ASCENT PARTNERS
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Valuation

of

Value in Use of

河北兴润生物科技股份有限公司
& Benchmark Trade Limited

for

United Food Holdings Limited

Valuation Date : **31 March 2021**

Report Date : **14 August 2021**

Our Reference : **VS1210308-03934WY(XR)**

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Date : 14 August 2021

The Board of Directors
United Food Holdings Limited
16F, The Hong Kong Club Building,
3A Chater Road,
Central, Hong Kong

Dear Sir/Madam,

Re: Valuation of Value in Use of 河北兴润生物科技股份有限公司 & Benchmark Trade Limited

In accordance with the instruction of **United Food Holdings Limited** (the "**Company**"), we have undertaken a valuation to determine the value in use of **河北兴润生物科技股份有限公司 & Benchmark Trade Limited** (the "**Target Company**"), as at **31 March 2021** (the "**Valuation Date**").

This report outlines the factors considered, valuation methodology, basis and assumptions employed in formulating our opinion and our conclusion of value.

Ascent Partners Valuation Service Limited ("**Ascent Partners**") is an independent firm providing full range of valuation and advisory services. This report is prepared independently. Neither Ascent Partners nor any authors of this report hold any interest in the Company or its related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

1. Purpose of Valuation

The purpose of this valuation is to express an independent opinion on the value in use of the Target Company as at the Valuation Date. This report outlines our latest findings and valuation conclusion, and is prepared solely for the senior management of the Company for financial reporting purpose.

2. Scope of Work

In conducting this valuation exercise, we have:

- Co-ordinated with the Company representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Company, including the legal documents, licenses, financial statements, projections, etc. made available to us;
- Discussed with the senior management of the Target Company (the "**Management**") and the Company to understand the history, business model, operations, customer base, business development plan and profit forecast, etc. of the business enterprises for valuation purpose;

- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Target Company made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated value in use of the Target Company; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Company and its authorized representatives.

3. Background of the Target Company

河北兴润生物科技股份有限公司 is a biomedical enterprise established in 2015, with RMB24.49 million registered capital. It mainly focuses on the production of food additives and pharmaceutical intermediates based on the fermentation, bio-catalytic synthesis and separation processes. Its core product L-AP (L-Ascorbyl Palmitate), which can be used as a highly efficient antioxidant and preservative for food and pharmaceuticals. As at the date of this Report, it owns a patent (**patent number ZL200810235854.2**, the "**Patent**") for the manufacturing of L-AP using enzyme method, which was jointly developed with Professor Tang Luhong from Jiang Nan University. At present, the company has an annual manufacturing capacity of 300 tons at an estimated unit cost of RMB60,000 per ton. L-AP could mostly replace a chemically synthesized antioxidant TBHQ, which is widely used in China but has already been prohibited in other foreign countries. With close collaboration with Professor Tang, the Company is confident to diversify L-AP's uses to other application fields. According to the management of the Company, 兴润 license exclusively the right to use of the Patent to Benchmark Trade Limited.

Benchmark Trade Limited is a company incorporated in the Republic of the Marshall Islands with limited liability. It is an investment holding company created solely to hold the exclusive right to use of the Patent, which is expected to be licensed by 兴润.

4. Industry Overview

Food Additives Definition

Food additives are substances that are added to food to maintain or improve the safety, freshness, taste, texture, or appearance of food. Some food additives have been in use for centuries for preservation – such as salt (in meats such as bacon or dried fish), sugar (in marmalade), or sulfur dioxide (in wine).[1] Based on functions, food additives are classified into

[1] *Food Additives*, WHO < *http://www.who.int/mediacentre/factsheets/food-additives/en/*>

