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Engagement Letter for valuation service

Party A: Johnson Matthey Investments Limited ("the Company" or "JMIL")

Address: 5th Floor, 25 Farringdon Street, London EC4A 4AB, United Kindom

Party B: KPMG Assets Valuation (Shanghai) Co., Ltd. Beijing Branch ("KPMG")

Address: 10th Floor, Tower E2, Oriental Plaza 1, East Chang An Avenue, Beijing, China

Party A hereby engages Party B to perform valuation services in relation to Johnson Matthey Pharmaceutical Services (Yantai) Co., Ltd. ("Target" and "JMPS"). Both parties agree on the following terms after negotiation:

1 Basic information

- 1.1 Party A intends to sell certain shares in its wholly-owned subsidiary, Johnson Matthey Pharmaceutical Services (Yantai) Co., Ltd. (the "Proposed Transaction"). For tax filing purpose ("Purpose of the Valuation"), Party A, as the engaging party of this valuation engagement, engages Party B to perform valuation of shareholders' total equity interest (the "Subject") of Johnson Matthey Pharmaceutical Services (Yantai) Co., Ltd. as at 31 May 2022 (the "Valuation Date"). Authorized by KPMG Assets Valuation (Shanghai) Co., Ltd., Party B has the right to sign this contract on its behalf and is responsible for the implementation of this engagement. The scope of this valuation is determined as shareholders' total equity interest in Target. Please refer to Appendix 1 for detailed work procedures of Party B.
- 1.2 Value definition: market value. For the purposes of this engagement, market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

2 Responsibilities of Party A

- 2.1 In order for Party B to carry out the valuation work (the "Services") in accordance with the timetable, Party A assures to provide Party B and its staff with the necessary working conditions and assistance, including: (a) providing Party B with all the required information and materials and to coordinate relevant personnel of Party A to assist Party B's performance of the Services. The information request list will be provided by Party B prior to the site visit and Party A should provide all requested information to Party B no later than the commencement date of site visit. Should Party B require additional information during the valuation process, Party A should provide such information on a timely basis; and (b) ensure that all arrangements are made for access, safety procedures, virus check, facilities, licenses or consent as may be required (without cost





to Party B) for Party B's use of Party A's computer system, printing system, telephone system and relevant networks.

- 2.2 Party A shall be responsible for arranging all the communication and coordination between Party B (and China Public Valuers and other valuation professionals of Party B) and all other relevant parties of this engagement. Party A shall ensure that Party B has no restriction in accessing all the related personnel, records, documents and the original copies of all the other information of the Target, and the subsidiaries, branches, joint ventures and associates of Target (if any). Party A shall provide all the required documents on a timely basis, including but not limited to accounting ledger, filled-in "Valuation Data Pack Provided to Valuation Professionals", asset inspection and stock take result, and usage situation and legal ownership documents of the Subject. Party A should also ensure the legitimacy, authenticity, accuracy and completeness of the information provided. Party A shall confirm the information/material provided by signing and stamping on the materials or through other confirmation measures. Party B will not provide assurance as to the legal ownership of the Subject.

Party A shall ensure full and frank disclosure of all the significant matters in relation to the assets involved in this engagement; Party A shall also promptly and completely disclose all the matters, which may impact the value conclusion, occur between the Valuation Date and the report submission date.

As required by "Asset Valuation Law of the People's Republic of China" ("PRC Asset Valuation Law") and "Asset Valuation Guidelines of the People's Republic of China" ("PRC Asset Valuation Guidelines"), as a part of the valuation procedures, Party B will require written representation from Party A in order to formally confirm Party A's responsibilities, including the responsibility for all the information provided.

