



## MINERAL ASSETS VALUATION



## FOR PAK TAK INTERNATIONAL LIMITED

PREPARED BY  
**ROMA APPRAISALS LIMITED**

DATE : 28 JUNE 2024  
CASE REF : ML/OT8354/JAN24(b)

**Exploring Beyond Resources  
Realizing Your Full Potential**



*The following is the text of a report dated 28 June 2024 prepared for the purpose of incorporation into this circular received from Roma Appraisals Limited in connection with its opinion on the market value of 96.62% equity interest in Fushun Xingzhou as at 31 December 2023.*



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28 June 2024

**Pak Tak International Limited**  
20/F, One Continental,  
No. 232 Wan Chai Road,  
Wan Chai,  
Hong Kong

Case Ref: ML/OT8354/JAN24(b)

Dear Sir/Madam,

**Re: Valuation of Fushun Xingzhou Mining Co., Ltd Luobokan Iron Ore Project in Liaoning, China**

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#### **SUMMARY**

In accordance with the instructions from Pak Tak International Limited (hereinafter referred to as the "Company"), we have performed a valuation of iron ore project (hereinafter referred to as the "Project") as at 31 December 2023 (hereinafter referred to as the "Date of Valuation"), which are currently owned by Fushun Xingzhou Mining Co., Ltd (撫順興洲礦業有限公司) (hereinafter referred to as the "Business Enterprise"). The Business Enterprise is expected to be directly held as to 96.62% by a subsidiary established in the PRC of Zongchuan Investment Group Co., Limited (宗傳投資集團有限公司) (hereinafter referred to as the "Target Company"; together with its subsidiaries, hereinafter referred to as the "Target Group") and thereby become a subsidiary of the Target Company and the principal operating subsidiary in the Target Group upon completion of reorganisation.



This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of the Business Enterprise and the Project, basis of valuation, investigation and analysis, valuation methodology, major assumptions, risk factors, information reviewed, limiting conditions, references and presents our opinion of value. A business valuation on 96.62% equity interest in the Fushun Xingzhou as instructed by the Company and abbreviations and glossary are included in Appendix A and Appendix B of this report respectively.

This report has been prepared in accordance with the guidelines set by the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Project (“VALMIN Code (2015)”) prepared by the VALMIN Committee in Australia and Chapter 18 of the Listing Rules of the Stock Exchange of Hong Kong Limited (“Listing Rule Chapter 18”). This report is prepared based on information compiled by and under the supervision of Mr. Ian D. Buckingham (hereinafter referred to as the “Competent Evaluator”). In particular, Mr. Buckingham is the author of this report and has reviewed all the major assumptions adopted in the valuation model and ensured this valuation report is compliant with the VALMIN Code (2015) and Listing Rule Chapter 18.

According to the competent person’s report (hereinafter referred to as the “Competent Person’s Report”) dated \* prepared by Roma Oil and Mining Associates Limited (hereinafter referred to as the “ROMA”) (ROMA and the Business Enterprise together referred to as “Technical Consultants”), resources of the Project have been estimated under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (“2012 JORC Code”).

Our investigations included discussions with members of the management of the Company and the Business Enterprise in relation to the development and prospects of the iron ore mining industry, and the development, operations and other relevant information of the Business Enterprise and the Project. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the industry from external public sources as we considered necessary for the purpose of the valuation.



As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Project provided to us by the management of the Company and the Business Enterprise, and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business and market information. We also relied upon the information provided and the parameters advised by the Technical Consultants, who have conducted a site visit to the Project.

The valuation of the Project requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. In the process of valuing the Project, we have taken into account the mining operations, performance and financial information of the Business Enterprise and the Project. We have considered the adoption of the discounted cash flow (“DCF”) method under the Income-Based Approach in determining the value of the Project.

The VALMIN Code (2015) seeks to determine a market value (hereinafter referred to as “Market Value”). Based on our experience, we acknowledge that the DCF method of valuing Project generate only a technical value (hereinafter referred to as “Technical Value”) as defined in accordance with the VALMIN Code (2015), which excludes any premium or discount to account for market considerations. Inevitably, the Technical Value obtained using this method appears low in an optimistic (bull) market, but high in a pessimistic (bear) market. Hence, the valuation must be converted to Market Value by considering the current market premium/discount applicable to the underlying Technical Value.

Based on the investigation and analysis conducted, the valuation method employed, and the sensitivity analyses performed, the Market Value of the Project as at the Date of Valuation, in our opinion, were reasonably stated as follows:

***Market Value of the Project as at 31 December 2023***

	<b><i>Range of Market Value</i></b>	<b><i>Preferred Market Value</i></b>
	<i>RMB</i>	<i>RMB</i>
<b>Market Value of the Project</b>	<b>: <u>771,990,000 to 885,750,000</u></b>	<b><u>825,720,000</u></b>



## **1. PURPOSE OF VALUATION**

This report is prepared solely for the use of the directors and management of the Company. In addition, ROMA acknowledges that this report may be made available to the Company for public documentation purpose only.

ROMA assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

## **2. SCOPE OF WORK**

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Business Enterprise and/or their representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the iron ore mining industry, the development, operations and other relevant information of the Business Enterprise and the Project. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Project provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all the matters that an audit or more extensive examination might disclose.

### 3. ECONOMIC OVERVIEW

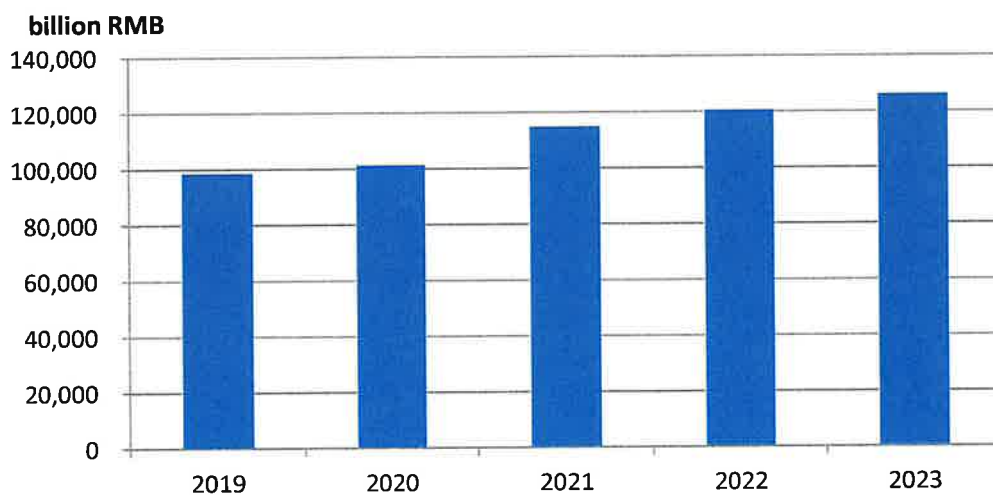
#### 3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product (“GDP”) of China in 2023 was RMB126,058 billion, a year-over-year nominal increase of 4.64% compared to 2022. China was the largest economy in the world, in terms of nominal GDP measured by the International Monetary Fund (“IMF”) in 2021. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending on infrastructure and real estate.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China’s economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2019 to 2023, the compound annual growth rate of China’s nominal GDP was 6.32%. An upward trend in China’s nominal GDP was observed from 2019 to 2023. Figure 1 illustrates the nominal GDP of China from 2019 to 2023.