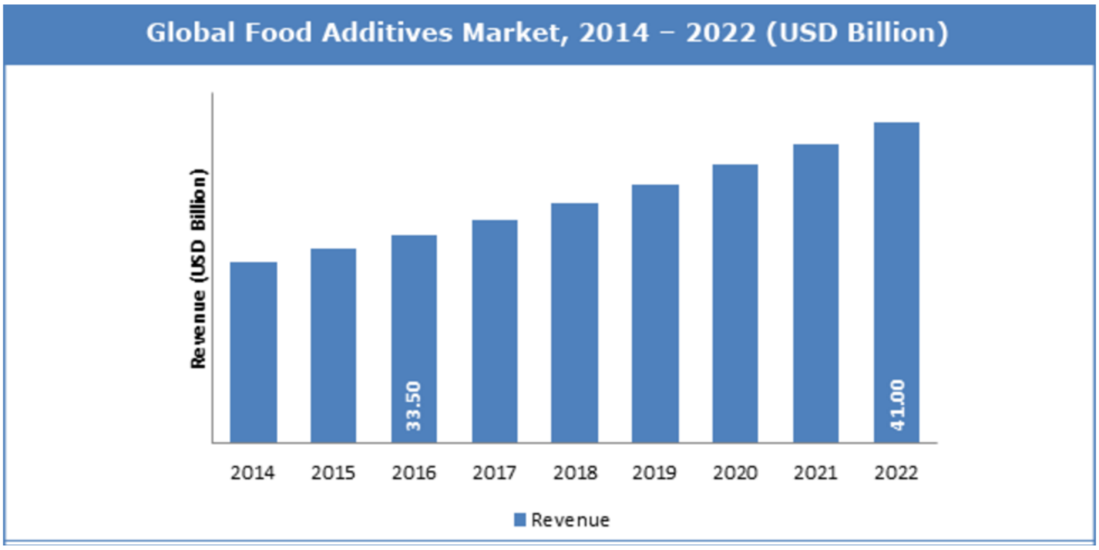
three main categories: flavouring agents, enzyme preparations and other additives (preservation, colouring, and sweetening).

Global Antioxidant Market

According to the market report published by Allied Market Research, the global antioxidant market was valued at USD2,923 million in 2015, which is expected to grow to USD4,531 million by 2022, registering a CAGR of 6.42% during the forecast period. The global antioxidants market is projected to experience significant growth due to the decrease in their costs, increase in investment & product approval by regulatory authorities, and increase in their demand in the food & beverage industry. In addition, developed economies have discovered new growth opportunities by shifting their focus on natural antioxidants such as rosemary extract. Some experts see the popularity of antioxidants tied to consumer desire for foods and beverages that are naturally healthy. Strong consumer demand is identified, with 80% of U.S. consumers looking for nutritional claims when buying food, and 38% wanting all-natural products. In comparison, Asia-Pacific is expected to show growth in the demand for synthetic antioxidants during the forecast period.

Global Food Additives Market

The global food additives market has been continuously growing since 2014 and achieved USD33.5 billion revenues in 2016. It is expected that by 2020, the total market will be valued at USD41.0 billion, with Compounded Annual Growth Rate (CAGR) of around 3.5% between 2017 and 2022. North America was the largest food additives market in 2016 because of rich consumption for convenience foods, bakery & confectionery, beverage and sauces, while the Asia Pacific is going to witness a fastest-growing market trend for food additives demand due to the increasing demand of natural, healthy and organic food.[2]