- 2.3 Party A shall be responsible for the legitimacy and feasibility of the proposed transaction (or commercial actions) related to the purpose of valuation. If the proposed transaction (or commercial actions) in relation to this engagement is required to be reviewed and approved by government authorities in accordance with relevant regulations, Party A shall be responsible for providing the evidence of the approval to Party B.
- 2.4 Any Services supplied by Party B shall not relieve the responsibility of Party A's management. Party A shall designate an individual who possesses suitable skill, knowledge and experience to oversee the Services and retain responsibility and accountability for decisions at all times in respect of Party A's use, implementation or reliance level of the Service Deliverables supplied by Party B. Party A shall not illegally intervene the valuation work and conclusion.
- 2.5 Party B may have access to personal information of Party A and the Target during the provision of the Services. Party A undertakes that Party A has obtained consent from all the owner of the personal information for the processing of such personal information by Party B and other KPMG member firms for the purpose related to the Services.
- 2.6 Party A shall not, directly or indirectly, solicit the employment of any of Party B's personnel involved in performing the Services while the Services are being performed or for a period of 3 months following their completion or following termination of this Engagement Letter, without Party B's prior written consent. The above prohibition shall not prevent Party A at any time from running recruitment advertising campaigns or from offering employment to any of Party B's personnel who may respond to such campaign.



- 2.7 In the event that Party A and/or the Target provide false, untrue or incomplete accounting information, or other information, or improperly use Party B's Service Deliverables, Party A will compensate Party B, in accordance with the relevant PRC laws and regulations, for the damage or loss caused as a result of such improper acts. This includes but not limited to any resulting claims filed by third parties, penalties imposed by government authorities or the judiciary, or any other legal liabilities against Party B.

3 Responsibilities of Party B

- 3.1 In accordance with relevant laws, regulations, and industry standards in PRC, Party B is responsible for conducting valuation work, by performing necessary procedures based on the information provided by Party A and the Target, selecting appropriate valuation methodologies, performing valuation analysis as at the Valuation Date, for the agreed purpose and according to the agreed scope in this Engagement Letter, and issuing a written valuation report to Party A. Please note that valuation reports will be issued in the name of KPMG Assets Valuation (Shanghai) Co., Ltd.
- 3.2 Party B will treat Party A's confidential information as strictly private and confidential and take all reasonable steps necessary to preserve such confidentiality. Unless required by relevant laws and regulations or authorities of the PRC, or applicable industry rules, Party B will not disclose such information to any third parties outside the KPMG global organisation of member firms, KPMG International or experts (if any), appraisers of certain specific assets (if any) and/or subcontractors (if any) as appointed in accordance with Clause 4. Where permitted by PRC laws and regulations or relevant authorities, or applicable industry rules, and when reasonably practicable, Party B will inform Party A of the above requirements.
- 3.3 Each party shall not disclose the other party's name or logo nor quote or refer to (in whole or in part) the Services Deliverables in any public document or in the public domain without the prior written consent of the other party.
- 3.4 Party B's work involves performing valuation procedures so as to obtain proof of valuation. The selection of valuation procedures is based on professional judgements. Party A understands that Party B relies on information provided by the management of Party A and/or management of the Target to perform analysis. Party A should be aware that the work which Party B will be carrying out will not be as extensive as an audit, and consequently Party B will not be able to express an audit opinion on that information. We will indicate within Party B's report the sources of information presented.

4 Using the work of other third-party experts, quote of other professional reports for certain specific assets, and subcontracting

- 4.1 Pursuant to PRC Asset Valuation Law and PRC Asset Valuation Guidelines, Party B may, according to its needs, involve other experts to assist in performing certain professional duties. Party A shall provide necessary assistance and arrangements, and bear all the relevant costs incurred for appointing these experts for the purpose of fulfilling such duties. Party B may exercise its own discretion in determining whether to use the results of the work of these experts. Before appointing any experts, Party B will communicate with and seek consent from Party A in respect of the necessity of involving other experts and other related information.



- 4.2 Party B shall exercise its own discretion in determining whether to and how to quote other professional reports issued by other professional institutes. Party B will only be accountable for non-compliance with PRC Asset Valuation Law and PRC Asset Valuation Guidelines in relation to quoting such professional reports. Party B will not accept any responsibility for any content of the professional reports issued by other professional institutes.
- 4.3 Where Party B engages subcontractors to assist in delivering the valuation, Party B shall consult Party A before doing so. Any work done by the subcontractors shall be deemed to be part of the Services.

