
INDUSTRY AND REGULATORY OVERVIEW

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OVERVIEW OF THE PRC ECONOMY

The PRC economy

The PRC economy is one of the world's current fastest growing economies. According to the China Statistical Yearbook 2010 published by the National Bureau of Statistics of the PRC, the PRC reported a GDP of approximately RMB34,051 billion in 2009, representing a CAGR of approximately 14.7% during the period from 2000 to 2009 when compared to the GDP of approximately RMB9,921 billion in 2000.

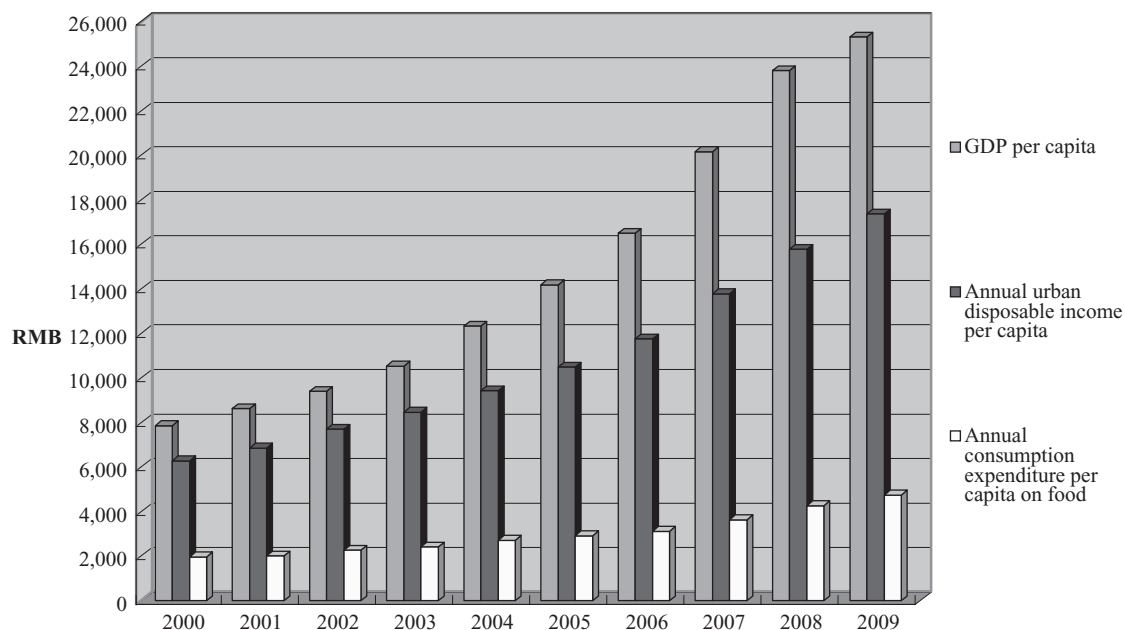
According to the National Bureau of Statistics of the PRC, the PRC has a population of approximately 1.33 billion as at 31 December 2009.

The annual GDP per capita of the PRC increased from approximately RMB7,858 in 2000 to approximately RMB25,575 in 2009, representing a CAGR of approximately 14.0%. The annual urban household disposable income per capita increased from approximately RMB6,280 in 2000 to approximately RMB17,175 in 2009, representing a CAGR of approximately 11.8%.

The following diagram shows the GDP per capita, annual consumption expenditure per capita on food and annual urban household disposable income from 2000 to 2009.

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GDP per capita, average disposable income per capita and average expenditure on food per capita in the PRC



Source: National Bureau of Statistics of the PRC

According to the China Statistical Yearbook 2010 published by National Bureau of Statistics of the PRC, an urban household in the PRC spent approximately RMB4,479 per capita on food in 2009, which amounted to approximately 36.5% of total consumption expenditure on average, and was more than the expenses on any other single item. As GDP and personal disposable income continue to grow, it is expected that consumers will demand for a greater variety of food and that they will be increasingly conscious about their health and diet, which will in turn increase their demand for nutritious, convenient and hygienic quality food.

THE MEAT INDUSTRY IN THE PRC

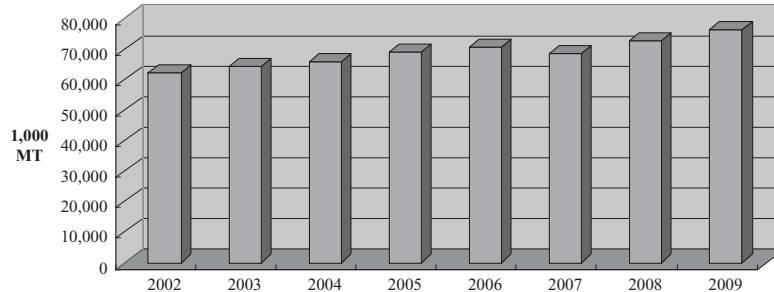
Meat production in the PRC

Driven by the increase in population, living standards and income, the PRC market for meat has grown steadily from 2002 to 2009. From 2002 to 2009, the total annual raw meat production in the PRC grew from approximately 62,343,000 Metric Tonnes (“MT”) to approximately 76,497,000 MT, representing a CAGR of approximately 3.0%. According to the China Animal Agriculture Association (“CAAA”), the PRC had ranked first in the world for total meat production from 1990 to 2007.

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The following table shows the annual production of raw meat in terms of volume in the PRC between 2002 and 2009:

Output of meat in the PRC



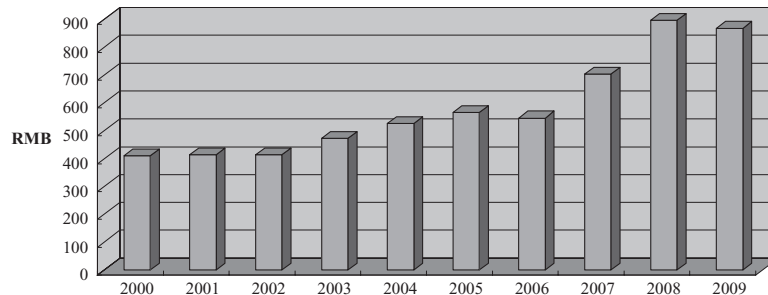
Source: National Bureau of Statistics of the PRC

Driven by the economic development in the PRC and continuing population growth, it is expected that the market for raw meat products in the PRC will continue to grow.

Meat consumption in the PRC

The diagram below shows that there has been an increasing trend of average urban annual consumption expenditure per capita on meat, poultry and processed products in the PRC from 2000 to 2009.

Average annual urban consumption expenditure per capita for meat, poultry and processed products in RMB



Source: National Bureau of Statistics of the PRC

With the increase in population and rising income in the PRC, it is expected that this rising trend will continue in the future.

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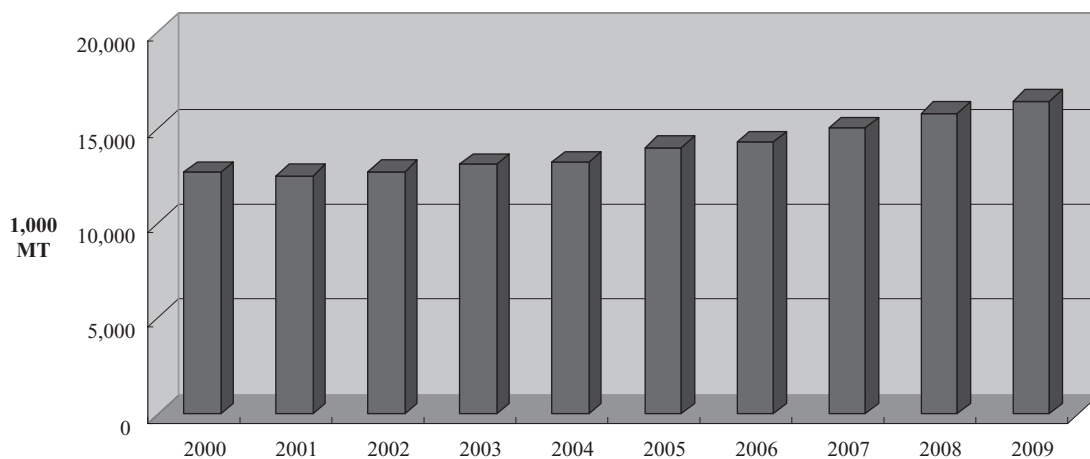
THE POULTRY INDUSTRY IN THE PRC

Poultry production in the PRC

According to the Food and Agriculture Organization of the United Nations (“FAO”) Livestock Statistics, Concepts and Classifications, poultry includes domestic fowls (i.e. chickens), guinea fowl, ducks, geese and turkeys.

The diagram below shows the total annual production of poultry meat in terms of MT in the PRC from 2000 to 2009.

Total production of poultry meat in the PRC



Source: FAO

The total production of poultry meat in the PRC has been growing steadily from 2000 to 2009. To meet the demands of the PRC’s increasing population, it is expected that this steady growing trend will continue in the future.

