

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Corn Industry, a wholly-owned subsidiary of the Company, has entered into a number of transactions with entities which will become connected persons (as defined in Chapter 14A of the Listing Rules) of the Company upon Listing, and such transactions will, upon Listing, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These entities include:

- (1) Shandong Sanxing, one of our Controlling Shareholders, which is therefore a connected person of the Company under Chapter 14A of the Listing Rules;
- (2) Sanxing Grease, one of our Controlling Shareholders, which is therefore a connected person of the Company under Chapter 14A of the Listing Rules;
- (3) Sanxing Mongolia, a company owned as to approximately 86.7% by Mr. Wang ML, our executive Director. As Mr. Wang ML is entitled to control the exercise of more than 30% voting power in Sanxing Mongolia's general meeting, Sanxing Mongolia is an associate of Mr. Wang ML and a connected person of the Company under Chapter 14A of the Listing Rules;
- (4) Shandong Mingda, a company owned as to 51% by Shandong Sanxing. As Shandong Sanxing, one of our Controlling Shareholders, is entitled to control the exercise of more than 30% voting power in Shandong Mingda's general meeting, Shandong Mingda is an associate of Shandong Sanxing and a connected person of the Company under Chapter 14A of the Listing Rules; and
- (5) Shandong Sanxing Group Oil Products Company Limited (山東三星集團油品有限公司) ("**Sanxing Group Oil Products**"), a company owned as to 40% by Shandong Sanxing. As Shandong Sanxing, one of our Controlling Shareholders, is entitled to control the exercise of more than 30% voting power in Sanxing Group Oil Products' general meeting, Sanxing Group Oil Products is an associate of Shandong Sanxing and a connected person of the Company under Chapter 14A of the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following connected transactions will constitute exempted continuing connected transactions for the Company under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The following transactions are undertaken on normal commercial terms or terms more favourable to our Group. The applicable percentage ratios (other than the profits ratio) of the following transactions on an annual basis are either (i) less than 0.1%; or (ii) more than 0.1% but less than 2.5% and the annual consideration is less than HK\$1,000,000.

CONNECTED TRANSACTIONS

1. Trademark Licence Agreements

Background of the transactions

As a subsidiary of Sanxing Grease, we have been using the trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) registered by Sanxing Grease in connection with our business since the commencement of our business operations. Some of the awards and accreditations in relation to the trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) were granted to and received by Sanxing Grease. Our Directors consider that such awards and accreditations are important to us because they have successfully promoted our image and more importantly, may enable us to capture more market recognition of our branded oil products in the future. Such awards and accreditations granted to Sanxing Grease may not be transferrable to us if the ownerships of the trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) are transferred to us. Hence, Corn Industry and Sanxing Grease entered into the Trademark Licence Agreements dated 16 November 2009 to formalise this trademarks licence arrangement. After taking into account the above factors, our Directors consider that the non-transfer of the trademarks and the entering into of the Trademark Licence Agreements are in the interest of our Company as whole.

Major terms

Pursuant to the Trademark Licence Agreements, Sanxing Grease agreed to grant a licence to Corn Industry to use the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) on an exclusive, sole and royalty-free basis for a term of 10 years commencing from the date of signing of the agreements, which is automatically renewable on a 10-year term upon expiry of the then current term, unless Corn Industry terminates the agreements by written notice prior to the expiry of the term of the agreements. According to the Trademarks Licence Agreements, Corn Industry has options to acquire the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) and all the relevant rights attached thereto from Sanxing Grease at any time during the term of the agreements for a nominal consideration of RMB10 for each registered trademark. Corn Industry will exercise such option(s) when the transfer of the trademarks will not have any adverse impact on our Group.

Pursuant to the Trademarks Licence Agreements, Corn Industry may use the trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) on its branded corn oil products, packaging product labels and instructions, advertisements, promotional materials, promotion activities, and other matters incidental to or in connection with our business at any locations where we conduct our business including, but not limited to the PRC or otherwise agreed by the parties in accordance with the relevant PRC laws and regulation. Our Directors are of the view that the duration of the Trademark Licence Agreements is beneficial to our business operations and secures long-term rights for us to use the trademarks.

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Sanxing Grease cannot use, assign, sub-license, or allow the use of the trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) itself or by any of its subsidiaries and associated companies or any other third parties.