5 Reporting and use of the report

- 5.1 The form and content of the valuation report will be prepared in accordance with the requirements of PRC Asset Valuation Law and PRC Asset Valuation Guidelines, and the format and the content may need to be appropriately adjusted in light of the findings during valuation. Upon completion of the Services, Party B shall provide the final Service Deliverables in written form and delivered by courier, such as written opinions and reports. Party B's Service Deliverables do not constitute a recommendation by Party B as to whether Party A should specify the decisions in relation to the engagement such as execution of the planned transaction or the transaction price to be executed. Nor should it be considered as an assurance of the price to which the Subject can be realized. Party A can only rely on Party B's report in final written form. Party A shall not place any reliance on any preliminary opinions, draft reports or reports that Party B may provide in the course of valuation.
- 5.2 Party B shall not be under any obligation in any circumstances to update any of its Service Deliverables, after the Service Deliverables have been issued in final written form. Any advice, opinion, statement of expectation, forecast or recommendation supplied by Party B as part of the Services shall not amount to any form of assurance or guarantee about any future events or circumstances.
- 5.3 Party B shall retain ownership of the intellectual property rights in the Service Deliverables. Upon fulfilment of Party A's obligation for payment of Party B's charges, Party A will be automatically granted a non-exclusive and non-transferable right to use the Service Deliverables. Without prejudice to confidentiality obligations, for the purpose related to Party B's business and other KPMG member firms' business, Party A hereby authorize that Party B and other KPMG member firms shall be entitled to use, develop or share with each other knowledge, know-how, expertise, experience, information and skills of general application gained under this Engagement Letter.
- 5.4 The valuation report issued by Party B in any form or medium is/are intended exclusively for the use and benefit of Party A, and for submitting to the relevant supervisory authorities. Party A shall not amend or abridge the valuation report issued by Party B or the attached Standard Valuation Schedules when providing it to such parties.
- 5.5 The Party B's Services Deliverables issued to Party A in any form or medium is solely provided for the benefit of and information requested by Party A and shall only be used by Party A for the purposes stated in the Engagement Letter. Unless otherwise agreed in this Engagement Letter or required by applicable laws or authorities, Party B's prior written consent must be obtained if Party A needs to disclose the Service Deliverables to any third party.



Unless required by applicable laws, in no circumstances should any Services Deliverables provided by Party B be relied upon by any third party for any purpose and Party B expressly disclaim any liability to any third party in this respect.

6 Timetable and engagement team

6.1 The following is the timetable for the work of this Engagement Letter. According to Party B, the agreed timetable is as follows:

Timetable	Work content
Subject to signed Engagement Letter and availability of sufficient quality information from you	Commencement of work
Within 4 weeks after commencement of work and obtaining requested quality information	Draft report submission
Within 1-2 weeks after sending out the draft report and after your confirmation	Final report submission

6.2 Party B shall use its best endeavour to comply with the agreed schedule. However, unless otherwise agreed in writing by both parties, the schedule or date communicated in this Engagement Letter or by other means is only intended for planning or estimation.

6.3 Party B estimates that it will take approximately four weeks to complete the work, subject to all requested information and documentation being made available to Party B prior to commencement of Party B's work. If there are any exceptional circumstances which prevent the valuation work from being completed on time or if an early issuance of the valuation report is required by Party A, Party A or Party B may request an amendment to the agreed terms of this engagement provided that timely notice shall be given to the other party and it shall be resolved through mutual consultation.

6.4 Party B will not be held responsible if all requested information and documentation is not provided to Party B within the agreed timeframe and, as a result, Party B is unable to carry out its work in accordance with the timetable stated in the above.

6.5 The engagement team will be led by the following:

Rodger Wang, Engagement partner, shall lead the engagement and have overall responsibility for the execution of this engagement, the quality of Party B's service delivery to Party A

Claire He, Engagement manager, shall be responsible for day-to-day project management of the engagement, and will be the principal contact point to coordinate with Party A in delivering the Services

6.6 Party B draws the attention of Party A that although Party B shall use reasonable endeavours to ensure that the above-named persons are involved in this engagement, Party B may substitute other personnel possessing equal or similar skills. Party B shall, however, consult Party A before doing so.

7 Fees

7.1 Party B estimates that the fee for the Services is GBP32,000 (excluding outlay and all applicable taxes). Party B shall use reasonable endeavours to control its costs within this



preliminary estimate. However, at any time if Party B anticipates that the cost of the work required to complete the agreed scope of work may materially differ from the original estimate, Party B may contact Party A to discuss the modification of the initial estimated charges. If a significant problem arises during the course of the Services and results in a relatively significant increase in the actual time spent by Party B, Party A shall adjust and increase the fee as appropriate. Please note that any additional work which may be required as a result of any material change in the scope of the assignment, or extension thereof, such as a request for further information following completion of this engagement will be subject to additional fees to be agreed at a later date.