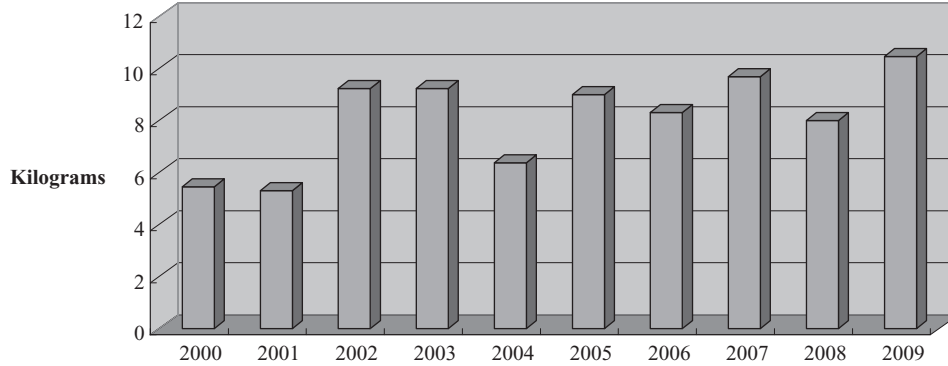
According to the 2009 China Poultry Breeding and Meat and Egg Products Production Report (2009年中國畜禽養殖和肉類蛋品生產報告) published by the China Egg Net (中國禽蛋門戶網), the total production quantity of poultry meat for the year ended 31 December 2009 was approximately 16.0 million tonnes. The production quantity of chicken meat of our Group for the year ended 31 December 2009 was approximately 34,000 tonnes, hence it can be estimated that our chicken meat products represented approximately 0.21% of the market share of the poultry meat market in the PRC.

Poultry consumption in the PRC

The diagram below shows the annual poultry consumption per capita in the PRC from 2000 to 2009.

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Annual consumption of poultry per capita in the PRC



Source: National Bureau of Statistics of the PRC

It can be seen that there have been rises and falls in the consumption of poultry in the PRC throughout the period from 2000 to 2009, with a sharp decrease in 2004 and generally increasing again thereafter.

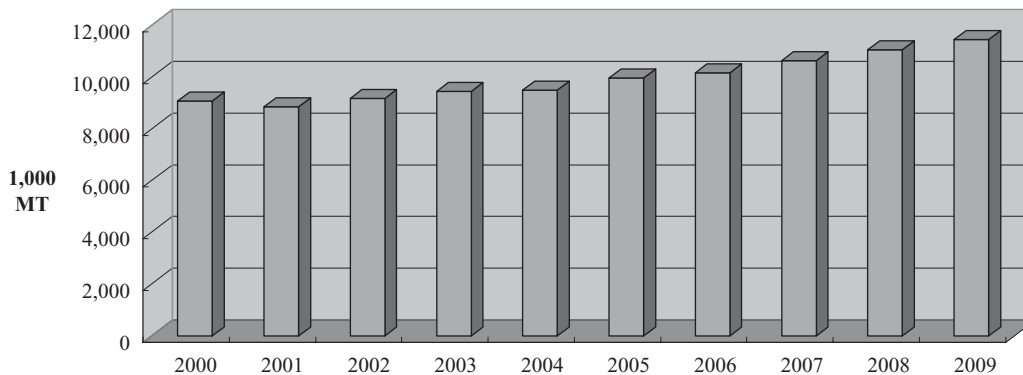
To the best knowledge of our Group, the reason for such decrease in poultry consumption in 2004 was due to the outbreak of avian influenza that year. Nonetheless, the poultry market recovered quickly as the pandemic subsided, with poultry consumption increasing again in 2005. The general trend in poultry consumption in the PRC has been an increasing one, with a CAGR of about 7.55%. It is expected that the poultry consumption will continue to grow in the PRC in the future.

THE CHICKEN MEAT INDUSTRY IN THE PRC

Chicken meat production in the PRC

Chicken meat production in the PRC has grown rapidly in the past decade. From 2000 to 2009, the total annual chicken meat production in the PRC grew from approximately 9,060,000 MT to approximately 11,440,000 MT, representing a CAGR of approximately 2.63%. The following diagram shows the annual production of chicken meat in terms of MT in the PRC from 2000 to 2009.

Chicken meat production in the PRC



Source: FAO

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Top 10 manufacturers of chicken meat in the PRC

The top 10 manufacturers of chicken meat in the PRC and their respective production capacities are as follows:

Position (Note 1)	Name of Manufacturer	Production Capacity
1	Shandong Liuhe Group Co., Ltd (山東六和集團有限公司)	Sales of 1,250,000 tonnes of meat per year (Note 2)
2	Qingdao Jiuzhen Group Co. Holdings Ltd (青島九聯集團股份有限公司)	Slaughtering of 100,000,000 chickens per year (Note 2)
3	Zhu Cheng Wai Mao Co., Ltd. (諸城外貿有限責任公司)	No publicly available information
4	Shanlihai Group Co., Ltd (山栗海集團有限公司)	Processing of 100,000,000 chickens per year (Note 2)
5	Beijing Huadu Group Co., Ltd. (北京華都集團有限公司)	Processing of more than 50,000,000 chickens per year (Note 2)
6	Beijing Dafa Chia Tai Co., Ltd. (北京大發正大有限公司)	Slaughtering of 180,000 chickens per day (Note 2)
7	Fujian Sunner Development Co., Ltd (福建聖農發展股份有限公司)	Slaughtering of 67,700,000 broilers per year (Note 3)
8	Shandong Qaiyang Chunxue Foodstuff Ltd (山東萊陽春雪食品有限公司)	Production of 8,000,000 tonnes of broiler products (Note 2)
9	Henan Province Qi County Yongda Food Industry Co. Ltd (河南省淇縣永達食業有限公司)	No publicly available information
10	Shandong Xinchang Group Co., Ltd (山東新昌集團有限公司)	No publicly available information

Note 1: Source: China Meat Association

Note 2: Source: Global Broilers Production Industry Forum and Second China White Feathered Production Industry Development Conference Journal (全球肉雞產業論壇暨第二屆中國白羽肉雞產業發展大會會刊) published by the China Livestock Industry Association Poultry Industry Branch (中國禽畜業協會禽業分會)

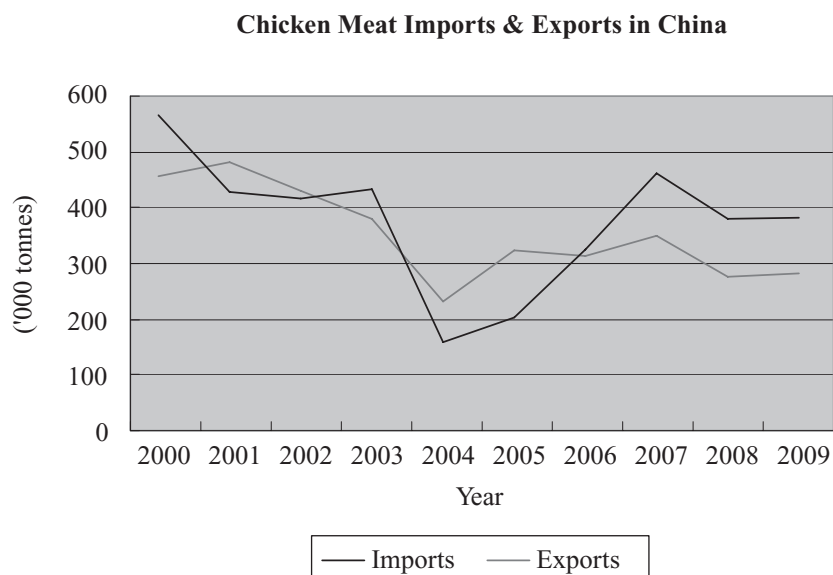
Note 3: Source: Fujian Sunner Development Co. Ltd (福建聖農發展股份有限公司) Annual Report 2009

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According to the China Meat Association (中國肉類協會), which is a non-profit making organization established by social enterprises from all over the PRC engaging in the production, slaughtering, processing and sales of meat and poultry, we ranked 44th out of 90 amongst the Competitive Enterprises of Meat Products Industry in the PRC (中國肉類食品行業強勢企業) in 2008. The assessment was based on the total sales of those enterprises during the year ended 31 December 2007, and with reference to their respective asset values, equipment, sizes of main business, sales, taxes paid, amount of exports, etc.

Foreign players in the chicken meat market of the PRC

According to the USDA-FAS, the trends in the imports and exports of chicken meat in the PRC from 2000 to 2009 have both been first generally decreasing, with sharp decreases from 2003 to 2004, then generally rising again. The diagram below shows the imports and exports of chicken meat in terms of volume from 2000 to 2009.



Source: USDA-FAS

The percentage of the weight of chicken meat imported into the PRC over the weight of the total production of chicken meat in the PRC in 2009 was approximately 3.3%.

THE BROILER INDUSTRY IN THE PRC

Broiler is a particular type of chicken grown specifically for meat production. Broilers are usually bred for large scale and efficient meat production due to their fast growth rates. Broiler is the type of chickens bred by our Company.

