

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Our Company's ultimate controlling shareholders are Mr. Wang MX, Mr. Wang ML, Mr. Wang MF, Ms. Huo and Shandong Sanxing. Immediately after completion of the Share Offer, Mr. Wang MX, Mr. Wang ML, Mr. Wang MF, Ms. Huo and Shandong Sanxing will, through their controlled corporations, namely Sanxing Grease, Sanxing Trade and Corn Oil Luxembourg, effectively own 65% of the issued share capital of our Company (assuming the Over-allotment Option is not exercised) and our Company will remain a subsidiary of each of Sanxing Grease, Sanxing Trade and Corn Oil Luxembourg (before its liquidation).

Sanxing Group is principally engaged in the following 11 strategic businesses:

1. Sanxing Mongolia – Focusing on the manufacture and sales of corn starch and corn embryo in the PRC and also the manufacture and sales of crude corn oil and sunflower crude oil in the PRC as its second product line.
2. Our Group – Focusing on the manufacture and sales of edible corn oil in the PRC
3. Sanxing Grease – Focusing on handling the treasury functions of the Sanxing Group. In addition, some of our Group's sales of edible oil products under our brands are made via the sales arrangement with Sanxing Grease which will terminate on or before 30 June 2010, the details of which are set out in the paragraph headed "Sales arrangement with Sanxing Grease" under the "Business" section and the paragraph headed "Non-exempt Continuing Connected Transactions" under the "Connected Transactions" section in this prospectus. Furthermore, our Group also purchases raw materials from Sanxing Grease which is expected to cease after Listing, the details of which are set out in the paragraph headed "Raw materials and suppliers" in the "Business" section in this prospectus.
4. Shandong Mingda – Focusing on providing steam and electricity to our Group, other members of Sanxing Group and other Independent Third Parties in Zouping, the PRC
5. Sanxing International – Focusing on the international and domestic trading of cotton materials and sesame products.
6. Shandong Sanxing Machinery Manufacture Company Limited (山東三星機械製造有限公司) – Focusing on the manufacture and sales of oil production machineries, corn processing machineries and wind power generation machineries in the PRC
7. Shandong Sanxing Group Oil Products Company Limited (山東三星集團油品有限公司) – Focusing on the sales of petrol, diesels and lubricating oils in the PRC
8. Zouping Sanxing Iron Construction Company Limited (鄒平三星鋼結構有限公司) – Focusing on the provision of construction and engineering services and sales of construction materials in the PRC
9. Shandong Sanxing Vehicle Trading Company Limited (山東三星集團汽貿有限公司) – Focusing on the sales and maintenance of vehicles in the PRC

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10. Zouping Anxing Driving Company Limited (鄒平安星駕校有限公司) – Focusing on the provision of driving training services in the PRC
11. Zouping Sanxing Logistic Centre Company Limited (鄒平三星貨運中心有限公司) – Focusing on the provision of logistics services in the PRC

Our Group's operation is a distinct and independent business amongst the diversified businesses of Sanxing Group.

As part of Sanxing Group, our Company had entered into certain arrangements and connected transactions with other members of the Sanxing Group, particularly in relation to the sales of products, purchases of raw materials, use of trademarks, and supply of steam and electricity. These transactions will continue after the Listing. Please refer to the section headed "Connected Transactions" in this prospectus for details of these arrangements.

INDEPENDENCE FROM SANXING GROUP

Management Independence

Our Board consists of 10 members, comprising of six executive Directors, one non-executive Director and three independent non-executive Directors. Three of our executive Directors, namely Mr. Wang MX, Mr. Wang ML and Mr. Wang MF, are also the Controlling Shareholders. Each of our Directors are aware of his fiduciary duties as a Director which require, among others, that he must act for the benefits and in the best interests of our Company and must not allow any conflict between his duties as a Director and his personal interests.