Party B's charge includes outlay and other fees related to the Services (including out-of-pocket expenses for travel, accommodation, photocopying, mailing, fax and telephone calls and tax)

- 7.2 Party B's fees will be submitted on account during the course of Party B's work as follows and Party A shall settle the fee on a timely basis upon receipt of the fee notes.:

Status	Payment %
Upfront payment - fee note and invoice would be issued upon the signature on the engagement letter and the fee shall be paid within 30 calendar days of the issuance date of the fee note	50%
Upon submission of Service Deliverables – fee note and invoice would be issued with the draft report and the fee shall be paid within 30 calendar days of the issuance date of the fee note	50%
Total	100%

If any of the fees are not paid within 30 working days after receipt of Party B's billing statement, Party B shall have the right to terminate the Services Contract, which shall be terminated from the day the notice of termination is delivered.

- 7.3 If this Engagement Letter is terminated or suspended, Party A is liable to pay the fee for the work done and for any outlays incurred up until the termination date or suspension date. Party B's fee for the work done will be based on the proportion of the work done compared to the total work planned, the agreed fee, or hourly rate and the actual time spent for completion of the Services.
- 7.4 If Party B is required by any dispute settlement body, or regulatory or authority body to provide information or to produce documents relating in any way to the Services, in any enforcement action or legal proceeding related to Party A, in which Party B is not a party nor participant, Party A shall pay Party B's costs incurred in responding to any such requirements at Party B's standard rates applicable at the time of responding, together with outlays including legal expenses.



8 Validity and terms of this letter

- 8.1 This Engagement Letter supersedes and substitutes all previous agreements, arrangements and understandings between Party A and Party B with respect to the Services to be provided by Party B under this Engagement Letter. Both parties agree that the Engagement Letter may be signed by means of electronic signature stipulated in the Electronic Signature Law of the PRC. This Engagement letter may be executed in separate counterparts. Each counterpart will constitute an original and shall have the same legal effect.
- 8.2 This Engagement Letter will become effective at the effective date as agreed in this Engagement Letter upon signature and stamp by the authorized representatives of both parties. For the avoidance of doubt, the terms of this letter and its appendices shall apply to all work and services carried out by Party B in connection with this engagement prior to the date of the countersignature of this letter.”

9 Variation of the terms

- 9.1 Upon this Engagement Letter becoming effective, should the valuation purpose, the Subject, valuation date, value basis and/or valuation report type change, or valuation scope change significantly, Party A and Party B shall discuss and agree on such changes in writing in the form of an addendum to this Engagement Letter or prepare a separate engagement letter.
- 9.2 The amendments will only come into effect when agreed on and confirmed in writing, signed and/or stamped by the authorized representatives of both parties.

10 Termination

- 10.1 Either Party A or Party B has the right to terminate this Engagement Letter or suspend its execution by providing to the other party with prior written notice. The termination or suspension of this Engagement Letter will take effect on the 30th day after receipt of the notice. All sums due to Party B shall become payable in full when termination or suspension takes effect.
- 10.2 In accordance with PRC Asset Valuation Law and PRC Asset Valuation Guidelines, Party B shall suspend the execution of this Engagement Letter and notify Party A in writing as soon as Party B is aware of the following events: Party B encounters restrictions/limitations which prevent Party B from implementing valuation plan and procedures, and such limitations have significant impact on the valuation conclusion, valuation purpose and proposed transaction in relation to the valuation, and that Party B is unable to take necessary measures to ensure no significant impact brought by the limitations on the reasonableness of the valuation conclusion. If Party A is not able to eliminate the restrictions/limitations within reasonable time, Party B is entitled to terminate this Engagement Letter.

11 Conflicts of interest

- 11.1 Party B shall deal with any conflicts of interest in accordance with the requirements under with “Code of Ethics for China Valuation Professional - Basic Standard”.
- 11.2 Party A is aware that the potential buyer, Altaris Capital Partners LLC, is a tax client of other member firm in KPMG network.