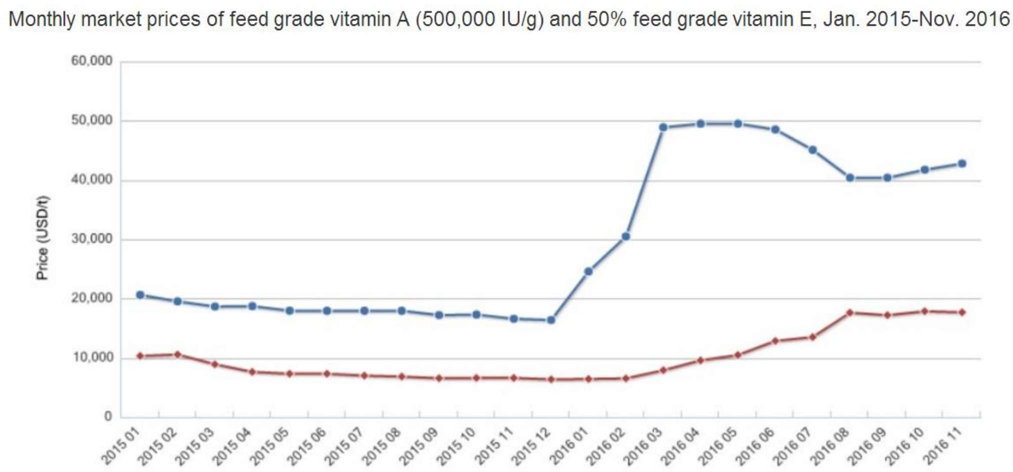


Source: Zion Market Research 2017

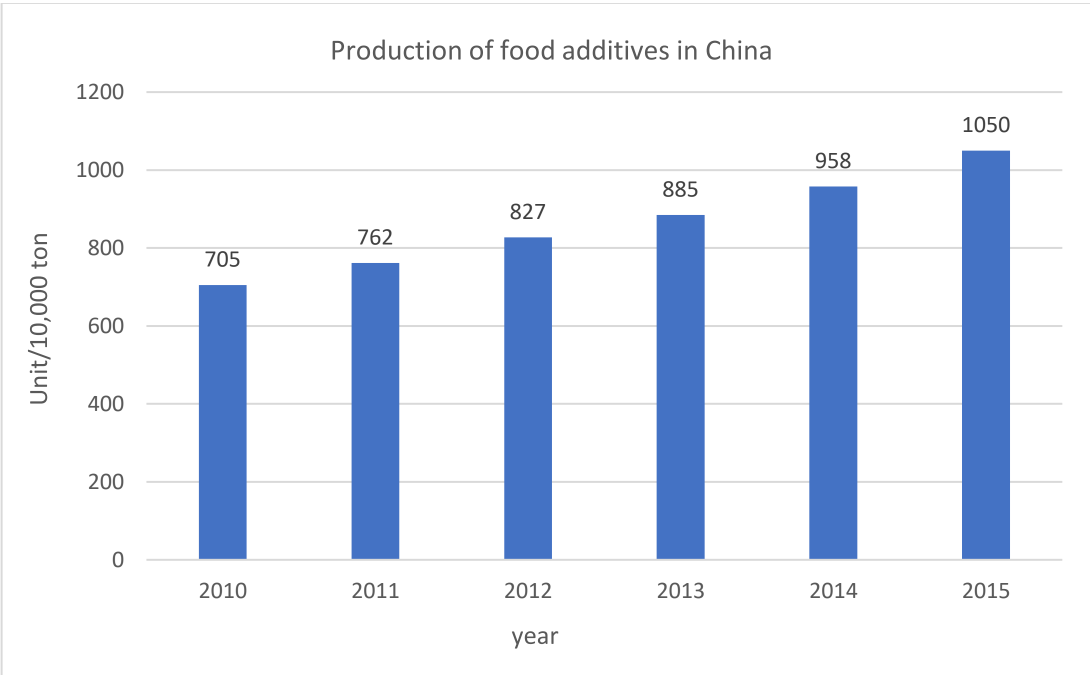
Food Additives Market in China

[2] *Global Food Additives Market is Expected to Reach around USD41.00 Billion by 2022*, Zion < https://www.zionmarketresearch.com/news/food-additives-market>

The food additive market in China has been growing steadily from 2010 to 2015, with major products volume reaching 9,010,000 tons valued at CNY1.05 trillion.[3] Among major types of food additives, antioxidants for food such as Vitamin A & E saw great price surges in the first three-quarters of 2016 due to the rising demand and the massive reduction of supply from a major foreign manufacturer.



Source: CCM Research



Source: CHYXX

[3] Chinanews, <http://finance.chinanews.com/life/2016/03-28/7814466.shtml>

5. Economic Overview

Conditions in China and the rest of the world have changed dramatically since the start of 2020. The COVID-19 pandemic has taken a severe human toll, caused the deepest global recession in past decades, and inflicted enormous damage on jobs and welfare worldwide. The global economy is expected to experience a sharp contraction this year, and more than 90 % of economies are likely to suffer contractions in per capita incomes, with global risks firmly on the downside—despite unprecedented policy support provided by major economies.

