors be approved by the MOFCOM or its counterparts at the provincial level. Article 11 of the M&A Rules requires domestic companies, enterprises and natural persons to apply to MOFCOM for approval when they acquire associated PRC companies through offshore companies established or controlled by them. In addition, Article 40 of the M&A Rules requires that an offshore special purpose vehicle formed for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such offshore special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the offshore special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for shares of offshore companies.

Our PRC Legal Advisers have advised that (i) the Equity Transfer and the Acquisition are not subject to Article 11 of the M&A Rules and the approval prescribed thereof because neither Corn BVI nor Sanxing Trade is an offshore special purpose vehicle referred to under the M&A Rules; (ii) the proposed Listing does not require prior approval of the CSRC under Article 40 of the M&A Rules as our Reorganisation does not involve any offshore special purpose vehicle; and (iii) none of the historical incidents as set out in the paragraph headed “Our Corporate History” under the section headed “History and Corporate Development” in this prospectus and the Listing would amount to a circumvention of any of the provisions under the M&A Rules.

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Our PRC Legal Advisers have advised us that (i) the Acquisition, Equity Transfer, our Reorganisation and the proposed Listing have obtained all of the necessary requisite approvals, registrations and filings from all the PRC governmental authorities pursuant to the applicable PRC laws and regulations including the M&A Rules, the Notice 75, the Law on foreign Invested Enterprises of the PRC and its detailed implementation rules; and (ii) all of such governmental authorities are the authorities that have been granted authority for issuing the corresponding approvals.