12 Force Majeure

- 12.1 If, as a result of any force majeure event, including but not limited to the global COVID-19 virus situation, performance by a party of any of its obligations under this letter are rendered impossible or impracticable, the affected party shall not be liable for any breach or delay in performance of its obligations thereunder provided that the affected party notifies the other party after the occurrence of the force majeure event as soon as reasonably practicable. The timetable, fees, location or staffing of engagement team or other part provided in this letter would be adjusted in good faith if affected to enable performance to the extent reasonably possible or practicable.

13 Other services

Party B would be pleased to consider the provision of any additional services that may be required from time to time. Such services would be regarded as distinct from this engagement and would be subject to negotiation and agreement and if agreed to, would be dealt with in a separate letter of engagement.

14 Debriefing

On completion of this engagement, as part of Party B's commitment to the quality of Party B's service, Party B would welcome the opportunity to receive Party A's views on the work carried out by Party B and the Services delivered.

15 Limitations on Party B's liability

- 15.1 Notwithstanding any provisions as otherwise stipulated in this Engagement Letter and any other documents related to the Service contemplated under this Engagement Letter, (i) our aggregated liabilities in relation to the Service under this Engagement Letter, shall be limited to three times the amount of the service fee agreed in the Engagement Letter. The limitation of liability shall not be applicable in the event of Party B's fraud or intentional misconduct as finally judicially determined.. (ii) Party B shall not be responsible for any special, indirect or consequential losses or damages, including but not limited to loss of profits, loss or corruption of data, loss of goodwill, failure to achieve the anticipated savings and any other business or economic losses arising out of or in connection with this Engagement Letter.
- 15.2 If Party A breaches any of Party A's obligations under this Engagement Letter and there is any claim made or threatened against Party B by a third party, Party A shall indemnify Party B in full for the breach and any such claim.

16 Governing laws and resolution of disputes

This Engagement Letter shall be subject to PRC laws. Any disputes arising from or in connection with this Engagement Letter shall be submitted to (1):

- (1) The China International Economic and Trade Arbitration Commission for arbitration which shall be conducted in Beijing and be in accordance with its arbitration rules in effect at the time of applying for arbitration; or
- (2) The Shanghai International Economic and Trade Arbitration for arbitration which shall be conducted in Shanghai and be in accordance with its arbitration rules in effect at the time of applying for arbitration; or



- (3) The South China International Economic and Trade Arbitration Commission (i.e. Shenzhen Court of International Arbitration) for arbitration which shall be conducted in Shenzhen and be in accordance with its arbitration rules in effect at the time of applying for arbitration.

The arbitral tribunal shall consist of three arbitrators. The presiding arbitrator shall be jointly selected by the two arbitrators appointed respectively by each party. The arbitration award shall be final and binding upon both parties. All reasonable expenses arising from the settlement of the dispute, including but not limited to arbitration fees and the costs of the successful party to hire lawyers, experts, etc., shall be borne by the losing party.

17 Ownership of work-papers

Party B shall retain ownership of the intellectual property rights of the working papers in the Service Deliverables. If Party A or any other parties request access to party B's working papers, Party B reserves the right to grant access at Party B's full discretion, subject to the confidentiality clauses in this Engagement Letter.

Party B is however not responsible for any consequences arising from the misuse of its working papers by the persons who have gained access to them.

18 Communication, data storage and processing

- 18.1 Each communication between Party A and Party B under this Engagement Letter shall be in writing and delivered by hand or by post to the respective addresses or email address as stated in Clause 20 of this Engagement Letter (or such other address or email address as may be notified by other party in writing). Both parties acknowledge and agree to bear the inherent risks and related losses that may arise from email communication.

Each communication by post shall be deemed to have arrived:

- Where posted from and to addresses in the PRC, on the sixth calendar day; and
- Where posted from or to addresses outside the PRC, on the tenth calendar day following the date of posting.

Each communication by email shall be deemed to have arrived once the email is sent out, with the time indicated by the Simple Mail Transfer Protocol ("SMTP") server regarded as the arrival time.

- 18.2 Party A agrees that Party B may transfer, store and upload data or information to a platform controlled or designated by Party B (the "platform" includes the devices, equipment, servers, applications or services for storage, administration and other data processing). Party A may also use a platform controlled or designated by Party A to exchange data or information between the parties after obtaining Party B's prior written consent issued by the engagement management teams as per Party B's relevant policies. Both parties acknowledge and agree to respectively be responsible for the inherent risks which may be involved in the use of the platform and the losses or damages that may arise from such risks.