If there is any potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Mr. Wang MX, Mr. Wang ML, Mr. Wang MF and Mr. Sun Guohui are management members of Shandong Sanxing which is also one of our Controlling Shareholders. Mr. Wang MF is responsible for the overall strategic planning and management of the Sanxing Group (save for our Group). Mr. Wang MX is responsible for the overall strategic planning and management of our Group. Mr. Wang ML is responsible for the management of the machinery manufacturing and sales business of the Sanxing Group. Mr. Sun Guohui is responsible for the sales and marketing of the products of our Group. In light of the actual and potential conflicts in our Company and Shandong Sanxing, we will adopt and implement certain corporate governance practice or procedures, more particularly disclosed in the paragraph headed "Corporate Governance Measures" in this section.

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Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Group independently, and our Directors are of the view that we are capable of managing the business independently from the Controlling Shareholders after the Share Offer.

Operation Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing, the Board has full rights to make decisions on, and to carry out, our own business operations independently. Although Mr. Wang MX, Mr. Wang ML and Mr. Wang MF, being Controlling Shareholders, are executive Directors, our Company has our own management team, of which all members are independent of the Controlling Shareholders, which have served our Group for a substantial period of time and have substantial experience in the industry in which our Group is engaged. Moreover, our Company has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders.

Purchase of raw materials from Sanxing Mongolia

Our Group has engaged Sanxing Mongolia, which is owned as to approximately 86.7% by Mr. Wang ML and as to approximately 13.3% by two Independent Third Parties, as one of our suppliers for corn embryo and sunflower crude oil. Our Group has engaged Sanxing Mongolia as one of our suppliers because our Directors consider the corn embryo and sunflower crude oil provided by Sanxing Mongolia are of high quality. Our Group has entered into the Master Purchase Agreement with Sanxing Mongolia for the purchase of corn embryo and sunflower crude oil from Sanxing Mongolia which will take effect from the date of the Master Purchase Agreement, the details of which are disclosed in the section headed "Connected Transactions" in this prospectus.

Our Directors consider that we can function independently from Sanxing Mongolia given that our Group is able to engage other suppliers for the provision of corn embryo and sunflower crude oil when necessary. During the Track Record Period, we had engaged a number of suppliers in respect of the provision of corn embryo and sunflower crude oil other than Sanxing Mongolia. When determining which supplier is to be appointed, we will take into account the offer price, quality of the raw materials, delivery time, etc.. During the Track Record Period, we had not entered into any long term purchasing agreement with any particular supplier. Our Directors are of the opinion that we can replace any single supplier with another with no undue difficulty. As corn embryo and sunflower crude oil are both readily available in the market, we may opt to purchase from a wide range of suppliers.

During the Track Record Period, the percentage of purchases from Sanxing Mongolia by us to the total amount of purchases were approximately 3.4%, 1.3%, 0.5% and 1.0% respectively. Therefore, such purchases are not of such materiality as to affect our Group's ability to conduct its business independently of our Controlling Shareholders following the Listing.

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Independent to Sanxing Mongolia

Our Group's operation is established as a distinct and independent line of business of our Controlling Shareholders with a focus on the manufacture and sales of refined and edible corn oil in the PRC.

Sanxing Mongolia focuses on the manufacture and sales of corn starch and corn embryo in the PRC and also the manufacture and sales of crude corn oil and sunflower crude oil in the PRC as its second product line. Sanxing Mongolia had also engaged in insignificant sales of edible corn oil for the year ended 31 December 2008 and the six months period ended 30 June 2009 with sales amount of approximately RMB79 and approximately RMB106,281 respectively. Sanxing Mongolia has ceased its sales of edible corn oil since the second half of 2009 as it is not in line with its principal business.

In light of (i) Sanxing Mongolia and our Group are engaged in business within different segment in the industry; (ii) the products sold by Sanxing Mongolia are raw materials for our Group's operation, our Directors consider that our Group and Sanxing Mongolia are independent of each other.