**Figure 1 - China’s Nominal GDP from 2019 to 2023**



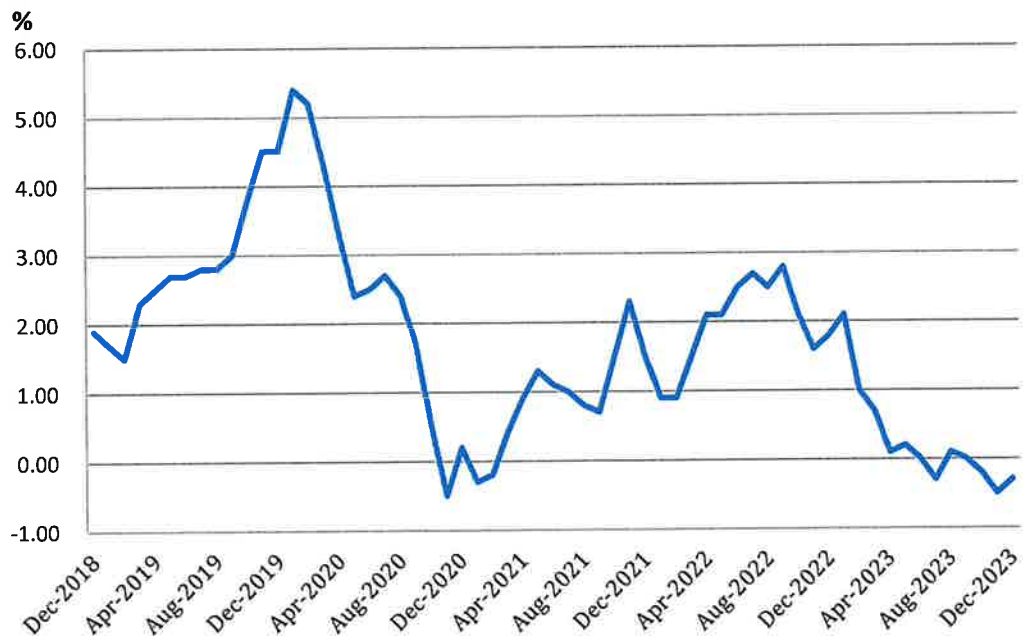
Source: National Bureau of Statistics of China



### 3.2 Inflation in China

Tackling the inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class demand for food and commodities has been rising continuously. According to the National Bureau of Statistics of China, the consumer price index (“CPI”) demonstrated an uptrend from 2018 to 2019. In 2019, the year-over-year change in CPI increased from 1.7% in January to 4.5% in December. In 2020, the year-over-year change in CPI started out high at 5.4% in January, yet it significantly decreased to 0.2% in December. In 2021, the year-over-year change in CPI dropped to (0.3%) in January and rose to 1.5% in December. The year-over-year change in CPI dropped to 0.9% in January 2022 and increased to 2.8% in September 2022 and then dropped to (0.3%) in December 2023. Figure 2 shows the year-over-year change in the CPI of China from December 2018 to December 2023.

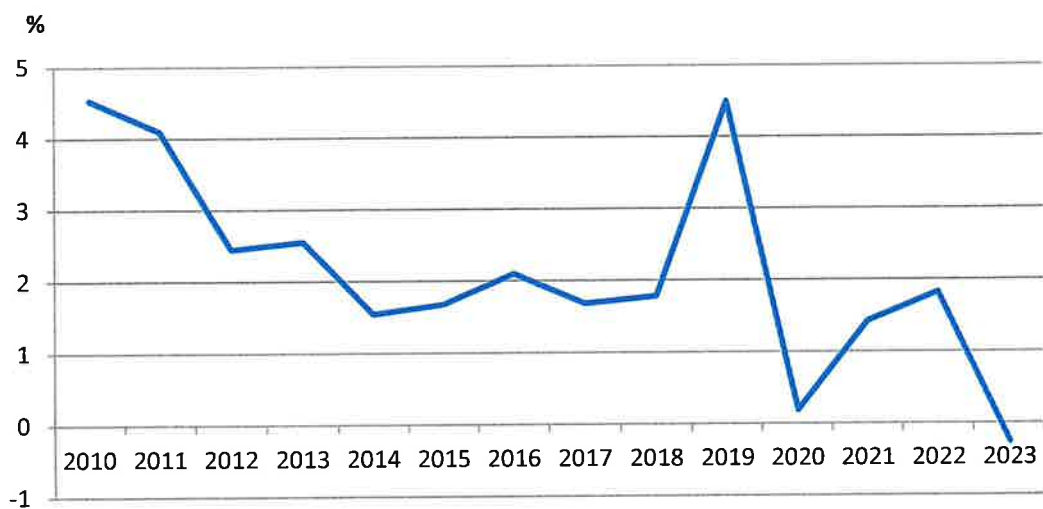
**Figure 2 - Year-over-year Change in China’s CPI from December 2018 to December 2023**



Source: Bloomberg

China's inflation rate has been volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007 and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.5% in 2014. The inflation rate has been fluctuating in recent years. It started to climb in 2015 and 2016 from 1.6% to 2.1%, then decreased in 2017 to 1.8% and eventually rose again to 1.9% in 2018. The inflation rate increased to 4.5% in 2019 while decreasing to -0.31% in 2020 due to the outbreak of Covid-19. The yearly inflation rate in China will be 1.4% in 2021 and then increase to 1.8 in 2022. It has dropped to (0.3) in the year of 2023. According to the IMF's forecast, the long-term inflation rate of China is expected to be around 2.0%. Figure 3 shows the historical trend of China's inflation rate from 2010 to 2023.

**Figure 3 - China's Inflation Rate from 2010 to 2023**



Source: International Monetary Fund

## 4. INDUSTRY OVERVIEW

### 4.1 Worldwide Iron Ore Industry

#### 4.1.1 Overview

Iron ores are rocks and minerals where metallic iron can be extracted. It is the fourth most common element in the Earth's crust and comes in several forms. There are four main types, each with unique properties:





- Magnetite ( $\text{Fe}_3\text{O}_4$ ): Magnetite is distinctive due to its magnetic properties, which simplify the separation process. It contains up to 70% iron.
- Hematite ( $\text{Fe}_2\text{O}_3$ ): Hematite is the most prevalent type, renowned for its high iron content and its reddish-brown color. It is less magnetic than magnetite, which affects extraction techniques.
- Limonite ( $\text{FeO}(\text{OH})\cdot n\text{H}_2\text{O}$ ): Limonite contains lower iron levels and is often used for applications requiring lower iron content.
- Siderite ( $\text{FeCO}_3$ ): Siderite contains iron carbonate, which must undergo additional processing to be usable.

The global iron ore market is volatile and is affected by various factors which include industrial demand for steel, global economic trends, and geopolitical issues. Global industrialization in growing economies such as India and China are factors that boost the growth of the market into the future. However, the market is susceptible to price volatility due to changes in supply, policy shifts in major consuming countries, and periodic economic downturns. Trade policies also play a crucial role, with tariffs and agreements directly affecting market stability and pricing.

#### **4.1.2 World Iron Ore Production**

World iron ore production has experienced substantial growth over the past several decades, driven by the expanding demand from the steel industry, particularly in emerging economies. As of recent years, global iron ore production has reached approximately two billion metric tons annually, with the majority contributed by a few key countries that possess large, high-quality iron ore reserves.