Broiler meat production in the PRC

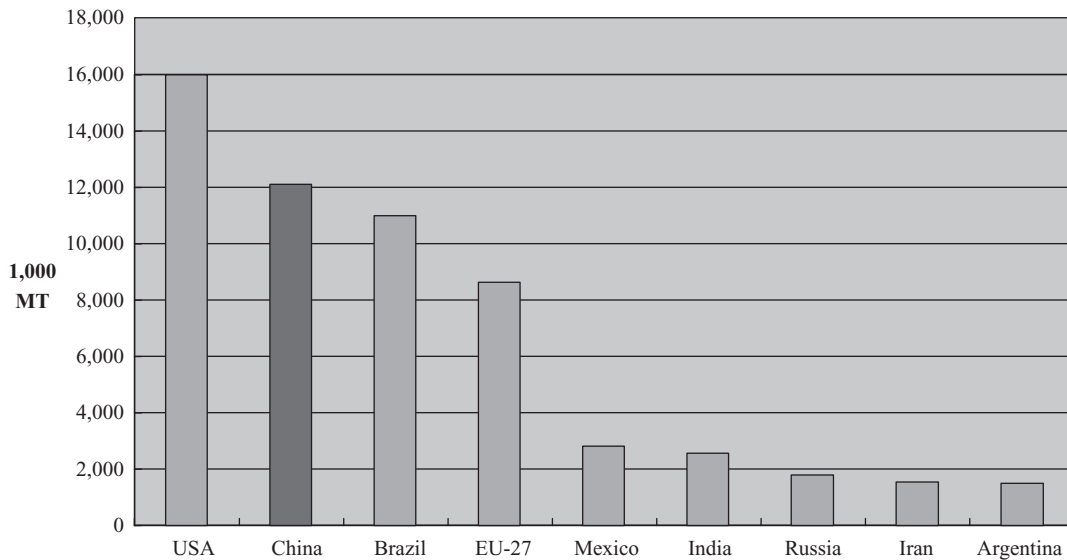
According to the CAAA and the FAO, the PRC ranked the second in the world in terms of total chicken meat production quantity in 2007. Furthermore, according to the United States Department of Agriculture Foreign Agricultural Service (“USDA-FAS”), the

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PRC continued to rank the second in the world for total broiler meat in terms of volume from 2005 to 2009, and the difference between the USA (being the country with the largest chicken meat production quantity) and the PRC has gradually been closing over the years, from 5,670,000 MT in 2005 to 3,835,000 MT in 2009, as the PRC experiences steady growth in broiler production while the broiler production in the USA has been fluctuating.

Below is a diagram showing the total annual broiler meat production quantity of various countries in 2009:

Global broiler meat production in quantity



Source: USDA-FAS

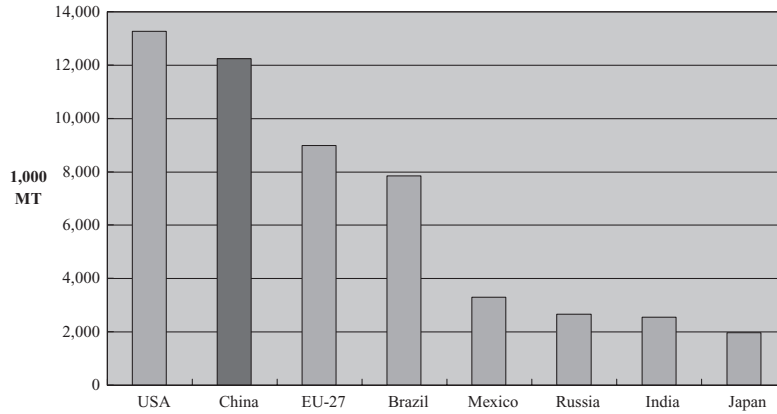
Broiler meat consumption in the PRC

According to the USDA-FAS, the PRC ranked the second in the world in terms of broiler meat consumption from 2005 to 2009, whereas the USA ranked the first during the same period. The difference between USA and the PRC in terms of broiler meat

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consumption has gradually been narrowing over the years, from 3,343,000 MT in 2005 to 730,000 MT in 2009. The diagram below shows the total broiler meat consumption of different countries in 2009:

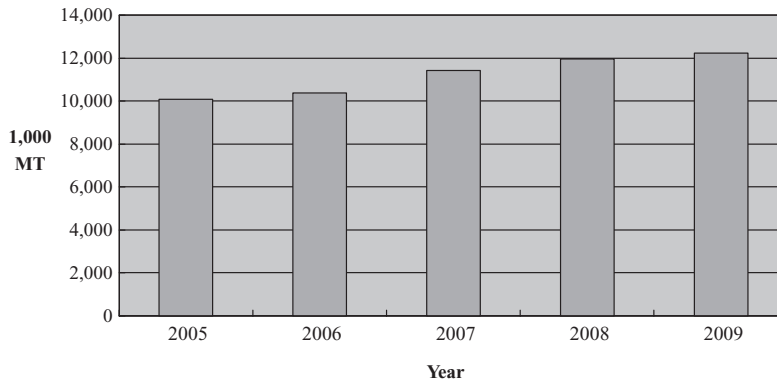
Global broiler meat consumption in quantity



Source: USDA-FAS

According to the USDA-FAS, there has been an increase of approximately 21% in the total consumption of broiler meat in the PRC from 2005 to 2009. Below is a diagram illustrating the growth in total consumption of broiler meat in the PRC from 2005 to 2009:

Broiler meat consumption quantity in the PRC



Source: USDA-FAS

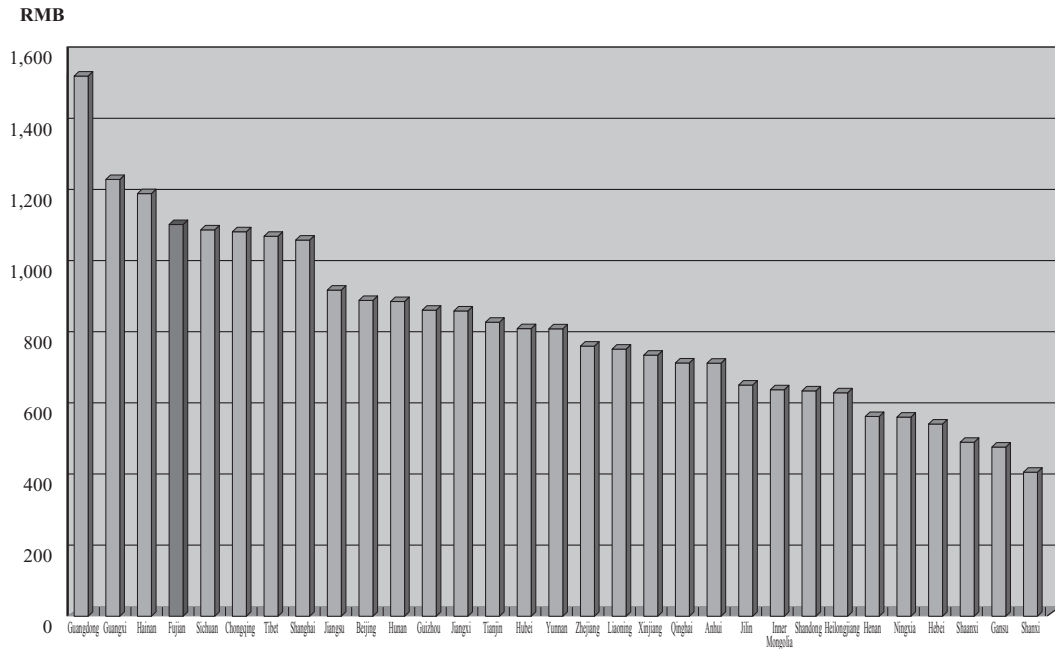
In line with the economic and population growth in the PRC, together with the increase in disposable income, the consumption of chicken meat in the PRC is expected to continue increasing in the coming years.

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THE POULTRY MARKET IN FUJIAN

The Fujian Province has one of the largest urban markets for poultry meat consumption in the PRC, with an annual consumption expenditure of urban households per capita of approximately RMB1,115 in 2009, ranking the fourth in the PRC that year. Below is a diagram showing the annual urban consumption expenditure of poultry meat per capita across the PRC.

Annual urban consumption expenditure on poultry per capita in the PRC for 2009



Source: National Bureau of Statistics of the PRC

Furthermore, the local urban poultry market within the Fujian Province itself has expanded substantially from 2000 to 2009, with consumption expenditure on poultry meat per capita of RMB548 in 2000 to RMB1,115 in 2009, representing an increase of more than 50%.

With the growing economy and rising income in the PRC, together with the population growth and improvements in the standard of living, it is expected that the demand and consumption for poultry in the Fujian Province will continue to rise.

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THE GLOBAL INDUSTRY FOR RAW MATERIALS FOR THE PRODUCTION OF ANIMAL FEEDS

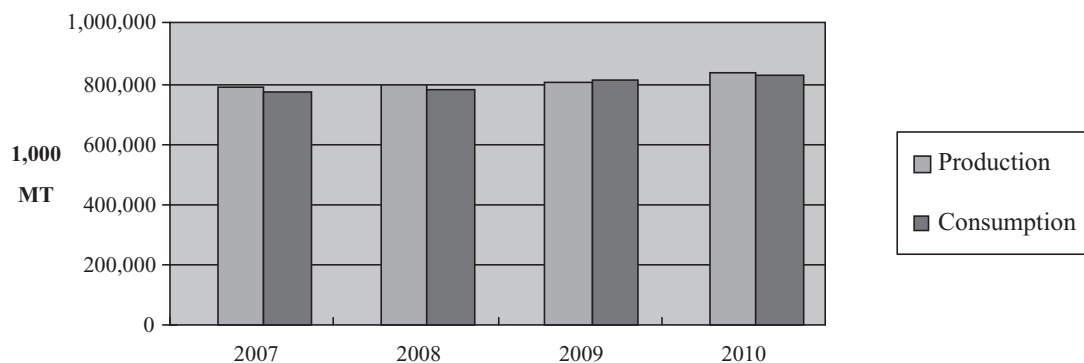
The main raw materials used by our Group for the production of our animal feeds are corn, wheat and soya meal.

The global corn industry

Global corn production and consumption

According to the United States Department of Agriculture -World Agricultural Outlook Board (“USDA-WAOB”), production of corn in the world has increased from 791,870,000 MT in 2007 to 831,590,000 MT in 2010, representing an increase of approximately 5.0% between 2007 and 2010 and a CAGR of approximately 1.64%. The pattern of the consumption of corn in the world is very similar to that of its production, having increased from 771,430,000 MT in 2007 to 831,420,000 MT in 2010, representing an increase of approximately 7.8% between 2007 and 2010 and a CAGR of approximately 2.53%. The diagram below shows the annual production and consumption quantity of corn in the world in terms of MT from 2007 to 2010.