Our Directors believe that with the non-competition undertaking and the corporate governance measures as mentioned below put into place after Listing, any potential competition between our Group and Sanxing Mongolia will be minimised and monitored.

Sales Independence

Sanxing Grease, the predecessor of Corn Industry before the transfer of its edible corn oil manufacturing and sales operation to Corn Industry in 2006 as mentioned in the section headed "History and Corporate Development" in this prospectus, entered into certain contracts (the "**Unexpired Contracts**"), which had not expired as at the Latest Practicable Date, with several supermarkets and other retailers (the "**Retailers**") relating to the sales of edible oil products under our brands. As the entering into of new contracts by Corn Industry and the cancellation of the Unexpired Contracts by Sanxing Grease would require negotiations between Corn Industry and the Retailers and the changes of the account information in the internal sales systems of the Retailers, our Directors consider that it is in the best interests of the Company and our Shareholders as a whole for Sanxing Grease to continue with the Unexpired Contracts until 30 June 2010, being the date on which all Unexpired Contracts will expire and terminate, so as to allow the aforesaid negotiations and changes to take place smoothly without causing any adverse impact on our sales. Accordingly, before the expiry of the Unexpired Contracts, Corn Industry's sales of our edible corn oil products to the Retailers will be carried out through Sanxing Grease's existing accounts with these Retailers pursuant to the Sales Agreement entered into by Corn Industry and Sanxing Grease dated 16 November 2009, the details of which are disclosed in the section headed "Connected Transactions" in this prospectus.

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Save for the sales services provided by Sanxing Grease under the Sales Agreement, Sanxing Grease (i) was not involved in any of the business activities in relation to our Group's sales of edible oil products to the Retailers; and (ii) did not have any employees involved in such business activities mentioned in (i) above. All of the existing accounts maintained with the Retailers under the Unexpired Contracts will expire or will be terminated on or before 30 June 2010, and all new accounts to be set up or existing accounts to be renewed by our Group will be under the name of Corn Industry. Our Directors intend that Corn Industry will enter into new contracts with the Retailers upon expiration of the Unexpired Contracts.

Currently, our Group negotiates and concludes sales independently from our Controlling Shareholders and Sanxing Grease. Our Group has its own team of sales and marketing staff. Our Group has appointed distributors for the sale of our products.

Given the above and the sales arrangement is only a transitional arrangement before the expiration and termination of all Unexpired Contracts and the expected sales amount will be not higher than HK\$10 million for the six months ending 30 June 2010, our Company has not been dependent on our Controlling Shareholders or Sanxing Grease in any material way related to our business operations during the Track Record Period.

Procurement independence

The organisational structure of our Group is made up of individual departments, each with specific areas of responsibility. Our Group has independent access to the source of supplies of raw materials and packaging materials for production; and we also have our own customer base. Our Group has also established a set of internal controls to facilitate the effective operation of the business. Shandong Mingda has been supplying steam and electricity to Corn Industry for use in its production process. Corn Industry will continue to use the steady and stable supply of quality utilities by Shandong Mingda for its production base.

Our Group has entered into a steam and electricity supply agreement with Shandong Mingda, pursuant to which Shandong Mingda agreed to supply steam and electricity to Corn Industry. Details of which are set out in the section headed "Connected Transactions" in this prospectus. The steam and electricity supply agreement was entered into after arms-length negotiations. The rates charged by Shandong Mingda for the supply of steam and electricity are at prices prescribed by the relevant government authorities pursuant to the relevant PRC laws and regulations. Our Directors are of the view that in the event Shandong Mingda ceases to supply steam and/or electricity to our Group, we would be able to obtain steam and/or electricity from other utilities companies in the same district which are Independent Third Parties without undue delay or inconvenience when necessary. As the rate for heat and electricity charged by such other utilities companies which are Independent Third Parties are at State-prescribed price or market price, we do not expect any material financial impact on our financial performance should Shandong Mingda cease to supply heat or electricity to our Group.