19 Personal Information Protection

- 19.1 This section applies when Party A provides Party B with personal information in connection with the Services ("Personal Information").
- 19.2 Party A warrants and represents that Party A has (i) obtained any necessary and required consent, (ii) provided any necessary notice and (iii) done all other things required under the applicable Personal Information protection and privacy laws, in respect of disclosing such Personal Information to and processing of such Personal Information by Party B and other KPMG member firms (which may include cross border transmission).
- 19.3 Party B will take reasonable technical and organizational steps to protect against unauthorized or unlawful processing of Personal Information and accidental loss or destruction of, or damage to Personal Information.
- 19.4 Party B shall process the Personal Information as reasonably required (i) to provide the Services; (ii) for Party B's reasonable business purpose(s) including but not limited to facilitation and support of Party B's business and quality control, updating and enhancing client records, analysis for management purposes and statutory returns, as well as crime prevention; and (iii) to meet Party B's legal and regulatory obligations and/or professional and ethical standards/codes. Party B may share Personal Information with other KPMG member firm or subcontractors. Party B will only make such a disclosure where it is required in connection with such purpose(s) and in compliance with applicable Personal Information protection and privacy laws.
- 19.5 Party B shall not use any other subcontractor to process Personal Information as a sub-processor without Party A's prior written consent other than other KPMG member firms. Party B shall ensure that where a sub-processor is duly engaged to carry Party B's specific processing activities: (i) such processing is subject to a written contract with that sub-processor containing data protection obligations no less onerous than those set out under this Engagement Letter and (ii) Party B shall remain liable for the acts and omission of any such sub-processor with respect to the processing of Personal Information.
- 19.6 Party B shall notify Party A: (i) upon receiving a request for Personal Information or other request from a data subject, or if Party B receive any claim, complaint or allegation relating to the processing of the Personal Information; (ii) upon becoming aware of any breach of security leading to the destruction, loss or unlawful disclosure of the Personal Information in Party B's possession or control.
- 19.7 Party B shall delete to the fullest extent reasonably and commercially practicable or return all Personal Information to Party A upon written request either on termination or expiry of the Services and destroy all copies of the Personal Information subject to Clause 5.3 and Clause 17 above and requirements under applicable law, regulation and professional standards.



20 Contacts

Party A and Party B have confirmed that the following information is used as the contact method for the implementation of this Agreement:

Party A

Contacts: HAMISH SANDISON

Address:

5th Floor, 25 Farringdon Str

London EC4A 4AB

United Kingdom

Tel:

Fax:

Email: hamish.sandison@matthey.com

Party B

Contacts: Rodger Wang

Address:

8th Floor, KPMG Tower,

Oriental Plaza 1 East, Chang An Avenue

Beijing, China

Tel: +86 (10) 8508 5817

Fax:

Email: rodger.wang@kpmg.com

This Engagement Letter shall take effect as of date with the consent of both parties.

Party A: Johnson Matthey Investments Limited

(Stamp)

Authorized Representative:

(Signature)

Party B: KPMG Assets Valuation (Shanghai) Co., Ltd. Beijing Branch

(Stamp)



Authorized representative: Rodger Wang

(Signature)

22/08/2022

Contracting place Beijing



Appendix I: valuation procedures

- 1 In connection with tax filing purpose, Party A requires Party B to provide an analysis as to the estimated market values of the shareholders' total equity interest in the Target.
- 2 Party B's valuation procedures, as required by Assets Valuation Law of China and PRC Asset Valuation Guidelines - Valuation Procedures, will include:
 - Background understanding;
 - Contracting;
 - Work planning;
 - Performing site visit;
 - Collecting valuation information;
 - Performing value analysis;
 - Issuing a valuation report;
 - Filing the valuation report and work paper.
- 3 Detailed work procedures are as follows:
 - 3.1 Valuation preparation
 - Clarify background information, evaluate Party B's own professional competence, independence and business risk for engagement acceptance;
 - Assign a project manager, organize a valuation project team, make a valuation plan; Party B plans to apply two method of three common valuation approaches, where appropriate, in Party B's analysis;
 - Instructs the Target to fill in the Valuation Data Pack Provided to Valuation Professionals, prepare materials requested in valuation.
 - 3.2 Field inspection and information collection
 - As required by PRC Asset Valuation Law and PRC Asset Valuation Guidelines, conduct a field investigation.
 - Obtain information for valuation, checked valuation scope against transaction scope, inquired the current situation of the Subject, and understood the legal ownership of the Subject and the involved assets. Party B will:
 - Obtain company overview and business registration information;
 - Obtain the audited financial statements (2-3 years and year to date), trial balance, asset list, ownership paper of tangible assets, cost components of tangible assets and other relevant details as at the Valuation Date;
 - Discuss with Party A and the Target's management to understand the general conditions, specifically existing conditions relating to the Target's business;
 - Conduct site inspection of the tangible assets, e.g. land use rights, building and machinery, and finished goods;



