

Report of Supervisory Board

Dear Shareholders,

Supervisory Board Activities in the 2012 Financial Year

In the financial year 2012, the Supervisory Board of BPIC AG thoroughly performed its duties as assigned by law, the Articles of Incorporation and the Rules of Procedure and advised the Management Board in the direction of the Company and accompanied and monitored its management activities. The Management Board informed the Supervisory Board, in writing, on the economic situation and development of the Company as well as on significant business matters. This included, in particular, the development of the Company's business in China as well as in overseas, the public listing, the employment situation as well as basic aspects of corporate planning and the envisaged business policy.

The Management Board comprehensively fulfilled its reporting duties in relation to the aforementioned topics. The Supervisory Board fully performed its duties as assigned by law, the Articles of Incorporation and the Rules of Procedure and made the necessary decisions.

Outside the meetings, the Management Board kept the Supervisory Board informed about significant events. Moreover, important topics and upcoming decisions were dealt with in regular discussions between the Management Board and the Supervisory Board. The Chairman of the Supervisory Board kept himself regularly informed outside the meetings by the Chairman of the Management Board on significant events. The Supervisory Board did not exercise our examination right according to Section 111(2) of the German Stock Corporation Act (AktG), as the reporting by the Management Board gave no reason to do so. The Supervisory Board did not set up any committees during the reporting period.

Subject Matters of the Supervisory Board Meetings in the 2012 Financial Year

In the financial year 2012, the Supervisory Board convened 3 meetings on 18 July 2012, 13 August 2012 and 24 August 2012.

The subject matter of the meeting on 18 July 2012 was primarily to appoint of Mr. Gunnar BINDER as the sole member of the Management Board.

The subject matter of the meeting on 13 August 2012 was primarily to approve the post-formation report of the Supervisory Board of BPIC AG.

The subject matter of the meeting on 24 August 2012 was primarily to appoint the new members of the Management Board (Mr. Wei XIE, Ms. Yan ZHAO and Mr. Took Jwee NGOH) after the resignation of Mr. Gunnar BINDER.

Significant Supervisory Board Meetings after the End of Reporting Period

On 18 July 2013, the Supervisory Board approved the Shareholder Loan Agreement between Beijing Precise Instruments Company Limited (“**BPIC PRC**”) and Mr. Wei XIE for an amount up to a maximum of EUR 2 million with a term of 2 years commencing on 1 January 2012 to 31 December 2013 for the sales amount received by Mr. Wei XIE personally from his long time customers on behalf of the Company. All of the outstanding amounts due to BPIC PRC as of 31 December 2012 have been settled by Mr. Wei XIE as of the reporting date.

The interest of the Shareholder Loan Agreement was calculated at the rate of 8 per cent per annum, payable 6 months in arrears. The interest payable by Mr. Wei XIE will be offset against his remuneration as a member of the Management Board in BPIC AG. The remuneration of the members of the Management Board was approved in the same Supervisory Board meeting.

Changes to the Supervisory Board and Management Board

The initial Supervisory Board of the Company consisted of Mr. Sven KLINGENBERG (Chairman), Mr. Delf NESS (Deputy Chairman), and Mr. Michael BOECKEL. These members were elected by the extraordinary Shareholders’ Meeting on 18 July 2012.

By resolution dated 24 August 2012, the Shareholders’ Meeting of the Company appointed Ms. Xiaoping ZHAO-MOLL, Mr. Phillip MOFFAT and Mr. Jie LUO as the new members of the Supervisory Board for a period until the expiration of the Shareholders’ Meeting exonerating the Supervisory Board for the short financial year 2012. The Supervisory Board elected Mr. Phillip MOFFAT as its chairman and Mr. Jie LUO as its deputy chairman.

The initial member of the Management Board of the Company was Mr. Gunnar BINDER. He was appointed by resolution of the members of the first Supervisory Board dated 18 July 2012.

By of resolution dated 24 August 2012, the Supervisory Board Meetings appointed Mr. Wei XIE, Ms. Yan ZHAO and Mr. Took Jwee NGOH as the new members of the Management Board.

Effective on 19 June 2013, Mr. Phillip MOFFAT resigned from the Chairman of Supervisory Board. Mr. Matthias SCHROEDER was appointed as a member of the Supervisory Board by the Local Court of Hamburg, Germany, on 25 June 2013. By resolution dated 28 June 2013, the Supervisory Board elected Mr. Matthias SCHROEDER as the new Chairman of the Supervisory Board.

Annual Financial Statements and Consolidated Financial Statements for 2012

The principal subject matter of the Supervisory Board meeting on 9 September 2013 was related to the annual financial statements of the Company for the short financial year ending 31 December 2012 according to the statutory accounting requirements of the German Commercial Code (“HGB”) and the consolidated financial statements for the financial year ending 31 December 2012 according to IFRS as endorsed for application within the EU. The consolidated financial statements for the financial year ending 31 December 2012 were subsequently audited by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf. Both the Management Board and the auditors presented the financial statements to the Supervisory Board and answered all their questions comprehensively.

After discussing the presented financial statements, the Supervisory Board approved the annual financial statements of the Company and the audited consolidated financial statements. The annual financial statements of the Company are thus adopted pursuant to section 172 German Stock Corporation Act (“AktG”)

In addition, the Supervisory Board furthermore approved the management report for the Group for the financial year ending 31 December 2012.

Dependent Company Report

According to Section 312 of the AktG, under certain circumstances a company is obliged to produce a report on relations of a dominant shareholder of the company with affiliated companies. The Supervisory Board discussed with the Management Board on the matter and noted that as the majority shareholder, Mr. Wei XIE, has no economic interests other than his

participation in BPIC AG, the risk that he uses his influence on related entities to the detriment of the company is limited. Against this background, the Supervisory Board and the Management Board determined that no dependency report was to be prepared by the Management Board in accordance with Section 312 of the AktG.

The Supervisory Board thanks the Management Board and all staff members for their commitment and their excellent work in the financial year 2012.

9 September 2013

On behalf of the Supervisory Board

Matthias SCHROEDER

Chairman of the Supervisory Board