China achieved a real GDP growth of 6.1% in 2019, while it envisions a sharp slowdown of growth to 1.6% in 2020, which would mark the slowest expansion since 1976, according to World Bank. Even supply-side disruptions have largely eased, weak domestic and external demand continue to restrain the pace of recovery. Private consumption is projected to remain muted as a sharp decline in household incomes, rising unemployment, and lingering behavioural impacts of the pandemic are expected to weigh on consumption, especially of services involving face-to-face contact. Private investment is expected to remain subdued, reflecting strained corporate revenues and heightened uncertainty. Demand for Chinese goods from the rest of the world is projected to remain tepid amid a deep global recession, stringent border controls, and travel bans.

Monetary and financial sector policies will need to remain flexible to ensure abundant liquidity and keep market rates and bond yields low, easing the debt burden on households, firms, and governments. Subdued inflationary pressures provide ample room for keeping monetary policy accommodative without triggering inflation risks and capital outflows. Meanwhile, financial risks should be managed carefully while ensuring that the flow of credit to the real sector is not impeded. The confluence of a collapse of corporate profits, rising unemployment, and lost income has raised credit risks in Chinese banks, and asset quality will likely deteriorate, especially when regulatory tolerance is tightened. Policy makers will therefore need to resume their focus on deleveraging and de-risking the economy once activity has normalized and confidence has been restored.

Consumer price inflation has moderated, reflecting lower energy and food prices and weak domestic demand. After peaking at 5.4% YoY in January 2020, the headline CPI inflation decelerated to 3.5 % on average in the first half of 2020. Producer prices have continued to fall, reflecting sharply lower prices of raw materials. Producer price inflation (PPI) fell by 2.3 % YoY on average in February – June compared to 0.1 % growth in January. These dynamics will result in greater downside risks in GDP growth, as opposed to much faster growth in the previous decade. Meanwhile, the PRC still has significant potential for catching up to the productivity level of high-income countries and can continue to contribute to and benefit from global integration. Economic prospects both in the PRC and in its trading partners would receive a significant boost from resolving the current trade disputes.

China Economic Outlook	***2017***	***2018***	***2019***	***2020f***	***2021f***
Real GDP growth (%)	6.9	6.7	6.1	1.6	7.9
CPI (% change)	1.6	2.1	2.9	2.1	2.3
Current account balance (% of GDP)	1.6	0.2	1.0	0.7	0.4
Augmented fiscal balance (% of GDP) [a]	-3.9	-4.6	-6.4	-11.8	-5.4

Source: World Bank

6. Basis of Valuation

In accordance with International Accounting Standard (IAS) 36 *Impairment of Assets*, a cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Value in use is defined as "the present value of the future cash flows expected to be derived from an asset or cash-generating unit", and International Financial Reporting Standard (IFRS) 13 *Fair Value Measurement* defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss allocated to reduce the carrying amount of the assets of the unit. The impairment loss shall first be allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Thus, after initial recognition, goodwill acquired shall be measured at cost less any accumulated impairment losses.

7. Basis of Opinion

We have conducted our valuation with reference to International Valuation Standards issued by International Valuation Standards Council (IVSC).[4] The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by the Target Company. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation of the subject business;
- Consideration and analysis on the micro- and macro-economic factors; and
- Analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to

[4] The IVSC has been in existence for more than 25 years. Its origins were in the need identified by a number of professional bodies from around the world for uniformity in the valuation approaches used in real estate markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses. The International Valuation Standards are already recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India and the European Public Real Estate Association amongst others. IVSC has also worked in liaison with the International Accounting Standards Board (IASB) in producing guidance on valuations required under IFRS, an increasingly important need as IFRS is adopted in more a states.

express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

8. Sources of Information

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and from the public:

- Overview of the business nature of the Target Company;
- Discussions with the Management;
- Historical financial reports of the Target Company;
- Financial projection provided by the Target Company;
- Publications and private research reports regarding the industry; and
- Bloomberg, Hong Kong Stock Exchange, Hong Kong Monetary Authority and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon existing economic, market, financial and other conditions which can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

9. Valuation Approach and Methodology Considered

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. This approach is the most practical way to produce a reliable valuation without a known established market.