- Understand the breakdown and nature of non-tangible asset accounts as at the Valuation Date, and perform necessary procedure to verify the book value; the procedures may include vouching, sampling the original contracts, issuing confirmation letters and sampling stock-count. Party B may also perform other procedures to verify the book values.
- For cost approach, collect the cost breakdowns of various assets, and other detailed information.
- For income approach, perform the below procedures:
 - Obtain the Target's 5+ year financial projection, if any. The financial projection should include income statements, cash flow statements and balance sheets as well as documented assumptions;
 - Discuss with Party A and the Target to understand the assumptions underlying the projections developed by them;
 - Perform sample vouching, sampling of key contracts, and key breakdowns/supporting documentation for historical sales, manufacturing, warehousing, HR and finance to assess whether the key assumptions in the financial projections deviate significantly from historical information;
 - Work with Party A in refining the Target's financial projections where necessary;
 - If income approach is not applicable for this valuation, detailed analysis and reasonable rationale should be provided.
- Discuss with the management to clarify questions Party B may have after reviewing the information Party B obtained.

3.3 Valuation and estimation

- Analyse, summarize and sort the obtained information so as to determine the key assumptions and parameters in this valuation;
- Select applicable valuation approach, and apply relevant formulas and parameters in calculation, to conclude preliminary valuation results.
- Party B will adopt two approaches in Party B's analysis, while the final decision of the applicable valuation method shall be based on Party B's professional judgement in accordance with relevant laws, regulations and guidance:
 - Under cost approach, considering its salient features and relevant requirements in PRC Asset Valuation Law and PRC Asset Valuation Guidelines, perform the below procedures:
 - Perform market research or quotation work in relation to the tangible assets;
 - Analyse other factors and data considered to be pertinent to Party B's analysis in relation to tangible assets;
 - Analyse the values of non-tangible assets;
 - Based on the work carried out above, derive the market value of total equity interest in the Target.



- Under DCF method, considering its salient features and relevant requirements in PRC Asset Valuation Law and PRC Asset Valuation Guidelines, perform the below procedures:
 - Derive a discount rate for the Target by observing market information of selected comparable companies and venture capital rates;
 - Based on the work carried out above, conduct DCF analyses in order to arrive at a market value of total equity interest in the Target.

3.4 Preparing and submitting valuation report

- According to the preliminary valuation results, prepare related the "Notes to Valuation Report"; Double check the analysis to exclude repetitions or omissions in the valuation, compare the valuation conclusions under different methods (if applicable), determined final valuation conclusions, and drafted the asset valuation report;
- Based on relevant laws, regulations, PRC Asset Valuation Law and PRC Asset Valuation Guidelines and internal quality control requirements, carried out necessary internal review;
- Issue the draft Chinese valuation report, carry out necessary communications related to the contents of the valuation report;
- Following completion of the above for Party A's review and comments, and submit a final Chinese valuation report with an executive summary in English, according to the terms agreed in the Engagement Letter.

Please note that, as required by relevant laws, regulations and guidelines and as part of the valuation procedures, Party B will ask Party A and the Target to formally confirm responsibility for all of the information provided to Party B as well as certain information or matters to which Party B's services relate before sending Party B's final reports.

With regard to reporting languages, in the event of any discrepancy between the Chinese report and English translation, the Chinese report shall prevail.

- 4 Party B shall determine whether to and how to quote valuation reports for certain specific assets in accordance with laws, regulations and relevant rules of PRC Asset Valuation Law and PRC Asset Valuation Guidelines.