	<b>Mine Production</b>			
	<b>Usable ore (millions)</b>		<b>Iron Content (millions)</b>	
	<b>2022</b>	<b>2023<sup>estimated</sup></b>	<b>2022</b>	<b>2023<sup>estimated</sup></b>
United States	39,000	44,000	24,700	28,000
Australia	944,000	960,000	584,000	590,000
Brazil	435,000	440,000	276,000	280,000
Canada	69,000	70,000	41,400	42,000
Chile	17,700	18,000	11,100	11,000
China	272,000	280,000	170,000	170,000
India	251,000	270,000	156,000	170,000
Iran	78,300	77,000	51,300	50,000
Kazakhstan	53,600	53,000	8,890	8,800
Mauritania	12,700	13,000	7,950	8,100
Mexico	10,800	12,000	6,800	7,600
Peru	19,300	19,000	12,900	13,000
Russia	84,200	88,000	55,800	58,000
South Africa	63,700	61,000	40,500	39,000
Sweden	38,900	38,000	27,700	27,000
Turkey	17,700	17,000	10,700	10,000
Ukraine	34,100	36,000	21,300	22,000
Other countries	57,200	48,000	32,200	27,000
<b>World total</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>1,540,000</b>	<b>1,500,000</b>

(rounded)

*Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2024*

Australia stands as the foremost producer of iron ore, accounting for over 900 million tons of the total global output. The Pilbara region is notable for its vast deposits and high-grade iron ore, which is predominantly hematite. Brazil follows as the second-largest producer, with the state of Minas Gerais and the Carajás Mine being significant contributors. The Brazilian mines are renowned for their sizeable output and reserves, producing slightly lesser quantities than Australia but with ore that rivals Australian ore in quality. Other notable producers include China, India, and Russia, each contributing substantially to the global supply but often using much of their production for domestic consumption.



In 2023, iron ore production and trade were estimated to rise due to restocking and increased consumption of intermediate products. According to the World Steel Association's forecast global finished steel consumption to increase by 1.8% in 2023 and by 1.9% in 2024. According to Bloomberg, after a strong 2023, iron ore supply could stagnate as major iron ore producers are unlikely to add any new tons in 2024 unless India continues to export at the current rate, which would be unlikely due to dropping prices in Q1 2024.

#### 4.1.3 World Iron Ore Reserve

As of 2024, global iron ore reserves continue to support the demands of the steel-making industry, with Australia and Brazil leading in both volume and quality. Advances in exploration and mining technologies, alongside a heightened focus on sustainable practices, are shaping the development and management of these reserves.

	Reserves (million metric tons)	
	Crude ore	Iron content
United States	3,100	1,300
Australia	658,000	627,000
Brazil	34,000	15,000
Canada	6,000	2,300
Chile	NA	NA
China	20,000	6,900
India	5,500	3,400
Iran	3,300	1,500
Kazakhstan	2,500	900
Mauritania	NA	NA
Mexico	NA	NA
Peru	2,600	1,200
Russia	29,000	14,000
South Africa	990	620
Sweden	1,300	600
Turkey	152	99
Ukraine	76,500	72,300
Other countries	18,000	9,500
World total (rounded)	190,000	87,000

Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2024



While Australia and Brazil are the mainstays of iron ore supply, other regions such as Russia, China, and India also contribute significantly. 2024 has seen increased efforts in exploration and technology application to better assess and tap into these resources. New deposits are being explored with state-of-the-art geological technology, ensuring a steady augmentation of the known reserves.

- **Australia:** The Pilbara region continues to be a powerhouse in global iron ore production, with substantial reserves of high-grade hematite ore. Recent surveys have indicated potential new deposits north of the existing mining areas, suggesting possibilities for expansion.
- **Brazil:** Known for its vast reserves of high-quality ore in the states of Minas Gerais and Pará, Brazil remains a critical player. The Carajás Mine is not only one of the largest but also among the richest iron deposits in the world.
- **Russia:** With reserves primarily located in the Kursk Magnetic Anomaly, Russia holds significant magnetite resources. The area is known for its substantial volume, although the depth of ore bodies presents challenges.
- **China:** Although possessing extensive reserves, the iron ore quality varies, and high-grade deposits are less common. Efforts to enhance the beneficiation processes to upgrade the ore quality are ongoing.
- **India:** Concentrated in Odisha and Jharkhand, India's reserves include both hematite and magnetite. Recent government-led initiatives have aimed to increase exploration and reduce import dependency.

#### 4.1.4 China's Iron Ore Market

In 2024, China's position in the global iron ore market remains pivotal due to its status as the world's largest consumer and a major importer of the commodity. Despite the country's intensive efforts to ramp up domestic production, the immense demand driven by its massive steel industry continues to necessitate significant imports from abroad. The Chinese iron ore market this year reflects a blend of robust demand, evolving supply dynamics, and rigorous regulatory landscapes which collectively shape its strategic economic policies.



The demand for iron ore in China continues to be driven by substantial urbanization and numerous infrastructural developments. Additionally, sectors such as automotive manufacturing, which rely heavily on steel, contribute to the sustained demand. While the demand remains strong, there is a noticeable shift towards the stabilization of growth rates, influenced by a maturing industrial base and an increasing emphasis on sustainability. This shift is further characterized by a growing preference for high-quality ore, which supports more efficient steel production processes and aligns with China's stringent environmental goals aimed at reducing carbon emissions.

Despite a slight increase in domestic iron ore production in regions like Hebei, Liaoning, and Shanxi, China still faces a significant shortfall, which it compensates for through imports. Australia and Brazil remain the primary suppliers, though there is a strategic move towards diversifying these sources. In line with its Belt and Road Initiative, China has been forging new alliances with iron ore-producing nations in Africa and other parts of Asia, aiming to reduce its dependency on traditional suppliers and mitigate risks associated with geopolitical tensions.

Technological advancement is a hallmark of China's approach to overcoming challenges within the iron ore sector. Innovations in beneficiation processes that enhance the iron content of lower-grade domestic ores, along with advancements in smelting technologies that decrease environmental impact, are becoming increasingly prominent. The integration of automation and artificial intelligence across mining operations and supply chain logistics also reflects a drive towards greater efficiency and sustainability.

Regulatory and trade dynamics in 2024 continue to focus on decreasing external dependencies. Through strategic tariffs and trade negotiations, coupled with investments in foreign mining assets, China aims to secure a more stable and controllable supply chain. Simultaneously, stringent environmental regulations compel the industry towards lower emissions and higher operational standards.

However, these initiatives also introduce challenges, such as dealing with the volatility of global iron ore prices and adhering to strict environmental standards. Yet, they open opportunities for technological innovation and international cooperation in securing iron ore supplies. Strategic planning in resource management and the promotion of recycled steel usage are among the recommendations for mitigating raw material shortages and enhancing environmental sustainability.



In conclusion, the iron ore market in China in 2024 is characterized by a dynamic interplay of demand consistency, supply chain adjustments, and proactive regulatory frameworks. As the Chinese steel industry continues to influence global iron ore dynamics significantly, its strategies and policies will likely continue to have far-reaching impacts on the global market, promoting technological, economic, and environmental developments across the iron ore and steel production landscapes.

## **5. THE BUSINESS ENTERPRISE**

### **5.1 Overview of the Business Enterprise and the Project**

The Business Enterprise is principally engaged in iron ore production and the sale of iron concentrate powder in the PRC.

The Project is located in Dongzhou District, Fushun, Liaoning Province, China, approximately 55 km east of the city centre of Shenyang. The Project can be accessed from the city centre of Shenyang by car along a sealed highway in approximately one hour. The operation conducted open-pit mining from 2004 to 2019 before converting entirely to underground mining in 2022.

A mining license with license number C2100002009102110041604 ("Mining License") was granted to the Business Enterprise on 6 September 2016 for the development of the Luobokan iron ore project. The license was updated to underground mining and the production scale was expanded from 1.0 million tonnes per year to 2.9 million tonnes per year on 8 January 2024. The validity of the license is twenty-five years and 6 months with an area of 0.9400 square kilometers.





