

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 15 April 2024 of the plant and equipment in Madagascar owned by Elate Graphite Limited.



Rooms 1101-04, 11/F Harcourt House,
39 Gloucester Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

28 June 2024

Elate Graphite Limited
1002, 10F, Euro Trade Centre,
13-14 Connaught Road Central,
Hong Kong

Dear Sir/Madam,

Re: Valuation of Plant and Equipment owned by Elate Graphite Limited in Madagascar

In accordance with your recent instructions for us to value the Plant and Equipment (the “Assets”) owned by Elate Graphite Limited (the “Company”) located in Madagascar, we confirm that we made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the valuation as at 15 April 2024 (the “Date of Valuation”) for the purpose of incorporation in the circular of the Company dated 28 June 2024.

1. BASIS OF VALUATION

Our valuations of the Assets are our opinion of the market values of the concerned the Assets which we would define as intended to mean “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 wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Our opinion of market value (in-use) is not intended to represent the amount that might be realized from piecemeal disposition of the Assets in the open market or from alternative use of the Assets.

For the avoidance of doubt, underlying our valuation is an assumption that the prospective earnings of the business of the Group would not provide a reasonable return to the Assets valued, plus the value of other assets included in this valuation, not adequate working capital and has not capability to continue the business operations.

2. VALUATION METHODOLOGIES

2.1 The Sales Comparison Approach

The sales comparison approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised Assets relative to the market. Comparative assets for which there is established and used market may be appraised by this approach.

The Assets are specifically designed and each specialized manufacturer has own configuration to modify its equipment to accommodate the special products. The Assets cannot be used for other purposes. According to our market research, such specific type of assets is not readily available in the market. Therefore, there are no comparative assets for which there is established and used market. As such, the sales comparison approach is not appropriate in the circumstances.

2.2 The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of stable cash flow income.

The income approach was not adopted because a lot of assumptions (such as the perpetual growth rate and discount rate during forecast period) would have to be made and the valuation could be extreme sensitivity to certain input assumptions made. Also, the terminal value after the lease expired is uncertain.

2.3 The 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 or by making reference to the purchase price of similar assets, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present (if applicable), whether arising from physical, functional or economic cause. The cost approach generally furnishes the most reliable indication of value for assets with specific purpose and without known used market.

We have considered linear depreciation method which is a method of calculating the depreciation of an asset, assuming the asset will lose an equal amount of value each year. The annual depreciation is calculated by subtracting the salvage value of the asset from purchase price, and then dividing this number by the estimated useful life of the asset.

We adopted depreciation rate ranged from 3.2% to 11.9%, depending on different useful life of the Assets ranged from 8 years to 30 years, most items belongs to 10 years. Physical deterioration ranged 41% to 90% is the loss in value resulting from wear and tear of an asset in operation and exposure to various elements. This includes such things as age, past service experience, maintenance practice, exposure to the natural elements, the process area environment, internal defects from vibration and operating stress, and the effects of prolonged shutdowns, accidents, and disasters.

We adopted 1% discount on functional obsolescence, which is the loss in value within the asset as a result of the development of new technology. This includes such things as changes in design, materials, or process resulting in over capacity, inadequacy, excess construction, lack of utility, or excess variable operating costs. The Plant and Equipment were observed to be generally in normal use condition and capable of operating the purpose for which they were designed.

We adopted 1% discount on economic obsolescence, which is the loss in value resulting from factors external to the asset. This includes such things as reduced demand for the product, increased competition, changes in raw material supplies, increasing costs of raw materials, labor, or utilities without a corresponding price increase of the product, inflation, high interest rates, legislation, and environmental considerations. We have assumed the factors of economic obsolescence which would be a stable economic condition on the appraised value of the asset.

There is no material events that would lead to a significant change in the market value of the Assets since the valuation date of 15 April 2024.

2.4 Conclusion

For the reasons set out above, we consider it is more appropriate and in line with industry norm and market practice in the circumstances to adopt the cost approach.

3. LOCATION

The Assets held by the Group are situated in an industrial complex located in Madagascar, Africa.

Accessibilities of the localities are considered reasonable. Main roads and air network are linked to the subject localities. Taxis and private cars can be accessed to the subject developments.

4. THE ASSETS

The Assets valued are held by Elate Graphite Limited as at the Date of Valuation. The company was principally engaged in the production and sale of graphite products.

The Assets mainly include machineries & equipment (such as Shandong Shantui Construction Machinery SD32 Bulldozer, Industries Hydraulic Mining Pack QTE20170821-3, Baifa Power Wuxi BF-C1375W 1000KW, Bulldozer, Excavator Ship, Hydraulic Excavator, Komatsu Excavator, Dump Truck, 20T Ore Trailer, Production Line, Vertimill, Vertical Shaft).

5. VALUATION CONSIDERATION AND ASSUMPTION

We have not investigated any safety regulations regarding the subject production. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the relevant government legislation and guidance.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates, identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for the accuracy.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the Assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the Assets, plus the value of any assets not included in the valuation, and adequate net working capital.

It must be noted that our valuation is relied on the information supplied by the Group that the Assets are in reasonable operating conditions. We did not attempt to operate or test the Assets. In addition, our valuation has been prepared based upon the assumptions that the Assets will continue in the existing use and the Assets will be used in the existing state with the benefit of continuity of tenure of land and buildings in the foreseeable future.

We have not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the Assets. Also no investigation was conducted as to whether the operation of specific pieces of Assets complied with the relevant environmental standard and ordinances; we have assumed that the Assets continue and will continue to comply with the current environmental standards and ordinances. We have made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

We have made no investigation and assume no responsibility for titles or liabilities against the Assets.

The scope of this valuation is restricted to the Assets valued. We have therefore excluded in our valuation the land and buildings, current assets and intangible assets of Elate Graphite Limited.

6. REMARKS

Our valuation is prepared in accordance with the “RICS Valuation – Global Standards” published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We hereby confirm that we have neither present nor prospective interest in the Group, the Assets and the associated companies, or the values reported herein.

Unless otherwise stated, all monetary amounts stated in our valuation is in United State Dollar (“USD”).

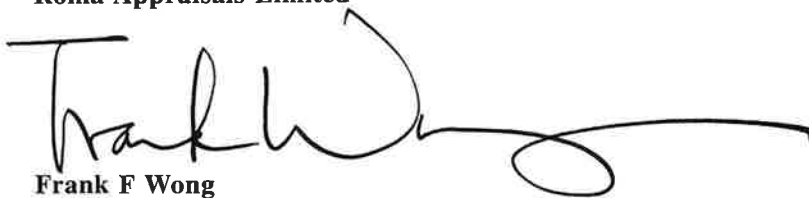
7. VALUATION

Our opinion of the market value of the Assets, based on the aforesaid basis, assumptions and considerations, as at 15 April 2024 was **USD17,496,651 (UNITED STATE DOLLAR SEVENTEEN MILLION FOUR HUNDRED NINETY-SIX THOUSAND SIX HUNDRED AND FIFTY-ONE ONLY)**.

Yours faithfully,

For and on behalf of

Roma Appraisals Limited

A handwritten signature in black ink, appearing to read 'Frank F Wong', with a long, sweeping horizontal stroke extending to the right.

Frank F Wong

BA (Business Admin in Act/Econ) MSc (Real Est)

MRICS Registered Valuer MAusIMM ACIPHE

Director, Head of Property and Asset Valuation

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 25 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 17 years' experience in valuation of properties including plant and equipment in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.