Unlike market and income approaches which incorporate either market sentiments or future earnings capacity of an asset as a function to determine its current value, the cost approach considers the fundamental cost it takes to form the asset.

Market Approach – In this approach, the value of an asset is appraised with reference to market prices of similar assets. A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. relative to the market comparative. Assets for which there is an established market may be appraised by this approach.

There are two methods to implement the market approach:

The Guideline Transaction Method – In the first market approach, transaction data for private and public companies is used to compute the value. In this method, a database of buy and sale records of enterprises with financial fundamentals on companies similar to the subject company is used as basis for transaction prices.

The Guideline Public Company Method – In the second market approach, the valuation multiples derived from the market prices and financial data of listed companies in a similar business is used to appraise the subject company.

Income Approach – In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its underlying business operation.

Approach Adopted – According to International Accounting Standard (IAS) 36 *Impairment of Assets*, value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. To comply with the corresponding accounting standard, the Income Approach has been adopted.

10. Assumptions and Notes to Valuation

The following assumptions considered having significant effects in this valuation have been evaluated and validated in arriving at our assessed value.

General Assumptions

a) We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Target Company.

b) We have not investigated any financial data to determine the earning capacity of the operation in which the assets are used, and we assumed that the prospective earnings would provide a reasonable return on the fair value of the assets.

c) We have not visited the premises where the Target Company's business operates. We have relied on the assistance of and information provided by the Company and the Target Company but has not verified the existence of the assets concerned.

d) As part of our analysis, we have reviewed the information related to this valuation, which is made available to us. We have no reason to doubt the accuracy and fairness of such information on which we have relied to a considerable extent in arriving at our opinion of value.

e) The gas supply for the production has not been connected as local government promised as at the Valuation Date and there is no further notice and update on the progress of the gas supply from local government. By considering the probability of obtaining gas supply for normal production is very low, we relied upon Management's assumption that there will be no gas supply for the production in the forecasted period.

Other Assumptions and Notes

f) The average of historical inflation rates from 2011 to 2020 of China is employed as the terminal growth rate. According to the Bloomberg, the average of China's consumer price index from 2011 to 2020 is 2.51%.

11. Analysis and Valuation

Value in Use

The income approach is employed, based on the financial projections provided primarily by the Target Company and the Company, to estimate the value in use of the Target Company. The enterprise value of the Target Company is developed through the application of the weighted average cost of capital (WACC) to discount the free cash flows to firm (FCFFs). The WACC is calculated by taking into account the relative weights of each component of the capital structure. Without the necessary of adjusting for operating debts, excess cash and cash equivalents, non-operating assets, and non-operating debts and liabilities, the enterprise value is essentially the value in use of the Target Company. The FCFF and WACC are computed using the formula below:

$$\text{FCFF} = \text{Net Income} + \text{Non-Cash Charges} + \text{Interest Expense} \times (1 - \text{Tax Rate}) - \text{Fixed Capital Investment} - \text{Working Capital Investment}$$

$$\text{WACC} = W_e \times R_e + W_d \times R_d \times (1 - t)$$

where:

R_e = Cost of Equity
R_d = Cost of Debt
W_e = Weight of Equity Value to Enterprise Value
W_d = Weight of Debt Value to Enterprise Value
t = Statutory Corporate Tax Rate

a) The WACC is derived from the market data of the following guideline public companies adopted.

Stock Code	Company Name
002019 CH Equity	Yifan Pharmaceutical Co., Ltd.
002365 CH Equity	Qianjiang Yongan Pharmaceutical Company Ltd.
002626 CH Equity	Xiamen Kingdomway Group Co., Ltd.