**Table 1 - Summary of the Mining License**

<b>License Type</b>	Mining license
<b>License Number</b>	C2100002009102110041604
<b>Holder</b>	Fushun Xingzhou Mining Co., Ltd
<b>Address</b>	Fushun City Dongzhou District Nianpan Township Taigou Village
<b>Mine Name</b>	Fushun Xingzhou Mineral Limited Luobokan Iron Ore Mine
<b>Ore Type</b>	Iron Ore
<b>Mining Method Allowed</b>	Underground mining
<b>Max. Mining Capacity</b>	2.90 million tonnes per year
<b>Area</b>	0.9400 square kilometre
<b>Validity</b>	8 January 2024 to 8 July 2049
<b>Elevation</b>	140m to -320m

## 5.2 Resource Estimates

According to the Competent Person's Report prepared by ROMA, resources of the Project have been estimated under the 2012 JORC Code. The resource estimates of the Project as at 29 February 2024 according to the Competent Person's Report are as follows:

<b>Resource Category</b>	<b>Million Tonnes</b>	<b>mFe%</b>
Indicated	34.3	18.23
Inferred	33	15.53
<b>Total</b>	<b>67.3</b>	<b>16.95</b>

*Source: Competent Person's Report*

According to the Competent Person's Report, the mining recovery is 85% and the dilution rate is 15%. We considered that the information contained in the Competent Person's Report could be reasonably relied on.



### 5.3 Geological Setting and Mineralization

The Project is located within the Liaodong Peninsula Belt, east of the Tan-Lu Fault, forming part of the north-eastern segment of the North China Craton. This region consists of Early Archean to Paleoproterozoic basement rocks overlain by Mesoproterozoic to Cenozoic cover (Yang et al., 2007). The Late Archean basement rocks consist of 2.5-billion-year-old diorite–tonalite–granodiorite suites which were deformed during the Paleoproterozoic and Early Cretaceous.

The Paleoproterozoic orogenic belt at the eastern margin of the Eastern Block of the North China Craton called the Jiao-Liao-Ji Belt. This consists of greenschist to lower amphibolite facies sedimentary and volcanic successions and associated granitic and mafic intrusions (Zhao et al., 2005). The Paleoproterozoic rocks (the Liaohe Group) unconformably overlie the Late Archean rocks being deposited and then metamorphosed during a 1.9-billion-year-old orogenic event. Subsequently, the Liaodong Peninsula was covered by thick sequences of Mesoproterozoic to Neoproterozoic and Palaeozoic sediments.

The main lithostratigraphic unit of the Jiao-Liao-Ji Belt is the Liaohe assemblage, which is sedimentary-rich and transitions from a lower arkose and volcanic-rich sequence, through a carbonate-rich sequence to an upper argillaceous-rich sequence (Li et al., 2005).

Mesozoic intrusive rocks are widely distributed in the Liaodong Peninsula and cover an area of approximately 20,000 km<sup>2</sup>. Magmatism mostly occurred in the Late Jurassic and Early Cretaceous, with minor Triassic magmatism consisting of mafic dikes, nepheline, syenites, diorites and monzogranites with mafic enclaves.

## 6. BASIS OF VALUATION

Our valuation is conducted on a Market Value basis. According to the VALMIN Code (2015), **Market Value** is defined as “the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion.”



## **7. INVESTIGATION AND ANALYSIS**

Our investigation included discussions with members of the Management in relation to the development and prospect of the iron ore industry, and the development, operations and other relevant information of the Business Enterprise and the Project. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the iron ore mining industry from external public sources which we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Project provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information. We relied upon the information provided by and the parameters advised by the Technical Consultants who conducted several site visits. Based on our experience and professional judgment, we consider that the opinions expressed by the Technical Consultant and the information contained in the Competent Person's Report are appropriate for the purposes of this valuation.

The valuation of the Project requires consideration of all pertinent factors, which may or may not affect the operation of the Project and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise and the Project;
- The financial conditions of the Business Enterprise and the Project;
- The economy in general and the specific economic environment and market elements affecting the businesses, industries and markets;
- Relevant licenses and agreements;
- The business risks of the Business Enterprise such as the ability to maintain competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar projects.



## **8. VALUATION METHODOLOGY**

There are generally three accepted approaches to obtaining the Market Value of the Project, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing mineral assets that are similar in nature.

### **8.1 Market-Based Approach**

The Market-Based Approach values a mineral asset by comparing prices at which other mineral assets of a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indications of prices of other similar mineral assets that have been sold recently.

The right transactions employed in analysing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

### **8.2 Income-Based Approach**

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the mineral asset. The underlying theory of this approach is that the value of the mineral asset can be measured by the present worth of the economic benefits to be received over the useful life of the mineral asset. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the mineral asset will continue to maintain stable economic benefits and growth rates.



### **8.3 Asset-Based Approach**

The Asset-Based Approach values a mineral asset by aggregating the costs of developing the asset to its current condition or replacing that asset.

### **8.4 Valuation of the Project**

In the process of valuing the Project, we have taken into account the proposed operations, anticipated performance and financial information available for the Business Enterprise and the Project. The Asset-Based Approach was not adopted because it could not reflect the future economic benefit and hence the Market Value of the Project. The Market-Based Approach was not adopted because it could not account for the characteristics of the mining plans, methods and equipment concerning the Project, and there were limited comparable transactions of similar mineral assets available in the market. Therefore, we have considered the adoption of the DCF method under the Income-Based Approach in determining the value of the Project.

The VALMIN Code (2015) seeks to determine the Market Value. Based on our experience, we acknowledge that the DCF method of valuing Project generate only a technical value as defined in accordance with the VALMIN Code (2015), which excludes any premium or discount to account for market considerations. Inevitably, the Technical Value obtained using this method appears low in an optimistic (bull) market, but high in a pessimistic (bear) market. Hence, the valuation must be converted to Market Value by considering the current market premium/discount applicable to the underlying Technical Value.

Based on our understanding of the VALMIN Code (2015), an alternative valuation approach should be done to cross-check with the result, but after discussions with the Competent Evaluator it was decided that the DCF method is the most accurate and provides the most reasonable depiction of value for the valuation of the Project. The methodology follows what is performed in the global mining industry. Also, there are no corresponding transaction or data that properly reflects the Project.

### **8.5 Discounted Cash Flow**

Under the Income-Based Approach, we have adopted the DCF method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:



Expected Free Cash Flow = Net Profit + Depreciation - Change in Net Working Capital - Capital Expenditure

The present value of the expected free cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \dots + CF_n/(1+r)^n$$

*In which*

*PVCF = Present value of the expected free cash flows;*

*CF = Expected free cash flow;*

*r = Discount rate; and*

*n = Number of years.*

To adopt this method, we estimated the weighted average cost of capital ("WACC") of the Project as a basic discount rate. The WACC of the Project is the minimum required return that an entity must earn to satisfy its various capital providers including shareholders and debt holders. The WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T_c)$$

*In which*

*R<sub>e</sub> = Cost of equity;*

*R<sub>d</sub> = Cost of debt;*

*W<sub>e</sub> = Weight of equity value to enterprise value;*

*W<sub>d</sub> = Weight of debt value to enterprise value; and*

*T<sub>c</sub> = Corporate tax rate.*

### **8.5.1 Cost of Debt**

The cost of debt was determined by the expected lending rate of the Project. Since the interest expenses paid on debt are tax-deductible for the Project, the cost of the Project to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.





### 8.5.2 Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model (“CAPM”), which describes the relationship between the risk of the Project and expected return to investors. It is calculated by the following formula:

$$R_e = R_f + \beta \times \text{Market Risk Premium} + \text{Other Risk Premium}$$

*In which*

*R<sub>e</sub> = Cost of equity;*

*R<sub>f</sub> = Risk-free rate; and*

*β = Beta coefficient*

### 8.5.3 Comparable Companies

We identified several listed companies with business scopes and operations similar to those of the Project to be comparable companies (hereinafter referred to as the “Comparable Companies”). The Comparable Companies were generated by searching specifically within the sector of iron and filtering based on the criterion that the geographic segment revenue percentage from China should be greater than 50%. Furthermore, companies not involved in iron ore were excluded from the list. By employing these search criteria, the intention was to identify companies that operate within the same sector and have a significant presence in the Chinese market. This approach helps to ensure that the comparable companies are representative and comparable to the project under evaluation, as they share similar industry dynamics, market conditions, and geographic factors. Excluding companies not engaged in iron ore mining further enhances the comparability of the identified companies to the project.