Global production and consumption of corn



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

In line with the increasing world population and demand for food, the global consumption of corn is expected to continue to grow in the future, and that global production of corn will also continue to grow to meet the increasing demand.

Global imports and exports of corn

The volume of global imports of corn took a significant drop from 98,350,000 MT in 2007 to 82,450,000 MT in 2008, but started increasing steadily from 2008 to 2010. There has been an overall decrease in global exports of corn of approximately 9.3% between 2007 and 2010. A similar pattern can be observed in the global exports of corn between 2007 and 2010, with a decrease from 2007 to 2008 followed by steady increases from 2008 to 2010,

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and an overall decrease between 2007 and 2010 of approximately 8.3%. The diagram below shows the annual volume of imports and exports of corn in the world in terms of MT from 2007 to 2010.



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

The decrease of both imports and exports from 2007 and 2008 may be attributable to the global financial crisis in 2008.

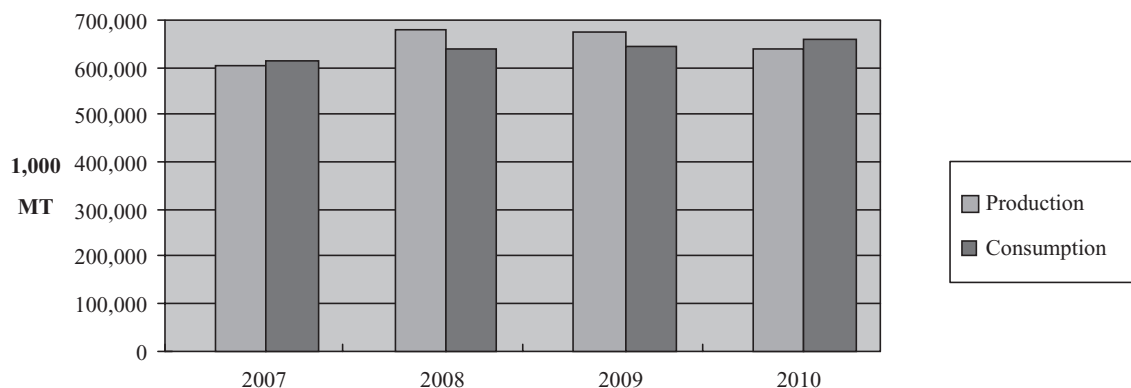
The global wheat industry

Global wheat production and consumption

The production of wheat in the world has experienced slight fluctuations between 2007 and 2010, first increasing from 2007 to 2008, followed by steady decreases from 2008 to 2010. The overall production of wheat in the world increased from 610,430,000 MT in 2007 to 645,730,000 MT in 2010, representing an increase of approximately 5.8%. On the other hand, consumption of wheat in the world has grown steadily from 616,960,000 MT in 2007 to 664,940,000 MT in 2010, representing an increase of approximately 7.8% and a CAGR of approximately 2.53%. The diagram below shows the annual production and consumption quantity of wheat in the world in terms of MT from 2007 to 2010.

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Global production and consumption of wheat



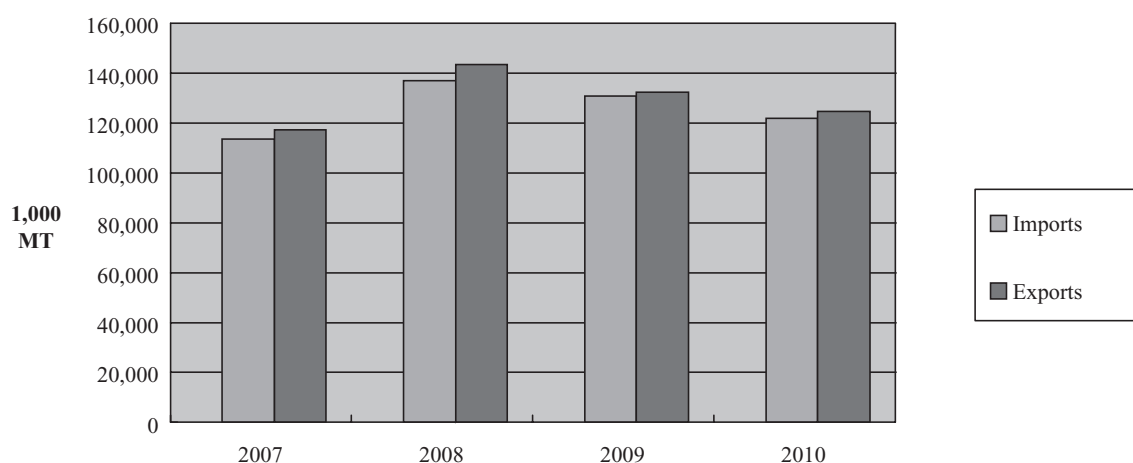
Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

Global imports and exports of wheat

The volume of global imports of wheat has experienced slight fluctuations between 2007 and 2010, first increasing from 113,390,000 MT in 2007 to 136,860,000 MT in 2008, then steadily decreasing from 2008 to 2010, with an overall increase of approximately 7.5% from 2007 to 2010, representing a CAGR of approximately 2.45%. A similar pattern can be observed in the global exports of wheat, with an increase from 2007 to 2008 followed by steady decreases from 2008 to 2010, and an overall increase of approximately 6.4% from 2007 to 2010. The diagram below shows the annual volume of imports and exports of wheat in the world in terms of MT from 2007 to 2010.

Global imports and exports of wheat



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

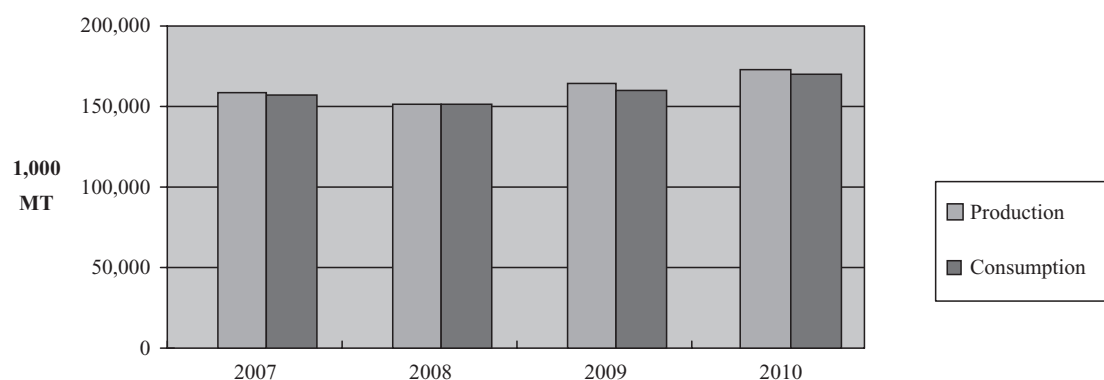
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The global soya meal industry

Global soya meal production and consumption

The global production of soya meal started off with a slight decrease from 2007 to 2008, followed by steady increases from 2008 to 2010. Nonetheless, the overall trend has been an increasing one, with global production of soya meal increasing from 158,520,000 MT in 2007 to 173,120,000 MT in 2010, representing an increase of approximately 9.2% and a CAGR of approximately 2.98%. The global consumption of soya meal shows a similar trend, having started off with a slight decrease from 2007 to 2008, followed by steady increases from 2008 to 2010. The overall consumption of soya meal increased from 157,470,000 MT in 2007 to 170,550,000 MT in 2010, representing an increase of approximately 8.3% and a CAGR of approximately 2.70%. The diagram below shows the annual production and consumption quantity of soya meal in the world in terms of MT from 2007 to 2010.

Global production and consumption of soya meal



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

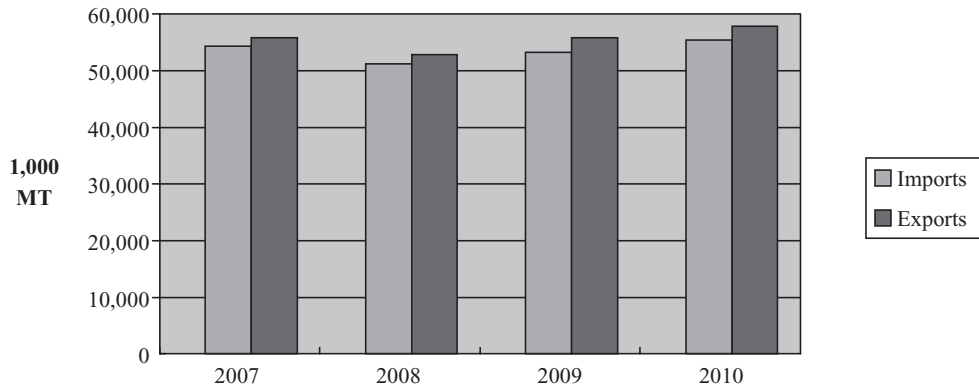
In line with the increasing world population and demand for food, the global consumption of soya meal is expected to continue to grow in the future, and that global production of soya meal will also continue to grow to meet the increasing demand.

