

FOOD SAFETY AND HYGIENE LAWS AND REGULATIONS

Food Hygiene Law

On October 30, 1995, the Standing Committee of the National People's Congress of the PRC issued the Food Hygiene Law of the PRC, or the Food Hygiene Law, with which all institutions and individuals in the PRC engaged in food production and trade are required to comply. The Food Hygiene Law stipulates the hygiene requirements and standards for food, additives, containers and packaging of food as well as the sites, facilities and environmental conditions for food production and trade.

The PRC Ministry of Health is responsible for the overall supervision and control of public hygiene in China. Local bureaus of health in the PRC are responsible for implementation of the instructions of the Ministry of Health, including but not limited to carrying out investigation and examination of entities engaged in food production and trade and the issuing of the relevant licenses and certificates to such entities.

The sale and production of food which fails to comply with the hygiene standards and requirements stipulated in the Food Hygiene Law is prohibited and may result in a company being prohibited from conducting business in the PRC.

All food producers in the PRC are required to obtain a hygiene licence from the local bureau of health before they register with the relevant administrative authority for industry and commerce. Local governments may stipulate specific rules and regulations for the issue of such hygiene licences.

Food Production

On July 18, 2003, General Administration of Quality Supervision, Inspection and Quarantine issued the Measures for Quality Supervision and Administration of the Food Production and Processing Enterprises, or the Measures. According to the Measures, all food production enterprises are required to pass examinations before mass production. In addition, all finished products must be inspected and, for those products which have passed inspections, a "Quality Safety Label" (QS Label) affixed before release to the market.

In addition, since January 1, 2004, all enterprises engaged in the production of five categories of food, being rice, wheat flour, oil, soy source and vinegar are required to obtain a Food Production Licence before their products are allowed to be released to the market. The categories of food covered by the Measures was later expanded to a total of 28 categories of food, including dairy products, soft drinks, candy and roasted beans and nuts.

Health Care Food

The establishment of health care food manufacturing and trading enterprises is principally governed by the Administration Measures for Health Care Food promulgated by the Ministry of Health, which came into effect on June 1, 1996, and the Administration Measures for Registration of Health Care Food (Trial) promulgated by the State Food and Drug Administration, which came into effect on July 1, 2005. The Administrative Measures for Health Care Food define "health care food" as food products with specific health care functions and not for the purposes of medical treatment. The PRC Ministry of Health has the authority to designate certain food products as health care food by issuing a Health Care Food Approval Certificate. Manufacturers producing such health care food duly designated and approved by the PRC Ministry of Health are required to comply with the relevant measures.

Pursuant to these rules, all enterprises engaged in the manufacturing of health care food are required to obtain a hygiene licence and approval for the manufacturing of health care food from the health administrative department at the provincial level. Enterprises awarded with such a licence must comply with all conditions and specifications stipulated on the licence. In

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addition, all food manufacturers are required to obtain a Health Care Food Approval Certificate from the Ministry of Health before they can label their food products as health care food. Holders of such certificate may transfer their technology or cooperate with other parties for the manufacturing of health care food.

The Ministry of Health has released the Good Manufacturing Practice under the Guideline on the Good Manufacturing Practice of Health Care Food, or the Good Manufacturing Practice, which came into effect on August 13, 2002, and the Notice on the Examination and Evaluation of the Manufacturing of Health Care Food, which was published on April 2, 2003. All health care food manufacturers are required to comply with these guidelines and notices before a hygiene licence is issued to them, and their hygiene licence may be revoked for any failure to comply.

In addition to the above rules and regulations, manufacturers of health care food are also subject to the rules and regulations applicable to food manufacturers.

EXPORT HYGIENE REGULATIONS

The Export Hygiene Regulations were promulgated in 2002. According to these regulations, an enterprise engaging in production, processing or storage of export food must obtain a hygiene registration certificate.

The Certification and Accreditation Administration of the PRC is responsible for the hygiene registration, and it maintains a record, of export food producing enterprises in the PRC. Food produced by an unregistered or unrecorded export food manufacturer will not be accepted for inspection by such entry-exit inspection and quarantine authorities.

Currently there are 11 PRC Subsidiaries engaging in export trade of their own production and the Company believes that all such PRC Subsidiaries have obtained the necessary export licenses and permits (except for the quarantine examination, which can only be conducted at the time of export.)

ENVIRONMENTAL PROTECTION REGULATIONS

The Environmental Protection Law, which came into effect on December 26, 1989, sets out the legal framework for environmental protection in the PRC. Under this law, enterprises which might cause environmental pollution and other public hazards are required to adopt environmental protection measures in their operational plants and establish responsibility systems for environmental protection, as well as to adopt effective measures to prevent and control pollution and other harm to the environment caused by waste gas, waste water, waste residues, dust, malodorous gases, radiation, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities. Enterprises discharging pollutants need to apply for registration as required by the environmental protection administration authority under the State Council. Enterprises discharging pollutants exceeding the state or local discharge standards shall be levied fees for excessive discharge and be responsible for eliminating such pollution.

The environmental protection administration authority under the State Council is responsible for overall environmental supervision and administration in the PRC, while local environmental protection administration authorities at or above the county level are responsible for environmental protection within their respective jurisdictions.

If an enterprise fails to comply with the Environmental Protection Law, it may, depending on the circumstances of the case, be subject to warning, fine, rectification order with time limit, order to cease operation, shutdown, or even criminal liability.

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REGULATORY BODIES

Major regulatory bodies of the food industry in the PRC include (i) the State Administration of Food and Drugs, which is responsible for the overall supervision of the safety of food, health products and cosmetics and is responsible for stipulating related rules and regulations; and (ii) the Ministry of Health, which is responsible for overseeing the health needs of the Chinese population.

TRADE ASSOCIATIONS

Major trade associations of the food industry in the PRC include China National Food Industry Association, a non-profit legal person entity established in 1981, Chinese Institute of Food Science and Technology, a non-profit legal person entity established in 1980 and China Beverage Industry Association, a non-profit legal person entity established in 1993.

The Company confirms that it has complied with all the rules and regulations of relevant trade associations of which the Company or PRC Subsidiary is a member in all material aspects. In addition, except otherwise disclosed in the section headed “Business — Legal and Compliance” in this prospectus, the Company confirms that it has complied with the rules and regulations imposed by relevant regulatory bodies in the food production sector in all material aspects.