The Comparable Companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in iron ore mining and trading business in China;
- The geographic segment revenue percentage from China greater than 50%;
- The companies are listed in Hong Kong or China;
- The companies have sufficient listing and operating histories; and



- The financial information of the companies is available to the public.

Details of the Comparable Companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description	Percentage of Revenue Attributable to Relevant Business	Beta	Debt to Equity Ratio
China Hanking Holdings Ltd	3788.HK	Hong Kong	China Hanking Holdings Ltd produces iron ore concentrates. The company mines iron ore, produces iron ore concentrates, and markets the concentrates primarily to iron and steel producers in Liaoning Province, China.	100%	0.822	103.94%
Aowei Holdings Ltd	1370.HK	Hong Kong	Aowei Holdings Ltd operates as a holding company. The company through its subsidiaries, offers iron ore mining and processing services. The company serves customers in Hong Kong and China.	88%	0.235	90.43%
Hainan Mining Co Ltd	601969.CH	China	Hainan Mining Co Ltd provides iron ore mining services. The company produces iron ore including lump ore, fine ore, and iron fines. The company offers products for steel industry.	59%	1.573	16.00%
Inner Mongolia Dazhong Mining Co Ltd	001203.CH	China	Inner Mongolia Dazhong Mining Co Ltd operates mining businesses. The company mines, sells, and selects iron ores, iron ore fines, iron ore pellets, and other products. The company also produces oxidized pellets.	94%	1.390	34.41%

Source: Bloomberg



Below is the summary of the key parameters of the discount rate adopted as at the Date of Valuation:

Key Parameters	As at 31 December 2023
a) Risk-free Rate	2.56%
b) Market Risk Premium	6.07%
c) Beta Coefficient	1.13
d) Size Premium	3.05%
e) Firm Specific Risk Premium	1.00%
f) Cost of Equity	13.44%
g) Cost of Debt	5.90%
h) Weight of Equity Value to Enterprise Value	61.57%
i) Weight of Debt Value to Enterprise Value	38.43%
j) Corporate Tax Rate	25.00%
<b>WACC</b>	<b>9.98%</b>

Notes:

- a) *The risk-free rate adopted was the yield rate of the China government 10-year bond as at the Date of Valuation as extracted from Bloomberg.*
- b) *The market expected return adopted was the market expected return in China Market Risk Premium extracted from Damodaran Online.*
- c) *The beta coefficient adopted was the median adjusted beta of the comparable companies as extracted from Bloomberg.*

*The respective beta coefficients of the comparable companies are displayed as table shown below:*

Company Name	Stock Code	Effective Tax Rate	Adjusted Beta
China Hanking Holdings Ltd	3788.HK	27.55%	0.469
Aowei Holdings Ltd	1370.HK	44.11%	0.156
Hainan Mining Co Ltd	601969.CH	19.26%	1.393
Inner Mongolia Dazhong Mining Co Ltd	001203.CH	11.11%	1.064



**Median Adjusted Beta**

**0.766**

*The adjusted beta was calculated by the following formula:*

$$\text{Adjusted beta} = \text{Beta} / 1 + (1 - \text{Effective Tax Rate}) \times \text{D/E Ratio}$$

*Note: the effective tax rate of the comparable companies as at the Date of Valuation was extracted from Bloomberg.*

*The adopted 1.13 beta coefficient were then calculated by the following formula:*

$$\text{Beta coefficient} = \text{Median Adjusted Beta} \times 1 + (1 - \text{Tax Rate}) \times \text{Median D/E Ratio}$$

- d) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps, LLC.*
- e) The firm specific risk premium adopted was to reflect the Project specific risk of the Project, which is subject to our professional judgment. The factors considered to arriving at the firm specific risk premium were included operation history, the description provided from the management view, and account for unsystematic risk such as forecast risks and illiquidity risk of the Project.*
- f) The cost of equity was determined based on Capital Asset Pricing Model ("CAPM") plus firm specific risk premium.*
- g) The cost of debt was estimated with reference to China Above 5 years best lending rate as at the Date of Valuation as extracted from Bloomberg plus firm specific risk premium.*
- h) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.*

*The respective debt-to-equity ratio (the "D/E" or "D/E ratio") of the comparable companies are displayed as table shown below:*

Company Name	Stock Code	D/E Ratio
China Hanking Holdings Ltd	3788.HK	103.94%
Aowei Holdings Ltd	1370.HK	90.43%
Hainan Mining Co Ltd	601969.CH	16.00%
Inner Mongolia Dazhong Mining Co Ltd	001203.CH	34.41%



<b>Median D/E Ratio</b>	<b>62.42%</b>
Weight of Equity Value to Enterprise Value (1/(1+D/E)) (a)	61.57%
Weight of Debt Value to Enterprise Value (1-a)	38.43%

*Note: Figures may not sum up due to rounding.*

i) *The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.*

j) *The corporate tax rate adopted was the corporate tax rate in China.*

Accounting for the above items, the WACC of 9.98% for the Project was determined as at the Date of Valuation.

Furthermore, we adopted additional premiums of 1.00% on the WACC to arrive at the discount rate of 10.98% for the mining license as at the Date of Valuation.

#### **8.5.4 Portfolio of Resources Included in the Valuation**

In accordance with Listing Rule Chapter 18 of the Hong Kong Stock Exchange, valuations for inferred resources are not permitted. According to the Competent Person's Report, mineral resources estimated for the Project were indicated and inferred resources, only indicated resources (hereinafter referred to as "Indicated Resources") were included in the valuation of the Project.

In this valuation, 85% of Indicated Resources were considered to reflect the level of confidence of the resources in terms of tonnage, densities, shape, physical characteristics, grade and mineral content.

##### **8.5.4.1 Production Schedule**

According to the Competent Person's Report, the estimated indicated resource for the Project was about 34.3 million tonnes as at 29 February 2024.

The estimated production schedule, mining recovery of 85% and dilution rate of 15% were determined with reference to the Competent Person's Report. The forecasted ore production and iron ore content would be as follows:



	2024	2025	2026	2027	2028
<b>Ore Production (tonnes)</b>	1,600,000	2,900,000	3,900,000	4,000,000	4,000,000
<b>Iron Content (tonnes)</b>	324,214	587,637	790,271	810,534	810,534

*Note: Figures may not sum up due to rounding.*

	2029	2030	2031	2032	2033
<b>Ore Production (tonnes)</b>	4,000,000	4,000,000	4,000,000	4,000,000	1,900,000
<b>Iron Content (tonnes)</b>	810,534	810,534	810,534	810,534	385,004

*Note: Figures may not sum up due to rounding.*

#### 8.5.4.2 Price and Revenue

Sales price from 2024 to 2033 was RMB881 per tonne excluding VAT, which was based on historical sales prices RMB996 included 13% VAT for the fiscal year 2023 provided by the Management. After consulting with Competent Evaluator, this approach considers actual market conditions and historical data, given the fluctuating nature of iron ore prices, maintaining a conservative approach by keeping the sales price unchanged provides a cautious estimation. The estimated revenues for iron ore of the Project were as follows:

	2024	2025	2026	2027	2028
<b>Total Revenue (RMB)</b>	285,766,977	517,952,646	696,557,007	714,417,443	714,417,443

	2029	2030	2031	2032	2033
<b>Total Revenue (RMB)</b>	714,417,443	714,417,443	714,417,443	714,417,443	339,348,286





### 8.5.4.3 Operating Costs

In FY2023, the historical mining operating cost was recorded at RMB64 per tonne. The transition of the Project from open-pit to underground mining during the period of FY2022 to FY2023 resulted in an upward trend in mining operating costs for FY2023. Considering the expansion of the mining operation and the historical fluctuation observed in mining operating costs, mining operating costs were estimated to increase by 5% per year from 2024 to 2033. The 5% annual increase is based on the quantitative analysis that was performed on the operating expenses of the comparable companies for the average % changes over a period of 10 years. After consulting with Competent Evaluator, the assumption of a 5% annual increase from 2024 to 2033 reflects a realistic expectation of rising costs over time.