Global imports and exports of soya meal

The volume of global imports of soya meal has experienced slight fluctuations between 2007 and 2010, first decreasing from 54,320,000 MT in 2007 to 51,180,000 MT in 2008, then steadily increasing from 2008 to 2010, with an overall increase of approximately 2.0% in the global imports of wheat from 2007 to 2010, representing a CAGR of approximately 0.65%. A similar pattern can be observed in the global exports of soya meal, with a decrease from 2007 to 2008 followed by steady increases from 2008 to 2010, with an overall increase of approximately 3.5% in the global exports of soya meal from 2007 to 2010, representing a CAGR of approximately 1.16%. The diagram below shows the global imports and exports of soya meal in terms of MT from 2007 to 2010.

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Global imports and exports of soya meal



Source: USDA-WAOB

*Note: Data for 2010 is projected as at August 2010.

The decrease of both imports and exports from 2007 and 2008 may be attributable to the global financial crisis in 2008.

THE CORN, WHEAT AND SOYA MEAL INDUSTRY IN THE PRC

Agriculture is one of the major industries in the PRC. Details of the corn, wheat and soya meal industry in the PRC are set out below.

The corn industry in the PRC

Corn production and consumption in the PRC

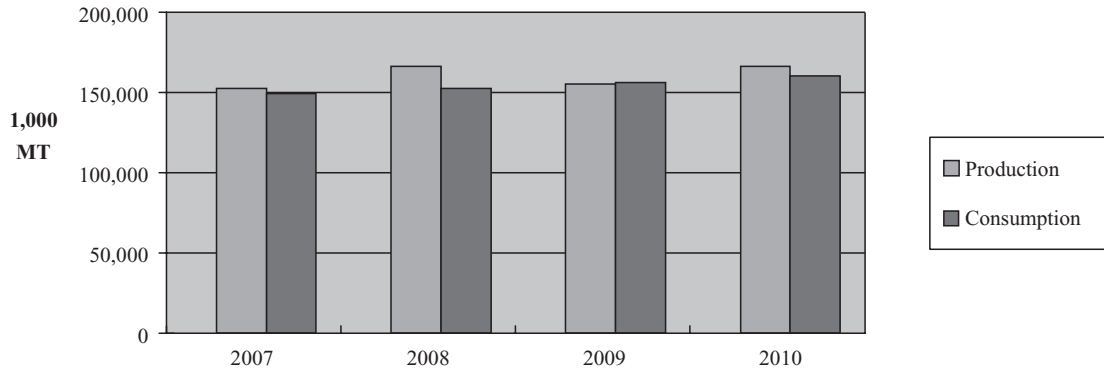
According to the USDA-FAS, production of corn in the PRC has experienced slight fluctuations between 2007 and 2010 but has shown an overall increase from 152,000,000 MT in 2007 to 166,000,000 MT in 2010, representing an increase of approximately 9.2% and a CAGR of approximately 2.98%. The PRC contributed a significant portion of the global corn supply between 2007 and 2010, being approximately 19.2%, 20.1%, and 19.2% for the years 2007, 2008 and 2009 respectively and is projected to contribute approximately 20.0% to the world's corn production in 2010.

On the other hand, consumption of corn in the PRC has grown steadily between 2007 and 2010, increasing from 149,000,000 MT in 2007 to 160,000,000 MT in 2010, representing an increase of approximately 7.4% and a CAGR of approximately 2.4%.

The diagram below shows the annual production and consumption quantity of corn in the PRC in terms of MT from 2007 to 2010.

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Production and consumption of corn in the PRC



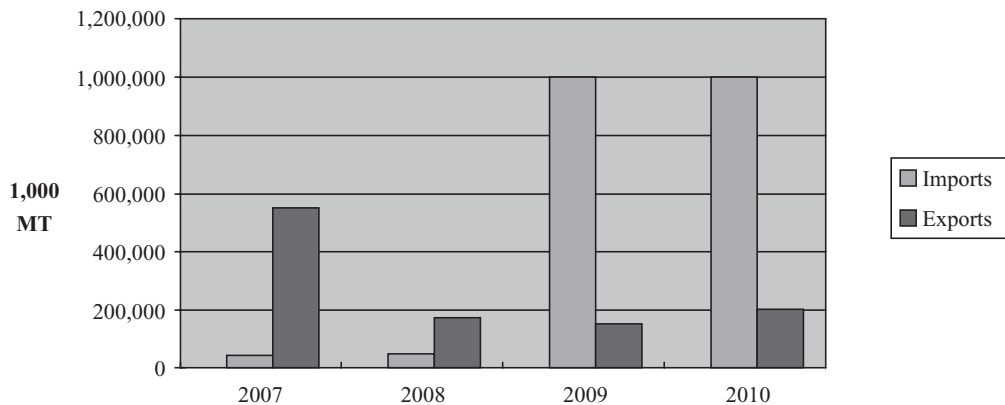
Source: USDA-FAS

In line with the increasing population and demand for food in the PRC, together with the PRC's economic growth and rising income of households, the consumption of corn in the PRC is expected to continue to grow in the future, and the production of corn in the PRC will also continue to grow to meet the increasing demand.

Imports and exports of corn in the PRC

The imports of corn into the PRC have grown rapidly between 2007 and 2010, increasing from 41,000 MT in 2007 to 1,000,000 MT in 2010, representing an increase of approximately 2339.0% and a CAGR of 190.0%. On the other hand, exports of corn from the PRC have decreased significantly from 549,000 MT in 2007 to 200,000 MT in 2010, representing an overall decrease of 63.6%. The diagram below shows the annual volume of imports and exports of corn in the PRC in terms of MT from 2007 to 2010.

Imports and Exports of corn in the PRC



Source: USDA-FAS

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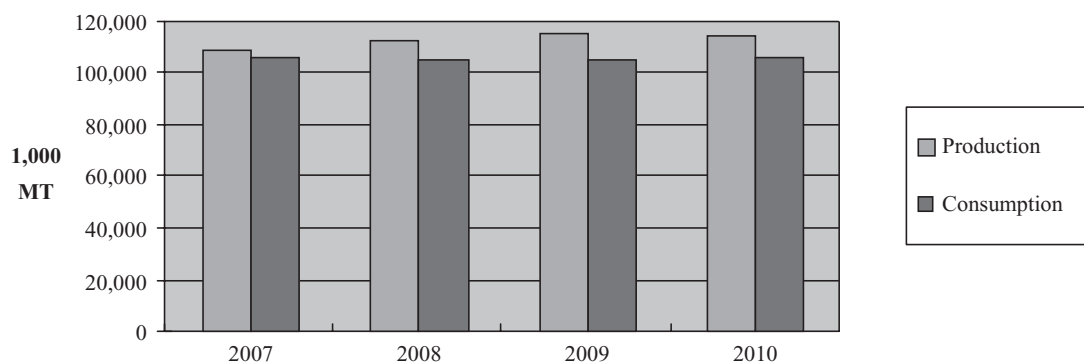
The wheat industry in the PRC

Wheat production and consumption in the PRC

There has been an overall increase from 109,298,000 MT in 2007 to 114,500,000 MT in 2010 in the production of wheat in the PRC, representing an increase of approximately 4.8% and a CAGR of approximately 1.56%. The PRC represented a significant portion of the global wheat supply between 2007 and 2010, which amounted to approximately 16.8%, 16.5%, and 16.9% for the years 2007, 2008, and 2009 respectively and is projected to contribute approximately 17.6% of the global wheat production in 2010.

On the other hand, the consumption of wheat in the PRC has decreased slightly from 106,000,000 MT in 2007 to 105,800,000 MT in 2010, representing a slight decrease of approximately 0.2%. The diagram below shows the annual production and consumption quantity of wheat in the PRC in terms of MT from 2007 to 2010.

Production and consumption of wheat in the PRC



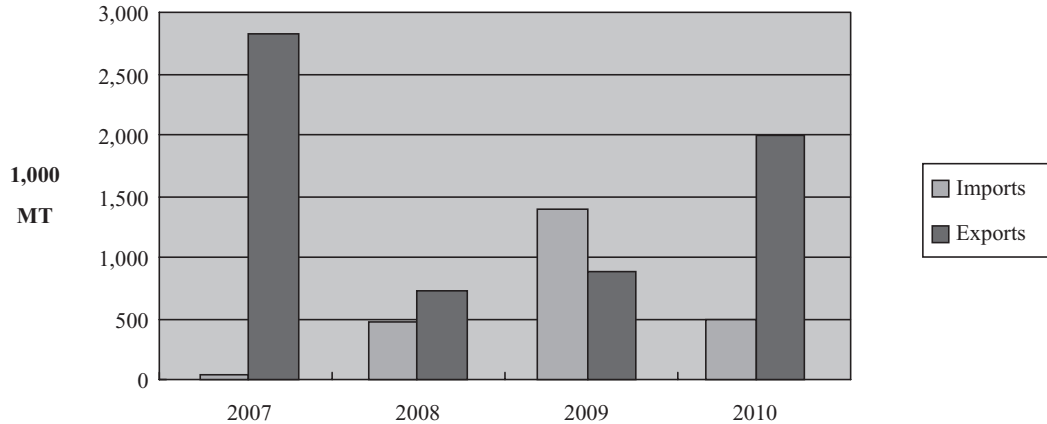
Source: USDA-FAS

Imports and exports of wheat in the PRC

The imports of wheat into the PRC have experienced significant fluctuations between 2007 and 2010, increasing from 50,000 MT in 2007 to 1,394,000 MT in 2009, and then falling back to 500,000 MT in 2010. The exports of wheat from the PRC have also experienced significant fluctuation during the past 3-4 years but in the opposite direction, first decreasing from 2,835,000 MT in 2007 to 723,000 MT in 2008, then decrease to 200,000 MT in 2010. The diagram below shows the annual volume of imports and exports of wheat in the PRC in terms of MT from 2007 to 2010.