Listing Rules Implications

As no consideration is payable by Corn Industry to Sanxing Grease under the Trademark Licence Agreements, the transactions contemplated under the Trademark Licence Agreements constitute *de minimis* continuing connected transactions of the Company, which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Purchase of petrol, diesel and lubricating oil

We have been purchasing petrol, diesel and lubricating oil from Sanxing Group Oil Products which are used by our production equipment during the production process. As the estimated annual consideration for the purchase of petrol, diesel and lubricating oil will be less than HK\$1,000,000 and the applicable percentage ratios (other than the profits ratio) on an annual basis are more than 0.1% but less than 2.5%, the transactions for the purchase of petrol, diesel and lubricating oil from Sanxing Group Oil Products constitute *de minimis* continuing connected transactions, which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following connected transactions will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

1. Sales Agreement

Background of the transaction

Sanxing Grease, the predecessor of Corn Industry before the transfer of its business in relation to edible oil manufacturing and sales operation to Corn Industry in 2006 as mentioned in the section headed "History and Corporate Development" in this prospectus, had 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") and had entered into certain contracts with several wholesale distributors relating to the sales of edible oil products under our brands. As at the Latest Practicable Date, all of our Group's new and existing contracts with the wholesale distributors had been entered into or renewed under the name of Corn Industry. As the entering into of new contracts by Corn Industry with the Retailers 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

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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 or will be terminated 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 oil products to the Retailers would be carried out through Sanxing Grease's existing accounts with these Retailers until 30 June 2010.

Save for the sales services provided by Sanxing Grease as formalised by and as stated in the sales agreement entered into between Sanxing Grease and Corn Industry dated 16 November 2009 (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 under our brands to the Retailers; and (ii) did not have any employees involved in such business activities mentioned in (i) above. Upon the expiration or termination of all the existing accounts maintained with the Retailers under the Unexpired Contracts on or before 30 June 2010, 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.

Major terms

Pursuant to the Sales Agreement, Corn Industry agreed to sell edible oil products under our brands to Sanxing Grease for the purpose of on-selling to the Retailers by Sanxing Grease under the Unexpired Contracts. According to the Sales Agreement, Sanxing Grease shall perform the following sales services:

- to allow its accounts maintained with the Retailers be used by Corn Industry for sales of Corn Industry's edible oil products to the Retailers;
- to execute sales contracts with the Retailers in relation to the sale of edible oil products under our brands that are negotiated between Corn Industry and the Retailers;
- to receive the sales monies paid by the Retailers for Corn Industry's edible oil products and pay the same to Corn Industry;
- to issue sales invoices to the Retailers in the name of Sanxing Grease; and
- to pay expenses in relation to its performance of sales service under the Sales Agreement which would be reimbursed by Corn Industry on an actual incurred basis.

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The term of the Sales Agreement commenced on the date of signing of the agreement and shall expire on 30 June 2010.

Pricing

The price payable by Sanxing Grease for the sales of edible oil products under our brands under the Sales Agreement shall be the same as the price payable by the Retailers to Sanxing Grease. The price at which the edible oil products to be sold by Sanxing Grease to the Retailers shall be determined by Corn Industry.

Historical Figures

During the three years ended 31 December 2008 and the six months ended 30 June 2009, the total sales of edible oil products by Corn Industry to Sanxing Grease in relation to the above sales arrangement were approximately nil, RMB58.6 million, RMB131.7 million and RMB49.0 million respectively.

Annual Caps

Our Directors estimate that the annual transaction amount for the sales of edible oil products under the Sales Agreement for the year ending 31 December 2009 and the six months ending 30 June 2010 will not exceed the caps of RMB120 million and RMB10 million, respectively. In determining the caps, our Directors have considered, among others, (i) the historical transaction amounts for the sales of edible oil products by Corn Industry to Sanxing Grease during the three years ended 31 December 2008 and the six months ended 30 June 2009; and (ii) most of the existing accounts will be renewed by our Group under the name of Corn Industry by the end of December 2009, while only a few of the existing accounts will be renewed by our Group under the name of Corn Industry in the first half of 2010 after the remaining Unexpired Contracts have become expired.