The historical operating costs of comparable companies from 2013 to 2023 were as follows:

IS_OPERATING_EXP	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/12/2018
3788 HK Equity	218.954	181.941	157.696	184.558	141.37	281.207
	19%	14%	-16%	27%	-69%	124%
1370 HK Equity	148.665	-70.163	51.086	55.135	302.119	105.214
	NA	NA	-8%	-170%	105%	-149%
601969 CH Equity	289.6759	201.5129	614.1329	206.1246	76.8704	315.4628
	36%	-111%	109%	99%	-141%	51%
001203 CH Equity	210.8043	178.8559	91.4041	142.6956	NA	NA
	16%	67%	-45%	NA		



Cont. Table of operating costs of comparable companies

IS_OPERATING_EXPN	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013	Average of % Changes
3788 HK Equity	81.06	147.12	337.607	167.592	236.386	
	-60%	-83%	70%	-34%		-0.8%
1370 HK Equity	467.942	55.441	463.377	107.064	67.45	
	213%	-212%	147%	46%		-3%
601969 CH Equity	190.1543	236.7549	116.7728	NA	NA	
	-22%	71%	NA			11%
001203 CH Equity	NA	NA	NA	NA	NA	
	NA	NA	NA	NA		13%
Average of % Changes of Comparable Companies						5.0%

Source: Bloomberg

Observations were made on the available operating costs of comparable companies from FY2013 to FY2023. For 3788 HK Equity, the average percentage change in operating costs from 2014 to 2023 was recorded as -0.8%. For 1370 HK Equity, abnormal operating cost of -70.163 in FY2022 was excluded, the average percentage change in operating costs from 2014 to 2021, excluding the abnormal cost, was determined to be -3%. The average of percentage changes of operating costs from 2016 to 2023 for 601969 CH Equity was 11%, and average of percentage changes of operating costs from 2021 to 2023 for 001203 CH Equity was 13%.

Therefore, when considering the available data on operating costs, the average of the percentage changes for these comparable companies from 2013 to 2023 amounts to 5%.

Processing Operating Cost, Administration Cost Excluding Depreciation and Amortization, and Selling Costs from 2024 to 2029 adopted were advised by the Management, and costs from 2030 to 2033 were projected by 2.16% China inflation rate per year. The use of management advice for the initial period ensures alignment with their expectations and insights. The subsequent inflation-based projection is a common approach to account for the effects of inflation on costs.



Historical costs of processing operating costs, administration costs and selling costs for FY2021, FY2022 and FY2023 were as follow:

	2021	2022	2023
Processing Operating Cost	29.00	33.00	40.00
Administration Cost, excl. Depreciation & Amortization	10.00	17.00	17.00
Selling Cost	1.30	2.00	1.60

During the period from FY2022 to FY2023, the Project underwent a significant transition from open-pit mining to underground mining. The Management took into consideration the potential fluctuations, uncertainties in costs and impact of inflation over the projected period that may arise from the transition of mining methods. After FY2030, the production of ore and related costs are expected to stabilize and become more manageable. Consequently, the cost projections beyond FY2033 will primarily reflect the anticipated impact of inflation, as the Management expects a more predictable and consistent production environment.

Costs of Government tax from 2024 to 2033 were advised by the Management. It is assumed that potential tax loss carries forward in FY2024 and FY2025, since there was a loss in FY2023. Starting from 2026 onwards, it is assumed that the government tax will be stable. As the Management is likely to have a good understanding of the applicable tax regulations and obligations, their advice on government tax costs can be considered reasonable.

The production costs adopted for the financial year 2024 to 2033 were projected as follow:

(RMB/tonne)	2024	2025	2026	2027	2028
Mining Operating Cost	67.20	70.56	74.09	77.79	81.68
Processing Operating Cost	45.00	30.00	28.00	25.00	25.00
Administration Cost, excl. Depreciation & Amortization	27.00	15.00	10.00	10.00	10.00
Selling Cost	1.60	1.50	1.30	1.30	1.30
Government Tax	5.00	10.00	13.00	13.00	13.00



(RMB/tonne)	2029	2030	2031	2032	2033
Mining Operating Cost	85.77	90.05	94.56	99.29	104.25
Processing Operating Cost	26.00	26.56	27.13	27.72	28.32
Administration Cost, excl. Depreciation & Amortization	10.00	10.22	10.44	10.66	10.89
Selling Cost	1.30	1.33	1.36	1.39	1.42
Government Tax	13.00	13.00	13.00	13.00	13.00

#### **8.5.4.4 Depreciation Expense**

The depreciation expense was estimated by the straight-line depreciation with 5% salvage rate of the property, plant and equipment for the year ended 31 December 2023 which was RMB 221,962,185, with a weighted average useful life of 15.11 years. The amount of RMB221,962,185 property, plant and equipment for the year ended 31 December 2023 from unaudited financial statements of the Business Enterprise for the year ended 31 December 2023, before the combined statements of financial position was available. The amount of RMB221,962,185 property, plant and equipment comprise buildings, machinery, transport and electronic equipment, which, after accounting adjustments, is equivalent to RMB111,813,000 buildings, RMB86,193,000 plant and machinery and RMB7,428,000 other equipment in note 15 of Appendix II ACCOUNTANTS' REPORT OF THE TARGET COMPANY. The depreciation expense also included straight-line depreciation of projects in progress, intangible assets and long-term deferred expenses with a useful life of 8 years, 13 years and 20 years respectively.

#### **8.5.4.5 Tax Expenses**

The income tax expense was estimated by adopting a China corporate tax rate of 25%.

#### **8.5.4.6 Net Income**

Net income was derived by subtracting operating costs, VAT related taxes, resources tax, income tax, depreciation and amortization expense from the revenue.



#### **8.5.4.7 Working Capital**

For the Project, the change in working capital was estimated with reference to the 3-year average historical working capital ratios of the Business Enterprise, as computed with reference to the audited financial statements of the Business Enterprise.

For the Project, the change in working capital was estimated with reference to the 3-year average historical working capital ratios 1.004 of the Business Enterprise, as computed with reference to the audited financial statements for FY2021 and FY2022 of the Business Enterprise and unaudited financial statements of the Business Enterprise for the year ended 31 December 2023, before the combined statements of financial position was available.

#### **8.5.4.8 Capital Expenditure**

As advised by the Management, there is no material capital expenditure from the financial year of 2024 to 2033, since they have been recognized in previous financial period.

#### **8.5.5 Market Value and Range of Value of the Project**

Based on the DCF method, assumptions stated above and in compliance with the VALMIN (2015), we determined a Technical Value for the Project of RMB 825,720,000. This Technical Value must then be adjusted by an appropriate market premium/discount value to derive the Market Value for the Project as required to comply with the VALMIN Code (2015).

To determine the market premium/discount, the Competent Evaluator reviewed global demand and supply information for iron ore and assessed potential market conditions.



Even though the price of iron ore industry was rising towards the end of 2023, there are still a lot of uncertainty heading into 2024 with the state of the iron ore industry. With higher scrap utilization and lower steel net export, it is believed that China's import is unlikely to exceed market expectations in 2024. Globally, iron ore demand could stagnate due to higher scrap use and greater blast-furnace efficiency could limit the need for imported ore. This explains why it is our opinion that the market premium/discount to be applied to the Technical Value should be the value 1.0. In other words, the Technical Value that has been determined represents the Market Value of the Project.