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Imports and exports of wheat in the PRC



Source: USDA-FAS

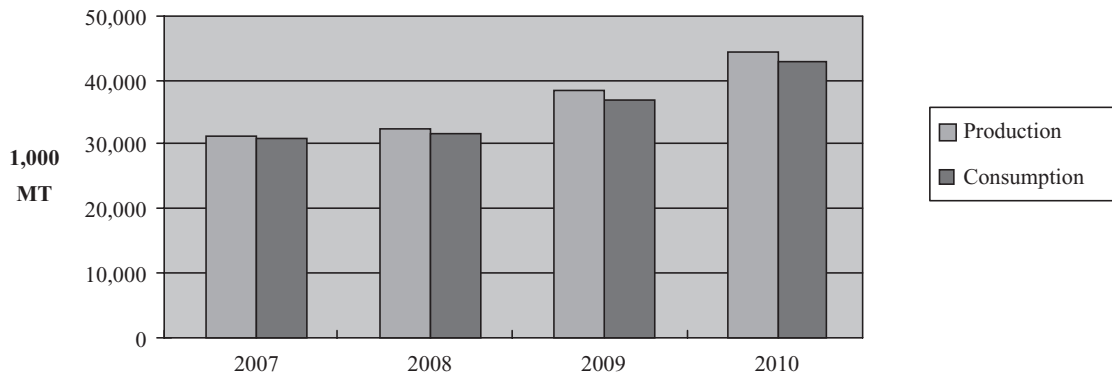
The soya meal industry in the PRC

Soya meal production and consumption in the PRC

The production of soya meal in the PRC has grown rapidly between 2007 and 2010, increasing from 31,280,000 MT in 2007 to 44,160,000 MT in 2010, representing an increase of approximately 41.2% from 2007 to 2010 and a CAGR of approximately 12.2%. The PRC represented a significant portion of the world's soya meal supply between 2007 and 2010, being approximately 19.7%, 21.4%, and 23.5% for the years 2007, 2008, and 2009 respectively and is projected to contribute approximately 25.5% to the global wheat production in 2010.

Similarly, the consumption of soya meal in the PRC has also grown rapidly between 2007 and 2010, increasing from 30,849,000 MT in 2007 to 42,710,000 MT in 2010, representing an increase of approximately 38.4% and a CAGR of approximately 11.5%. The diagram below shows the annual production and consumption quantity of soya meal in the world in terms of MT from 2007 to 2010.

Production and consumption of soya meal in the PRC



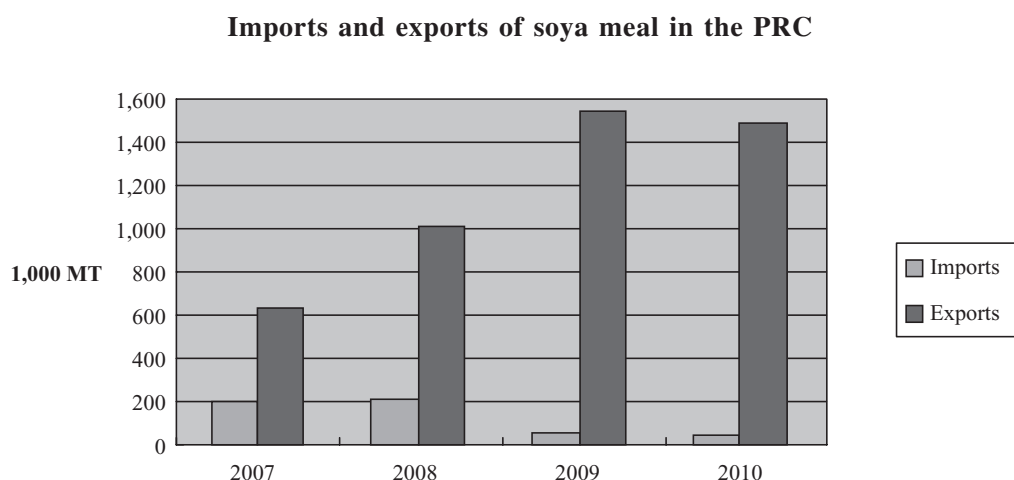
Source: USDA-FAS

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In line with the increasing population and demand for food in the PRC, together with the PRC's economic growth and rising income of households, the consumption of soya meal in the PRC is expected to continue to grow in the future, and production of soya meal in the PRC will also continue to grow to meet the increasing demand.

Imports and exports of soya meal in the PRC

The imports of soya meal into the PRC have fallen significantly during the past 3-4 years, decreasing from 203,000 MT in 2007 to 50,000 MT in 2010, representing a decrease of 75.4%. On the other hand, the exports of soya meal from the PRC have risen significantly between 2007 and 2010, increasing from 634,000 MT in 2007 to 1,500,000 MT in 2010. The diagram below shows the volume of imports and exports of soya meal in the PRC in terms of MT from 2007 to 2010.



Source: USDA-FAS

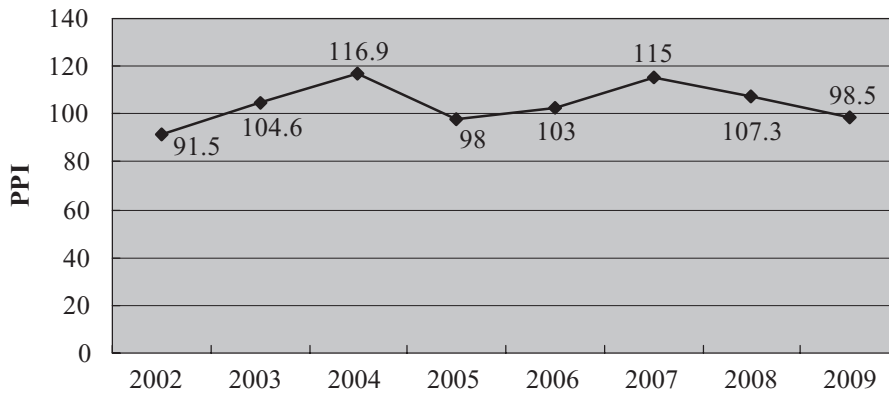
HISTORICAL PRICE FLUCTUATIONS OF CORN, WHEAT AND SOYA MEAL IN THE PRC

Historical price fluctuations of corn

According to the National Bureau of Statistics of the PRC, the prices of corn have been subject to fluctuations from 2002 to 2009, as indicated by the producers' price index ("PPI") (since PPI for the preceding year is always 100, differences from 100 indicate the extent of price fluctuations). The chart below shows the historical PPI of corn in the PRC from 2002 to 2009:

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PPI of corn in the PRC

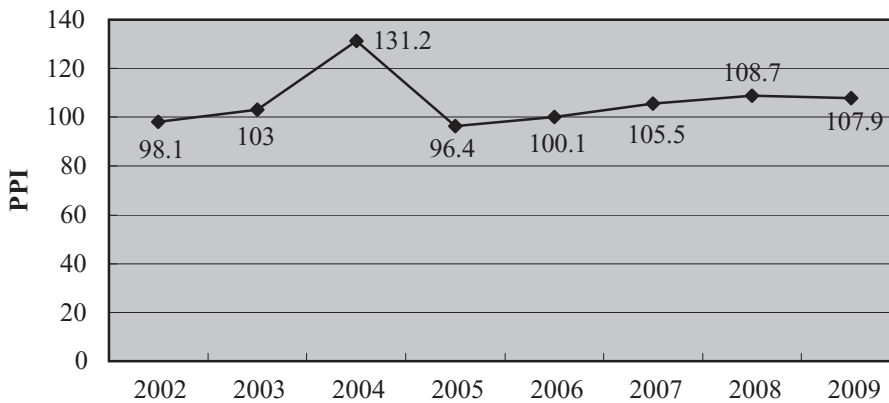


Source: National Bureau of Statistics of the PRC

Historical price fluctuations of wheat

The prices of wheat have been subject to fluctuations from 2002 to 2005 followed by a general rising trend from 2005 to 2009. The chart below shows the historical PPI of wheat in the PRC from 2002 to 2009:

PPI of wheat in the PRC



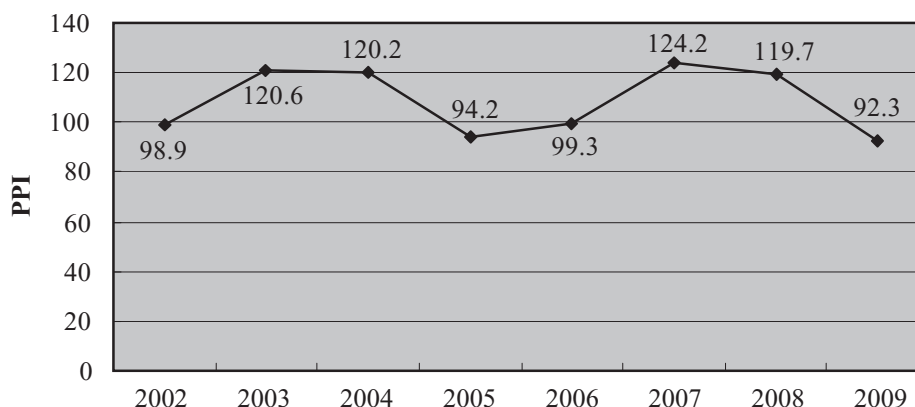
Source: National Bureau of Statistics of the PRC

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Historical price fluctuations of beans

Beans are the main raw materials for producing soya meal and hence, the prices of beans directly affect the prices of soya meal. The prices of beans have experienced significant fluctuations without particular trends from 2002 to 2009. The chart below shows the historical PPI of beans in the PRC from 2002 to 2009:

PPI of beans in the PRC



Source: National Bureau of Statistics of the PRC

Such price fluctuations may be affected by (i) imports and exports levels of beans, especially those with the US, (ii) global economic conditions, (iii) the breeding quality of animals that consume feeds made from beans, such as pigs and chickens, and (iv) weather conditions.