Currently we do not have any plan to engage any Independent Third-Parties for the supply of steam and/or electricity to us.

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Financial independence

We have our own finance department that is independent from and does not share functions or resources with our Controlling Shareholders. Our financial auditing is undertaken separately from that of our Controlling Shareholders by our own staff. We have independent bank accounts and tax registration. During the Track Record Period, no guarantees had been provided by any of our Controlling Shareholders for the benefit of our Group or vice versa. We have obtained bank financing at market rates from independent financial institutions and did not experience any difficulties in doing so. Given our financial and cash flow position, our Directors believe that, if required, we are able to obtain further loans and credit facilities from financial institutions at market rates without material difficulty.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders (together, the “**Non-competing Covenantors**”) entered into a deed of non-competition (the “**Non-competition Deed**”) on 23 November 2009 in favour of our Company, pursuant to which each of the Non-competing Covenantors has jointly and severally undertaken to our Company (for itself and for the benefit of its subsidiaries) that he/she/it would not, and would procure that his/her/its associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, partnership or other economic or non-economic association, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee, trustee or otherwise) any business in the PRC or elsewhere in the world which is or may be in competition with our business, and any other business which any member of our Group may undertake from time to time after the listing of our Shares (the “**Restricted Business**”). Such non-competition undertaking does not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third-party any Restricted Business which has first been offered or made available to the Non-competing Covenantors or his/her/its associates, and the Non-competing Covenantors have given or procured his/her/its associates to give a written notice of such business opportunity to the Company on a timely basis, and our Company, after review and approval by the independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third-party or together with Non-competing Covenantors (or any of them) and/or their associates; or

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- (b) having interests in the shares of a company whose shares are listed on a recognised stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and net assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by the Non-competing Covenantors and/or their respective associates in aggregate does not exceed 5% of the total issued shares of the company in question and such Non-competing Covenantors and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Non-competing Covenantors and their respective associates in aggregate.

If our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Non-competing Covenantors and/or their associates (or any of them, as the case may be), pursuant to (a) above, the Non-competing Covenantors and/or their associates can invest, participate, be engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Listing Rules in case of such cooperation with the Non-competing Covenantors and/or their associates (or any of them, as the case may be).

The "restricted period" stated in the Non-competition Deed refers to the period during which the Shares remain listed on the Main Board of the Stock Exchange until (whichever is the earliest): (i) the date on which the Shares are formally delisted from the Main Board of the Stock Exchange; or (ii) the relevant Non-competing Covenantors and/or their respective associates jointly or severally are entitled to exercise or control the exercise of less than 30% in aggregate of the voting power at the general meetings of our Company.

None of our Controlling Shareholders or any of our Directors has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our Group's business.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from any potential competing business and to safeguard the interests of the Shareholders, including:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Controlling Shareholders under the Non-competition Deed;

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- (ii) the Controlling Shareholders undertake to provide all information requested by us which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Deed;
- (iii) we will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the undertaking of the Controlling Shareholders, including decisions reached in respect of first rights of refusal referred to in paragraph (a) under “Non-Competition Undertaking” above under the Non-competition Deed in our annual reports;
- (iv) the Controlling Shareholders will make an annual confirmation on compliance with their undertaking under the Non-competition Deed in our annual report;
- (v) we believe that the Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong element on the Board that can effectively exercise independent judgment. With expertise in different professional fields, our Directors believe that the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that conflicts of interest between our Group and our Controlling Shareholders arise;
- (vi) in the event that potential conflicts of interest may materialise, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, our Director(s) with an interest in the relevant transaction(s) will abstain from voting at the relevant board meeting in respect of such transactions and will not be counted towards quorum at such board meeting;
- (vii) in the event that potential conflicts of interest may materialise, the Controlling Shareholders will abstain from voting in our shareholders’ meeting with respect to the relevant resolution(s); and
- (viii) our Group is administratively independent from the Controlling Shareholders as we have our own company secretary, authorised representatives and administrative personnel.