The VALMIN Code (2015) requires that a value range for the Project be determined and that within the range of values the Valuer states their preferred value. The Technical Value that we have determined is our Preferred Value, which is RMB825,720,000.

The low-end and high-end values for the Project were determined after analyses of the sensitivity data in section 8.5.6 below and included reference to the major risk factors associated with the Project as identified in section 10 below. A significant variable was the discount rate and accordingly we selected and estimated our value range based on this risk criterion. The Competent Evaluator believed the discount rate would be reasonably ranged from 11.98% - 7.98%. Hence, a discount rate of 11.98% was applied to arrive at the low-end value of the range; while a discount rate of 7.98% was applied to arrive at the high-end value of the range.

The application of these discount rates has provided a value range of RMB771,990,000 to RMB885,750,000. ROMA's preferred value is RMB825,720,000.

#### **8.5.6 Sensitivity Analyses**

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, sensitivity analyse was carried out on the Technical Value of the Project with respect to the discount rate from the status quo. The results of the sensitivity analyse for the valuation of the Project was as follows respectively:





Absolute Change in Discount Rate	Applied Discount Rate	Technical Value (RMB)
2.0%	11.98%	771,990,000
1.5%	11.48%	784,880,000
1.0%	10.98%	798,130,000
0.5%	10.48%	811,730,000
0.0%	9.98%	825,720,000
(0.5%)	9.48%	840,100,000
(1.0%)	8.98%	854,890,000
(1.5%)	8.48%	870,100,000
(2.0%)	7.98%	885,750,000

## 9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- Assume no significant difference in mineral resources between 31 December 2023 and 29 February 2024;
- As advised by the Management, the land rehabilitation cost have been incurred before, and assumed it is not significant for the financial year of 2024 to 2033;
- As advised by the Management, there is no capital expenditure from the financial year of 2024 to 2033, since they have been recognized in previous financial period;
- The iron ore operating costs were mainly based on the projection from the Management and the experience of the Management in the relevant iron ore and iron concentrate powder industry. Given the information we obtained, we assume the estimated operating costs provided by the Management can reasonably reflect the current market status of the Project;
- The Business Enterprise have free and uninterrupted rights to allocate the Project throughout the period until all Measured and Indicated resources adopted in the valuation are fully exploited and subject to no land premium or any payment to the government of a substantial amount;



- We noted that the Date of Valuation is earlier than the date of the Competent Person's Report. As advised by the Management, there was no material difference for all parameters as stated in the Competent Person's Report and Business Plan as at the Date of Valuation;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operate or intends to operate would be officially obtained and renewable upon expiry;
- The Business Enterprise will be operated as planned;
- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operate, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There exists a reliable and adequate transportation network and capacity for processing the mining products;
- There will be no major changes in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and the rates of tax payable shall remain unchanged and all applicable laws and regulations will be complied with;
- There will be no major changes in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Business Enterprise; and
- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

## **10. RISK FACTORS**

The following are the risk factors of the Business Enterprise and Project which have been considered in the valuation:



### **10.1 Reserves and Resources**

There is a possibility of failure to achieve projected grades and tonnages. Estimates of reserves and resources may also change when new information becomes available or new factors arise. There may be variability in the quality of the deposits which may impact the total tonnages produced. Interpretations and deductions of the geology and controls on the mineralization on which the reserve and resource estimates are based (i.e. past drilling, sampling and similar examination) may potentially be found to be inaccurate when further drilling or the commencement of actual production takes place. Any adjustment could affect the development and mining plans, which could materially and adversely affect the revenues and the valuation of the Project. There can be no assurance that the recovery from exploration assay tests will be the same under on-site conditions or in production-scale operations.

### **10.2 Future Prices and the Global Economy**

Revenues of the Project depend on future prices in general and they are highly sensitive to price fluctuations, both positively and negatively. A huge fall in prices would substantially reduce the valuation. The worst case is that the Project would become uneconomical.

### **10.3 Processing**

The operating cost estimates are based on a number of assumptions. The mining business is capital intensive and the development and exploitation of resources and reserves, the depreciation and unavailability of machinery and equipment and the expansion of production capacity will require substantial capital expenditures. There may be potential increases in operating costs which arise from unforeseen operating complexities due to increases in fuel price or inflation. Operations may not be completed within the scope of the time planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability, all of which could have a material adverse effect on the results of operations and the business.



#### **10.4 Operating Costs**

The operating cost estimates are based on a number of assumptions. The mining business is capital intensive and the development and exploitation of reserves and resources, the depreciation and unavailability of equipment and machinery, and the expansion of production capacity will require substantial capital expenditures. There may be potential increases in operating costs which arise from unforeseen operating complexities due to increases of the fuel price or inflation. Operations may not be completed within the scope of the time planned, original budgets may be exceeded, and the intended economic results or commercial viability may not be achieved. All of which could have a material adverse effect on the results of operations and the business.

#### **10.5 Tenements and Licenses Extension**

The mining license forms the basis of the value of the Project. There is a risk that the application to extend the term and enlarge the capacity of the mining and exploration license and/or other operating licenses might not be successful.

#### **10.6 Future Plans**

Any changes to the production plans or the differences between the future and the actual productions may happen. Those variances may or may not be material. Accordingly, the valuation outcome may change.

### **11. INFORMATION REVIEWED**

Our opinion requires consideration of relevant factors and information affecting the Market Value of the Project. The factors and information considered included, but were not necessarily limited to, the following:

- The Competent Person's Report;
- 抚顺兴洲矿业有限公司萝卜坎铁矿勘探报告;
- 抚顺罕王兴洲矿山地质环境保护与土地复垦方案;
- Historical sales contracts provided by the Management;



- A copy of the mining license of the Business Plan provided by the Management;
- Audited financial statements of the Business Enterprise for the years ended 31 December 2021 and 2022 provided by the Management;
- General descriptions of the Business Enterprise and the Project;
- Historical information of the Business Enterprise and the Project provided by the Management;
- Registrations and legal documents related to the Business Enterprise and the Project provided by the Management, including certificates of incorporation;
- Market trends of the iron ore mining industry; and
- Economic outlook in China.

We have assumed the accuracy of the information provided and relied to a considerable extent on such information in arriving at our opinion.

## **12. LIMITING CONDITIONS**

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on information such as the company background and business nature of the Business Enterprise and the Project provided to us.

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



We have relied to a considerable extent on the historical and/or prospective information provided by the Management and other third parties in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulations. Also, ownership of the Project was in responsible hands, unless otherwise stated in this report. The quality of the Management may have a direct impact on the viability of the business as well as the Market Value of the Project.

We have not investigated the title to or any legal liabilities of the Business Enterprise and the Project and have assumed no responsibility for the titles to the Project appraised.

Our conclusion of the Market Value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No changes to any item in any part of this report shall be made by anyone except ROMA. We accept no responsibility for any such unauthorized changes. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of ROMA through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.



This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of ROMA.

The working papers and models for this valuation are being kept in our files and would be available for further reference. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fees have been paid in full.

### **13. REFERENCES**

The list of sources of information cited in this report is stated as follows:

- Bloomberg; and
- The Competent Person's Report.

### **14. REMARKS**

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Project, the Company, the Business Enterprise and their holding companies, subsidiaries and associated companies, or the values reported herein.