REGULATORY OVERVIEW

A summary of certain major laws and regulations in relation to our business is set forth below. Information contained in this part of this prospectus should not be construed as a comprehensive summary of laws or regulations applicable to us.

The laws regulating the production, distribution and sales of chicken meat, processed foods and feeds in the PRC include, but not limited to, the Food Safety Law of the PRC (中華人民共和國食品安全法), the Law on the Quality and Safety of Agricultural Products (中華人民共和國農產品質量安全法), the Administrative Measures on Breeds of Livestock and Poultry of the PRC (中華人民共和國種畜禽管理條例), the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and other laws and regulations relating to poultry raising, food hygiene and standardization of exports of the PRC. Certain important provisions of the above laws and regulations relating to the chilled and frozen chicken, processed foods and feeds industry are set out below.

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Industry Policy on Foreign Investment

In accordance with the Catalogue of Foreign Investment Industry (2007) (《外商投資產業指導目錄(2007年修訂)》) promulgated jointly by National Development and Reform Commission and Ministry of Commerce on 31 October 2007, foreign investment in storing or processing poultry meat is classified under the “encouraged investment” category.

Pursuant to the SAFE’s Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound 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》) (“SAFE Circular No. 75”), issued on 21 October 2005, effective on 1 November 2005, (i) a PRC citizen residing in the PRC (a “PRC Resident”) must register with the local branch of SAFE before he or she establishes or controls an overseas special purpose vehicle (“SPV”) for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC Resident contributes the assets of or his or her equity interests in a domestic enterprise to an overseas SPV, or engages in overseas financing after contributing assets or equity interests to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any changes to his or her interest in the overseas SPV with the local branch of SAFE; and (iii) when the overseas SPV undergoes a material corporate action outside the PRC, such as change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local branch of SAFE.

Under SAFE Circular No. 75, failure to comply with the registration procedures may result in penalties, including imposition of restrictions on a PRC subsidiary’s foreign exchange activities and its ability to distribute dividends to the overseas SPV. As advised by our PRC legal advisors, Mr. Lin and Mr. Lin Genghua, both of them are PRC citizens, have completed the registration procedures in accordance with SAFE Circular No. 75.

On 8 August 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, enacted 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》) (as amended on 22 June 2009) (the “New M&A Rules”), to regulate foreign investment in the PRC domestic enterprises. The New M&A Rules provide that the Ministry of Commerce must be notified in advance of any transaction in which a foreign investor takes control of a the PRC domestic enterprise, and if any of the following situations exists: (i) the transaction involves an important industry in China, (ii) the transaction may affect national “economic security”, or (iii) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in the PRC. The New M&A Rules contain a provision requiring all overseas SPVs, formed for listing purposes through acquisitions of PRC domestic enterprises and controlled by PRC individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

As advised by our PRC legal advisors, since Sumpo Holdings has completed the reorganization in the PRC and obtained the required approval from the relevant PRC governmental authorities before the implementation of the New M&A Rules on 8 September 2006, the New M&A Rules are not applicable to our Group.

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Food Safety Law of the PRC (中華人民共和國食品安全法)

The Food Safety Law of the PRC (the “Food Safety Law”) was promulgated on 28 February 2009 by the Standing Committee of the National People’s Congress and became effective on 1 June 2009. The Implementation Regulations of the Food Safety Law (中華人民共和國食品安全法實施條例) (the “Implementation Regulations”) was subsequently promulgated on 20 July 2009 and became effective from the date of promulgation.

The Food Safety Law and the Implementation Regulations apply to the production and operation of food, food additives, food related products that include food containers and packaging materials, as well as other relevant products. Under the Food Safety Law, manufacturers who engage in the production of food, food additives and food related products must comply with the applicable food safety standards and must satisfy the inspection and approval procedures with regard to their products before selling the same in the market. In addition, food manufacturers are required to check business permits and product qualification certificates of their suppliers from whom they purchase food materials, additives and related products and to inspect such products to ensure that they conform to the applicable food safety standards. Any violation of the Food Safety Law and its Implementation Regulations may result in legal liabilities, such as warnings, fines, damages, or even criminal liabilities for serious violations.

Law on the Quality and Safety of Agricultural Products

(中華人民共和國農產品質量安全法)

The Law on the Quality and Safety of Agricultural Products (the “Agricultural Products Safety Law”) was promulgated on 29 April 2006 to regulate the quality and safety of agricultural products, maintain public health and promote the development of agricultural industry and economic development in rural areas. Under the Agricultural Products Safety Law, agricultural products include plants, animals, and micro-organisms and their related products.

Enterprises and collectives engaged in the production of agricultural products shall conduct self-inspection or submit to the inspections carried out by inspection and testing institutions on the quality and safety of these agricultural products and maintain records of the agricultural products they manufacture. Any product which fails to meet the quality and safety standards for agricultural products may not be sold.

Packaging and labelling requirements apply to agricultural products which are required to be packaged and labelled before they can be sold, including specifying and stating the name of the product, place of production, identity of producer, date of production, expiry date and product quality grade on the packaging and labels as required. Any additive used in the agricultural products must also be stated.

Any genetically modified agricultural products must be labelled in accordance with the relevant provisions on the administration of the safety of genetically modified agricultural products.

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Any animal, plant, and their products which are required by law to be quarantined shall be attached with quarantine labels and quarantine certificates.

The agricultural products which are offered for sales must meet the relevant quality and safety standards. Producers may use pollution-free product labels and/or agricultural products quality labels subject to the approvals of the relevant authorities.

Provisions on the Administration of the Hygiene Registration of Export Food Production Enterprises (出口食品生產企業衛生註冊登記管理規定)

On 19 April 2002, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC promulgated the Provisions on the Administration of the Hygiene Registration of Export Food Production Enterprises, pursuant to which all enterprises engaging in the production, processing or storage of food for export must obtain hygiene registration certificates, which will be valid for a term of three (3) years.

Administrative Measures of the PRC on Industrial Product Production Licenses (中華人民共和國工業產品生產許可證管理條例)

Promulgated in 2005, the Administrative Measures of the PRC on Industrial Product Production Licenses implements a production licensing system on enterprises that engage in the production of the important industrial products listed in the Catalogue of Industrial Products Subject to Production Licensing (“Licensing Catalogue”). Enterprises that manufacture products listed in the Licensing Catalogue, such as dairy products, meat products, beverages, rice, noodles, edible oil and alcohol, must apply to the provincial-level governmental authorities in charge of industrial product production licenses for a production license. No enterprise may manufacture those products in the Licensing Catalogue without obtaining a production license.

Regulations on the Administration of Feed and Feed Additives of the PRC (飼料和飼料添加劑管理條例)

Regulations on the Administration of Feed and Feed Additives of the PRC, which was promulgated in 1999 and amended in 2001, sets out the requirements and standards for the production, operation and management of feed and feed additives.

According to the Regulations on the Administration of Feed and Feed Additives, the establishment of feed, feed additives manufacturing enterprises, in addition to complying with the law and administrative regulations in the establishment of conditions, should also meet the following requirements:

- plants and equipment, processing and storage facilities shall be suitable for feed production, feed additives;
- full-time technical staff shall be eligible for production of feed and feed additives;
- the enterprises shall have the necessary product quality testing mechanism, inspection staff and testing facilities;

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- the production environment shall meet the national safety and hygiene requirements;
- the pollution control measures shall be in line with the national environmental protection requirements.

Enterprises which satisfy the above requirements, after being examined by the authorities of the State Council's agricultural administrative departments or feed management departments in provinces, autonomous regions, and municipal governments, can apply for business registration.

After being examined by the relevant authorities of agricultural administrative departments of the State Council or feed management departments, the enterprises producing feed additives and pre-mixed feed additives are entitled to get a license issued by the relevant authorities of the State Council.

Administrative Measures on Breeds of Livestock and Poultry of the PRC

(種畜禽管理條例)

The Administrative Measures on Breeds of Livestock and Poultry of the PRC (the "Administrative Measures") was promulgated by the State Council in April 1994 and took effect on 1 July 1994 .

Pursuant to the Administrative Measures, any entity or individual that engages in the production and operation of the breeds of livestock and poultry shall apply for the "License for Production and Operation of Breed Livestock and (種畜禽生產經營許可證)" (the "License") from the competent governmental authority at the county level or above. The administrative authorities of livestock and poultry at the county level are responsible for the issuance of the License unless otherwise specifically provided for by the Administrative Measures.

According to the Administrative Measures, penalties including order to rectify, fines and confiscation of the illegal income and even cancellation of the License will be imposed on the following activities: producing or operating breeds of livestock or poultry without the License, failure to produce and operate breeds of livestock or poultry in accordance with the provided breed, series, generation, year of use; promoting the use of the breeds of livestock or poultry which have not been examined or approved in accordance with the Administrative Measures, sales of breeds of livestock or poultry without "Licence for Qualified Livestock and Poultry" (種畜禽合格證).