Listing Rules implications

The transactions contemplated under the Sales Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing. Given that the highest of the applicable percentage ratios (other than profits ratio) of the transactions contemplated under the Sales Agreement is more than 2.5%, the transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Master Purchase Agreement

Background of the transaction

During the three years ended 31 December 2008 and the six months ended 30 June 2009, Sanxing Mongolia had been supplying (i) sunflower crude oil to Sanxing Grease, the predecessor of Corn Industry, and (ii) both sunflower crude oil and corn embryo to Corn Industry. Corn embryo and sunflower crude oil are raw materials used in the production process of our edible corn oil products and refined sunflower seed oil products, respectively.

Major terms

To regulate the transactions, Corn Industry and Sanxing Mongolia entered into the master purchase agreement dated 16 November 2009 (the “**Master Purchase Agreement**”), pursuant to which Sanxing Mongolia agreed to supply corn embryo and sunflower crude oil to Corn Industry. Corn Industry shall provide Sanxing Mongolia with a monthly production proposal at least 10 working days before the end of each calendar month setting out the estimated purchase quantities and the relevant product requirements. Sanxing Mongolia shall then, according to the monthly production proposal, arrange for delivery of the relevant raw materials to Corn Industry or other parties designated by Corn Industry.

The term of the Master Purchase Agreement is three years commencing from the date of signing of the agreement, and at any time Corn Industry may give at least three months’ prior written notice of termination to Sanxing Mongolia. Corn Industry has the right to extend the term of the Master Purchase Agreement by giving written notice to Sanxing Grease at least six months before the expiry of the agreement.

Pricing

The price at which the relevant raw materials are to be purchased shall be agreed between the parties. The price must be fair and reasonable, on normal commercial terms and shall be no less favourable than those offered by Independent Third Parties to Corn Industry. The purchase price shall be paid by Corn Industry through wire transfer within five working days upon delivery of the relevant raw materials to Corn Industry by Sanxing Mongolia.

Historical Figures

During the three years ended 31 December 2008 and the six months ended 30 June 2009, the total purchase of corn embryo and/or sunflower crude oil by our Group from Sanxing Mongolia were approximately RMB13.2 million, RMB7.7 million, RMB3.8 million and RMB4.1 million, respectively.

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Annual Caps

Our Directors estimate that the annual transaction amount for the purchases of corn embryo and/or sunflower crude oil under the Master Purchase Agreement for the three years ending 31 December 2011 will not exceed the annual caps of RMB9.0 million, RMB10.0 million and RMB10.0 million, respectively. In determining the annual caps, our Directors have considered, among others, (i) the historical transaction amounts for the purchases of corn embryo and/or sunflower crude oil by Corn Industry from Sanxing Mongolia during the three years ended 31 December 2008 and the six months ended 30 June 2009; (ii) the estimated production volume of our edible corn oil products and refined sunflower seed oil products for the three years ending 31 December 2011; (iii) the expected growth in our sales of edible corn oil products; and (iv) our policy to diversify our purchases and not to have significant reliance on Sanxing Mongolia. Our Directors expect that the purchases of corn embryo and/or sunflower crude oil by Corn Industry from Sanxing Mongolia will slightly increase in 2010 and maintain at a stable level thereafter and the above proposed annual caps have reflected this expectation.

Sanxing Mongolia will not be the only supplier of Corn Industry for corn embryo and/or sunflower crude oil. Our Directors therefore consider that we do not place a significant reliance on Sanxing Mongolia in supplying such raw materials to us.

Listing Rules implications

The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing. Given that the highest of the applicable percentage ratios (other than profits ratio) of the transactions contemplated under the Master Purchase Agreement is more than 0.1% and less than 2.5%, the transactions are subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Steam and Electricity Supply Agreement

Background of the transaction

Shandong Mingda has been supplying steam and electricity to Corn Industry which is required for its production process. Corn Industry will continue to use the steady and stable supply of quality utilities by Shandong Mingda for its production base. Corn Industry and Shandong Mingda entered into a steam and electricity supply agreement dated 16 November 2009 (the "**Steam and Electricity Supply Agreement**") to formalise this utilities supply arrangement.

Major terms

Pursuant to the Steam and Electricity Supply Agreement, Shandong Mingda agreed to supply steam and/or electricity to Corn Industry. The term of the Steam and Electricity Supply Agreement is three years commencing from the date of signing of the agreement, and at any time Corn Industry may give at least three months' prior written notice of termination to Shandong Mingda. Corn Industry has the right to extend the term of the Steam and Electricity Supply Agreement by giving written notice to Shandong Mingda at least six months before the expiry of the Steam and Electricity Supply Agreement.