2317 HK Equity	Vedan International (Holdings) Limited
603027 CH Equity	Qianhe Condiment and Food Co., Ltd.
954 HK Equity	Changmao Biochemical Engineering Company Limited

Details of screening process and criteria of these guideline public companies can be found in Appendix II.

b) As at the Valuation Date, the debt-to-equity ratio is 10.78% which represents the average debt-to-equity ratio of the guideline public companies.

c) The cost of equity, based on the Capital Asset Pricing Model (CAPM) with additional premium adjustment for company size and company specific risk, is given by:

Cost of Equity = Risk-free Rate + β_l x Market Risk Premium + Size Premium + Company Specific Risk Premium

where:

- β_l is a measure of the sensitivity of return on equity of the firm to the market risk premium; and
- The market risk premium is the difference between the expected market return, i.e. the expected rate of return on the market portfolio, and the risk-free rate.

d) The value of β_l is given by:

$$\beta_l = \beta_u + \beta_u(1 - t)\frac{D}{E}$$

where:

- β_u is a measure of the unlevered sensitivity of return on equity of the firm to the market risk premium;
- t is the statutory corporate tax rate of China, which is 25%; and
- D/E is 10.78%, please refer to Section [11(b)].

e) The resulting cost of equity applied is 18.31%. Cost of equity calculation:

Risk-free Rate(1)	3.19%
Levered Beta (β)(2)	0.872
Market Risk Premium(3)	7.93%
Size Premium(4)	3.21%
Company Specific Risk Premium(5)	5.00%
Cost of Equity	**18.31%**

Notes:

(1) The 10 years China Government Bond as at the Valuation Date is employed as the risk-free rate of China because government bonds are regarded as risk-free. This rate, as obtained from Bloomberg database, is 3.19%.

(2) 0.872 is the levered beta derived from the average of unlevered beta of 0.807 guideline public companies in similar industries.

Guideline Public Companies	Unlevered Beta (β_u)
002019 CH Equity	0.972
002365 CH Equity	1.007
002626 CH Equity	0.981
2317 HK Equity	0.294
603027 CH Equity	1.087
954 HK Equity	0.499
Average of β_u	**0.807**

(3) The market risk premium of China is estimated as 7.93%, by adding up the market risk premium of the US of 7.25% and the country risk premium of China of 0.68%.

(4) A small company risk premium of 3.21% suggested by Duff & Phelps Valuation Handbook 2020, is applied to compensate for the relatively small size of the Target Company.

(5) A company specific risk premium of 5.00% is applied to the computation of cost of equity for the risk factors specific to the Target Company.

f) The cost of debt is assumed to be 4.90% which is the China's long-term borrowing rate .

g) The resulting WACC is found to be 16.89%.

h) A pre-tax discount rate is required in the valuation of the value in use of the Target Company. The pre-tax discount rate for the value in use of the Target Company is derived at 16.89%.

12. Valuation Comments

As part of our analysis, we have reviewed the financial and business information, such as project documents and other pertinent data concerning the Target Company, provided to us by the Target Company and the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries, and have obtained such further information as is considered necessary for the purpose of this valuation.

The conclusion of value is based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company, and Ascent Partners.

13. Risk Factors

a) *General Economic, Political, and Social Considerations*

Due to the uncertainties in economic situation, there is no guarantee that the expected financial performance will materialize. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of the Target Company. None of these changes can be foreseen with certainty.

b) *Inflation*

The concurrent loosening of monetary policies by the central banks in many developed and developing countries pose a significant risk of inflation, which will erode the profitability of the Target Company.

c) *Company Specific Risk*

The performance of the Target Company may be better or worse than the expectation, and the resulting earnings and cash flows can be very different from our estimates. The possibility of severe operational incidence, whether it is exogenous or endogenous, cannot be precluded. The key specific risk is the gas supply issue that the gas used for production cannot be connected and constructed by local government.

d) *Technological Changes*

Any changes in the technological developments and advancements may have significant impacts on the projections of the future income of the Target Company. To remain competitive in the industry, the Target Company may be required to make substantial capital expenditures to keep up with technological changes.

e) *Concentration Risk*

The revenue of the Target Company is heavily dependent on a single business segment. There is no guarantee that this business relationship can be maintained and that the products of the Target Company will remain popular.