Law of Animal Epidemic Prevention of the PRC (中華人民共和國動物防疫法)

The Law of Animal Epidemic Prevention of the PRC came into force on 1 January 1998 and was further amended in August 2007. It has set up a legal framework on quarantine of animal and animal products, epidemic prevention and health protection in the PRC. The veterinary administrative authority under the State Council is the principal authority responsible for animal epidemic prevention.

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According to the Law of Animal Epidemic Prevention,

- Quarantine supervision shall be implemented on animal slaughtering which shall pass quarantine inspection prior to being processed into foods;
- Transport equipment, containers and packaging materials of food must conform to the epidemic prevention conditions stipulated by the veterinary administrative authority under the State Council;
- Any person who engages in the sales and delivery of animal products shall obtain quarantine certification and inspection label for such sales and delivery activities;
- Quarantine certification shall not be transferable, altered or falsified;
- Any entity or individual that engages in the breeding, slaughtering, operation, isolation and transportation of the animals shall immediately report to the local veterinary administrative authority upon discovering infection or suspected infection with diseases by animals and take active measures such as quarantine arrangement to prevent the transmission of the disease.

In respect of enterprises and individuals in violation of the Law of Animal Epidemic Prevention of the PRC, the animal epidemic prevention supervisory authorities shall impose sanctions such as warnings, orders to rectify, penalties, confiscation of illegal gains and unsold animals and animal food depending on individual circumstances. Criminal liabilities may also be imposed in accordance with the laws.

According to the Law of Animal Epidemic Prevention of the PRC, any person operating any premises for the purposes of breeding of animals, including our Group and the Contract Farmers, are required to obtain the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) in order to carry out the aforesaid activities. According to the Measures on Animal Epidemic Prevention Qualification Examination (《動物防疫條件審查辦法》), the applicants for the Animal Epidemic Prevention Qualification Certificate shall satisfy the requirements of relevant PRC authorities as to (i) the location (i.e. keeping a certain distance from the residential area, the railway and main transportation network and the source of drinking water etc.) (ii) the setting of the farms, including but not limited to the inclusion of fencing walls, sterilization pools, quarantine facilities, changing and sterilization rooms, (iii) the distance between each animal shed in the same animal breeding farm, (iv) the required facilities, including but not limited to appropriate sterilization facilities, good lighting and ventilation facilities, fencing walls made of appropriate materials suitable for cleansing and sterilization, refrigeration facilities for vaccines, veterinarian clinic facilities, waste and sewage treatment facilities, etc., (v) veterinarian available in the farm and (vi) control system in relation to various aspects, including but not limited to immunity, medication, quarantine declaration and disease reporting, etc.. Any of the aforesaid persons who fails to obtain the Animal Epidemic Prevention Qualification Certificate will be (i) ordered to rectify; and (ii) subject to a penalty of RMB1,000 – RMB10,000 or RMB10,000 – RMB100,000 for serious case. As confirmed by our PRC legal advisors, the Law of Animal Epidemic Prevention of the PRC does not specifically require any person operating any premises for the purpose of

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breeding of animals, including the Contract Farmers, to cease operation if he/she fails to obtain the aforesaid Certificate and the relevant laws do not specify the consequence for failure to comply with the order to rectify.

Measures of Food Safety Management in Circulation Domain of the PRC

(中華人民共和國流通領域食品安全管理辦法)

Measures of Food Safety Management in Circulation Domain of the PRC (the “Measures”), which was promulgated by the Ministry of Commerce on 19 January 2007, and came into effect on 1 May 2007, is one of the laws governing food circulation and food safety in wholesale and retail markets. The Measures set out the requirements that include but are not limited to the following: the markets and dealers shall obtain relevant licenses required by relevant laws and regulations such as business license; the operation environment of food shall comply with the general standard required by food-safety and sanitation laws and regulations.

Tax Law

On 1 January 2008, the Foreign Investment Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) was repealed, and the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated on 16 March 2007, became effective. Pursuant to the Enterprise Income Tax Law of the PRC, the income tax rate for both domestic enterprises and foreign investment enterprises is 25%.

Pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (《國務院關於實施企業所得稅過渡優惠政策的通知》), enacted by the State Council of the PRC on 26 December 2007, enterprises that had enjoyed the preferential policy for full tax exemption during the first two years and 50% tax deduction of the income tax from the third year to fifth year since the first profit-making year, shall continue to enjoy the former preferential policy until the preferential period expired; enterprises that had not enjoyed the aforesaid preferential policy due to their failure to make profit shall enjoy the aforesaid preferential policy from 2008.

Environmental Protection Laws

The PRC government has formulated and implemented various environmental protection laws and regulations, including the Environmental Protection Law (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law (《中華人民共和國大氣污染防治法》), the Solid Waste Environment Protection and Control Law (《固體廢物污染環境防治法》), the Environmental Noise Pollution Prevention and Control Law (《中華人民共和國環境噪聲污染防治法》) and the Environmental Impact Evaluation Law (《中華人民共和國環境影響評價法》) (collectively, the “**Environmental Laws**”).

Under the Environmental Laws, the construction, expansion and operation of the production facilities are subject to certain government evaluation process, inspection procedures and approvals. The failure to go through such government process or procedures

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or to obtain such government approvals may result in the manufacturer being liable to fines and penalties imposed by the relevant PRC environmental authorities, including suspension of the production facilities.

The Environmental Laws also impose fees for the discharge of waste substances, permit the imposition of fines and compensation for the improper discharge of waste substances and serious environmental offences. The PRC environmental authorities may, at their discretion, close any facility that fails to comply with orders requiring it to rectify or stop operations causing the environmental damage.

Administrative Measures on Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (畜禽養殖污染防治管理辦法)

The Administrative Measures on Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (the “Pollution Administrative Measures”) were issued by the State Administration of Environmental Protection (now the Ministry of Environmental Protection of the PRC) and became effective in May 2001. The Pollution Administrative Measures set out the requirements for prevention and cure of the pollution or contaminants caused during the breeding of livestock and poultry.

According to the Pollution Administrative Measures, any construction, rebuilding, expansion of breeding farm are subject to environmental impact assessment and governmental approval in accordance with the environmental protection laws applicable to construction projects. The breeding farm shall report and register with the local environmental protection administrative authorities the situation of discharge of contaminants. Discharge of contaminants shall be strictly in conformity with the pollutants discharge permits.

The breeding farm and those responsible for transportation of the waste residue of livestock and poultry shall take effective measures to prevent the pollution or hazards caused by leakage or disposal of the waste residue in accordance with the Pollution Administrative Measures.

Violation of the Pollution Administrative Measures will be subject to administrative sanctions including order to stop and rectify the violation and penalties.

According to the Pollution Administrative Measures, all breeding farms of livestock and poultry, including the Contract Farms, are required to obtain the Pollutant Discharge Permit (排污許可證). According to the Provisional Administrative Measures on the Pollutant Discharge Permit of the Fujian Province (《福建省排放污染物許可證管理暫行規定》), the applicants for the Pollutant Discharge Permit shall satisfy the following requirements: (i) they should not be located at those regions expressly prohibited by the relevant PRC governmental authorities to discharge any pollutant; (ii) they have to satisfy the industrial technology policy of the relevant authorities; (iii) no incident of serious pollution or environmental disaster has taken place during the previous 2 years; (iv) the pollutants should be discharged in accordance with the standard set by the relevant PRC governmental authorities and the amount of the pollutants discharged should not exceed the limit set by the relevant PRC governmental authorities. According to the Livestock Breeding Farm (Community)

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Environmental Supervision Work Guide (Tentative) (《畜禽養殖場(小區)環境監察工作指南》(試行)) and the Pollutant Discharge Reporting Registration Management Regulation (《排放污染物申報登記管理規定》), any Contract Farmer who is in violation of the aforesaid requirement will be (i) ordered to rectify within a specified period; and (ii) subject to a penalty of RMB300-RMB 3,000. The sanction does not include order to cease operation. According to our PRC legal advisors, the relevant laws do not specify the consequence for failure to comply with the order to rectify.

Labor Law

Enterprises are mainly subject to the following PRC labor laws and regulations, including the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for enterprises in the PRC.

According to the PRC Labor Law and the PRC Labor Contract Law, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Salaries shall not be lower than the local minimum wage. The employers must establish a system for labor safety and sanitation, strictly comply with the national standards, and provide relevant education to its employees. Employers are also required to provide the employees with safe and sanitary working conditions meeting national rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

As required under the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Regulation on the Collection and Payment of Social Insurance Premiums and the Interim Provisions on Registration of Social Insurance, enterprises are obliged to provide employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

Product liabilities

Manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Under the General Principles of the Civil Laws of the PRC (《中華人民共和國民法通則》), which became effective on 1 January 1987, manufacturer or retailer of a defective product which causes property damage or physical injury to any person could be subject to civil liability for such damage or injury.

In 1993, the General Principles of the Civil Laws of the PRC was supplemented by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (as amended in 2000) and the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), which were enacted to protect the legitimate rights and

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interests of end-users and consumers and to strengthen the supervision and control of the quality of products. If products purchased by consumers are of sub-standard quality but not defective, the retailers will be responsible for the repair, exchange, or refund of the purchase price of the sub-standard products and for the compensation to the consumers for their losses (if any). However, in the event that the manufacturers are held liable for the sub-standard products, the retailers are entitled to seek reimbursement from the manufacturers for the compensation paid by the retailers to the consumers. If the products are defective and cause any personal injuries or property damage, the consumer may claim compensation from the manufacturer, distributor or retailer. Retailers or distributors who have already compensated the consumers are entitled to claim reimbursement from the relevant manufacturers.