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Pricing

Pursuant to the Steam and Electricity Supply Agreement, the price payable for provision of electricity by Shandong Mingda shall be determined in accordance with the relevant rules and regulations under the “Notice in relation to Adjustment of the Price of Electricity of our Province” (《關於調整我省電價的通知》) issued by the Price Bureau of Shandong Province; and the price payable for provision of steam by Shandong Mingda shall be determined in accordance with the relevant rules and regulations under “Approval for Adjustment of the Sales Price of Industrial Steam” (《關於調整工業蒸汽銷售價格的批覆》) issued by the Price Bureau of Binzhou City, Shandong Province. In the event that the abovementioned rules and regulations are amended by the relevant government authorities, or replaced by other government notices, approvals or other documents (“**New Rules**”), the price payable by Corn Industry to Shandong Mingda for the provision of electricity and/or steam under the Steam and Electricity Supply Agreement shall be determined in accordance with the New Rules.

The relevant payment for the supply of steam and/or electricity shall be made by Corn Industry on a monthly basis in arrears. Corn Industry shall make payment for each calendar month to Shandong Mingda by wire transfer within seven working days in the immediately following calendar month.

Historical Figures

During the three years ended 31 December 2008 and the six months ended 30 June 2009, the total amounts paid for the supply of steam and/or electricity by Shandong Mingda to our Group were approximately RMB10.7 million, RMB13.3 million, RMB17.8 million and RMB10.6 million, respectively.

Annual Caps

Our Directors estimate that the annual transaction amount for the supply of steam and/or electricity under the Steam and Electricity Supply Agreement for the three years ending 31 December 2011 will not exceed the annual caps of RMB25.0 million, RMB35.0 million and RMB45.0 million, respectively. In determining the annual caps, our Directors have considered, among others (i) the historical transaction amounts for the supply of steam and/or electricity by Shandong Mingda during the three years ended 31 December 2008 and the six months ended 30 June 2009; (ii) the future expansion of our production; and (iii) the estimated future growth in the prices of electricity and steam. Our Directors expect that the supply of steam and/or electricity by Shandong Mingda to Corn Industry would increase in the coming years and the increase in the above annual caps has reflected this expectation.

Listing Rules implications

The transactions contemplated under the Steam and Electricity Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing. Given that the highest of the applicable percentage ratios (other than profits ratio) of the transactions contemplated under the Steam and Electricity Supply Agreement is more than 2.5%, the transactions are subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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Confirmation from our Directors

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described above are fair and reasonable and in the best interests so far as the Shareholders as a whole are concerned, and all such non-exempt continuing connected transactions have been entered into and will be carried out in the ordinary and usual course of business of our Company on normal or better than normal commercial terms. In addition, our Directors (including our independent non-executive Directors) consider the respective annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Sponsor

The Sponsor is of the view that (i) the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable or on terms which are more favourable to the Company and in the interests of the Shareholders as a whole, and (ii) the respective proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Shareholders as a whole.

Application for Waiver from Strict Compliance of the Listing Rules

As the above non-exempt continuing connected transactions are expected to continue on a recurring basis and are expected to extend over a period of time, our Directors (including our independent non-executive Directors) consider that strict compliance with the announcement requirement and the independent shareholders' approval requirement (where applicable) would be impractical and in particular, would add unnecessary administrative costs to our Company. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.42(3) of the Listing Rules from compliance with the announcement and/or (where applicable) independent shareholders' approval requirements under Chapter 14A of the Listing Rules, subject to the confirmations from our Directors and the Sponsor stated above. We will comply with the relevant requirements under Chapter 14A of the Listing Rules, including, but not limited to, the proposed annual caps set out above, and will comply with the relevant rules of Chapter 14A of the Listing Rules (including shareholders' approval requirements as appropriate) if the waiver from the Stock Exchange expires or any of the respective annual caps set out above are exceeded, or when the relevant agreement expires or is renewed or when any terms of the non-exempt continuing connected transactions are materially altered or the Company enters into new agreements with any connected persons (within the meaning of the Listing Rules).

The Company confirmed that it will comply with the applicable requirements under Chapter 14A of the Listing Rules as amended from time to time, and will immediately inform the Stock Exchange if there are any material changes to the aforesaid transactions.