14. Opinion of Value

Based on our investigation and analysis outlined in this report, we are of the opinion that, as at the Valuation Date, the Value in Use of the Target Company is **RMB0 (RENMINBI ZERO ONLY)**.

Yours faithfully,

For and on behalf of
Ascent Partners Valuation Service Limited

Paul Wu
Principal
MSc, CMA (Aust.), CVA

Notes:

1. *Mr. Paul Wu is a Certified Management Accountant (CMA) and Chartered Valuer and Appraiser (CVA). He also holds a Master degree of Science. He has extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Prior to working in the financial service industry, Mr. Wu had worked as a senior management in world class technology companies.*

2. *This valuation report is co-authored by Mr. Wayne Hu.*

Appendix I Limiting Conditions

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation and other pertinent data concerning this valuation made available to us. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper documentation is maintained, and the financial statements and other information give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the valuation subject.

6. We assume that there are no hidden or unexpected conditions associated with valuation subject that might adversely affect the reported value(s). Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any other party without Ascent Partners' prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers and is for the use only of the party to whom it is addressed. No responsibility is accepted with respect to any third party for the whole or any part of its contents.

Appendix II Guideline Public Companies

The Bloomberg database is searched exhaustively for all listed companies principally providing food additives related business, resulting in a short-list consisting of 6 companies. The business model and product profiles of the short-listed companies are examined in further screening, with the information obtained from the companies' web-sites and/or other reliable sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of the Target Companies, are adopted as guideline public companies for the valuation:

a. the companies are principally engaged in producing food additives related business;

b. the principal business of the companies is located in China or Hong Kong;

c. shares of the companies are listing in a major stock exchange and have been actively trading for a reasonable period of time; and

d. detailed financial and operational information in respect of the companies are available at the Bloomberg terminal or other publicly available sources.

By studying the companies' operations in detail, 6 guideline public companies are adopted:

Guideline Public Company 1	
Ticker:	002019 CH Equity
Name:	Yifan Pharmaceutical Co., Ltd.
Exchange:	Shanghai
Description:	Yifan Pharmaceutical Co., Ltd. manufactures biochemicals. The company's main products include food additives, pharmaceuticals, fine chemical products, calcium pantothenate, and polymer materials. The company also offers technology development and transfer, in addition to technical advice and services.

Guideline Public Company 2	
Ticker:	002365 CH Equity
Name:	Qianjiang Yongan Pharmaceutical Company Ltd.
Exchange:	Shenzhen
Description:	Qianjiang Yongan Pharmaceutical Company Ltd. develops, manufactures, and sells taurine. The company's taurine products include medical taurine and food additive taurine.

Guideline Public Company 3	
Ticker:	002626 CH Equity
Name:	Xiamen Kingdomway Group Co., Ltd.
Exchange:	Shenzhen
Description:	Xiamen Kingdomway Group Co., Ltd. produces and sells fortified food and feed additives. The company's major products include Coenzyme A10, VA, VD3, microalgae DHA, vegitable ARA.

Guideline Public Company 4	
Ticker:	2317 HK Equity
Name:	Vedan International (Holdings) Limited
Exchange:	Shenzhen
Description:	Vedan International (Holdings) Limited manufactures and sells fermentation-based food

	additive and biochemical products, cassava starch-based industrial products, specialty chemical products, and beverages.

Guideline Public Company 5	
Ticker:	603027 CH Equity
Name:	Qianhe Condiment and Food Co., Ltd.
Exchange:	Shanghai
Description:	Qianhe Condiment and Food Co., Ltd. develops and sells food additives. The Company sells soy sauce, vinegar, spices, caramel color and more.

Guideline Public Company 6	
Ticker:	954 HK Equity
Name:	Changmao Biochemical Engineering Company Limited
Exchange:	Shenzhen
Description:	Changmao Biochemical Engineering Company Limited produces and sells organic acids, which are derived from maleic anhydride or crude maleic anhydride, and mainly used as pharmaceutical intermediates and food additives.