## 15. OPINION OF VALUE

Based on the investigation and analysis stated above, the valuation method employed, and the sensitivity analyses performed, the Market Value of the Project as at the Date of Valuation, in our opinion, were reasonably stated as follows:

### *Market Value of the Project as at 31 December 2023*

	<i>Range of Value</i>	<i>Preferred Market Value</i>
	<i>RMB</i>	<i>RMB</i>
<b>Market Value of the Project :</b>	<b><u>771,990,000 to 885,750,000</u></b>	<b><u>825,720,000</u></b>

Yours faithfully,  
For and on behalf of  
**Roma Appraisals Limited**

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**Ian D. Buckingham**  
Competent Evaluator



## **Statement of Qualification of the Competent Evaluator – Ian D. Buckingham**

I, Ian D. Buckingham, hereby confirm that:

- I have carried out the assignment for Roma Oil and Mining Associates Limited, located at:

Suite 1101-4, 11/F, Harcourt House  
39 Gloucester Road, Wan Chai, Hong Kong  
Tel: (852) 2529 6878  
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- I graduated with Associateship and Fellowship Diplomas in Geology from Royal Melbourne Institute of Technology with extra studies in mining engineering and primary metallurgy, a Bachelor's Degree of Applied Science in Applied Geology from Victorian Institute of Colleges and a Master of Business Administration from RMIT University.
- I am a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM), Member of Petroleum Exploration Society of Australia (MPESA) and American Association of Petroleum Geologists (MAAPG).
- I understood the definition "Specialist" as set out in the VALMIN Code (2015). My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "Specialist" for the purpose of the valuation report.
- I have studied the revised Chapter 18 of the Hong Kong Listing Rules and understood the definition "Competent Evaluator". My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "Competent Evaluator" as set out in the listing rules for the purpose of the valuation report.
- I am the primary author responsible for the preparation and compilation of the valuation report.
- I have neither present nor prospective interests in the Project, the Business Enterprise, the Company or the values reported herein.



- I am not aware of any material fact or material change with respect to the subject matter of the valuation report that is not reflected in the valuation report.
- This report has been prepared in accordance with the guidelines set by the VALMIN Code (2015) established by the VALMIN Committee in Australia.



## **APPENDIX A - BUSINESS VALUATION**



## **Valuation of 96.62% equity interests in Fushun Xingzhou Mining Co., Ltd**

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In accordance with the instructions from the Company to us to conduct a business valuation on 96.62% equity interest in the Business Enterprise, we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the market value of 96.62% equity interest in the Business Enterprise as at the Date of Valuation.

### **1. PURPOSE OF BUSINESS VALUATION**

This appendix is prepared solely for the use of the directors and management of the Company. In addition, ROMA acknowledges that this appendix may be made available to the Company for public documentation reference purpose only.

ROMA assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this appendix. If others choose to rely in any way on the contents of this appendix they do so entirely at their own risk.

### **2. BASIS OF VALUATION**

Our valuation is based on going concern premise and conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council, **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”.



### 3. VALUATION METHODOLOGY

In arriving at the market value of 96.62% equity interest in the Business Enterprise, the Asset-based approach was employed to determine the appraised value of such equity interest in the Business Enterprise. The Asset-based approach specifically means the balances of cash, debt, non-operating assets and non-operating liabilities of the Business Enterprise to the preferred Market Value were adjusted on the preferred Market Value of the Project as at the Date of Valuation. Given that the Project has already been valued, the asset-based approach offers a suitable method to derive the value of the sale shares.

### 4. SUMMARY OF BUSINESS VALUATION

	<b>As at 31 December 2023 RMB</b>
Preferred Market Value of Project	825,720,000
Add: Cash	5,703,529
Less: Debt	(385,000,000)
Add: Non-Operating Assets	115,943
Less: Non-Operating Liabilities	0
Market Value of 100% Equity Interest	446,539,472
Marketability Discount	15.69%
Market Value of 100% Equity Interest After Marketability Discount	376,477,429
Equity Interest held by the Target Company	96.62%
96.62% Equity Interest held by the Target Company	363,752,492
<b>96.62% Equity Interest held by the Target Company (Rounded)</b>	<b>363,750,000</b>

*Note 1: Figures may not sum up due to rounding;*

*Note 2: Balances of cash, non-operating assets and non-operating liabilities were estimated with reference to the management accounts of the Business Enterprise as at 31 December 2023;*



*Note 3: The amount of RMB115,943 non-operating assets were other current assets of the Business Enterprise. As advised by the Management, the other current assets related to VAT retention from previous years, which were RMB103,899.87 VAT paid and RMB12,043.52 enterprise income tax payable from unaudited financial statements of the Business Enterprise for the year ended 31 December 2023, before the combined statements of financial position was available; and*

*Note 4: Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the result of the restricted stock study published in "Stout Restricted Stock Study 2023" by Stout Risius Ross, LLC, a discount for lack of marketability of 15.69% was adopted in arriving at the market value of the Business Enterprise as at the Date of Valuation.*

## **5. MAJOR ASSUMPTIONS**

- The unaudited financial statements of the Business Enterprise for the year ended 31 December 2023 can reasonably represent the Business Enterprise's financial positions as at the Date of Valuation since the audited financial statements of the Business Enterprise as at the Date of Valuation were not available;
- Assumed the book values of the cash, debt, non-operating assets and non-operating liabilities were equal to their market values;
- Assumed no legal and agency cost required for disposal;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;





- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and
- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.



## **6. OPINION OF VALUE**

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 96.62% equity interest in the Business Enterprise as at the Date of Valuation, in our opinion, was reasonably stated as **RMB363,750,000 (RENMINBI THREE HUNDRED SIXTY THREE MILLION SEVEN HUNDRED AND FIFTY THOUSAND ONLY).**



## **APPENDIX B - ABBREVIATIONS AND GLOSSARY**



$\mu$	Micron	kPa	kilopascal
$^{\circ}\text{C}$	degree Celsius	kVA	kilovolt-amperes
$^{\circ}\text{F}$	degree Fahrenheit	kW	kilowatt
$\mu\text{g}$	microgram	kWh	kilowatt-hour
A	ampere	L	litre
a	Annum	L/s	litres per second
Bbl	barrels	m	metre
bcm	bank cubic metre	M	Mega (million)
Btu	British thermal units	$\text{m}^2$	square metre
C\$	Canadian Dollars	$\text{m}^3$	cubic metre
cal	Calorie	Mad	moisture in air dry basis
CFM	cubic metres per minute	min	minute
cm	centimetre	MASL	metres above sea level
$\text{cm}^2$	square centimetre	mm	millimetre
d	Day	mph	miles per hour
dia	diameter	MVA	megavolt-amperes
dmt	dry metric tonne	MW	megawatt
dwt	deadweight ton	MWh	megawatt-hour
FC	fixed carbon	$\text{m}^3/\text{h}$	cubic metres per hour
FOB	free on board	opt, oz/st	ounce per short ton
ft	Foot	oz	Troy ounce (31.1035g)
ft/s	foot per second	oz/dmt	ounce per dry metric tonne
$\text{ft}^2$	square foot	ppm	part per million
$\text{ft}^3$	cubic foot	psia	pound per square inch absolute
g	Gram	Psig	pound per square inch gauge
G	giga (billion)	$Q_{gr}$	gross calorific value
Gal	Imperial gallon	$Q_{net}$	net calorific value
g/L	gram per litre	RL	relative elevation
g/t	gram per tonne	S	second
gpm	Imperial gallons per minute	SG	Specific Gravity
$\text{gr}/\text{ft}^3$	grain per cubic foot	St	sulphur content
$\text{gr}/\text{m}^3$	grain per cubic metre	ST	short ton



H	hydrogen
hr	Hour
ha	hectare
k	kilo (thousand)
kg	kilogram
km	kilometre
km <sup>2</sup>	square kilometre

T	metric tonne
Tpa	metric tonne per year
Tpd	metric tonne per day
RMB	Renminbi




# ROMA (META) GROUP

HKEx Stock Code: 8072

**Roma (Meta) Group Limited** is a Hong Kong listed company. ROMA provides diversified services with the highest standards of professionalism, including business and intangible assets valuation, risk advisory, natural resources consultation, financial instruments valuation, property valuation, purchase price allocation, machinery and equipment valuation, work of art valuation, corporate advisory, ESG (environmental, social and governance) reporting and credit and risk evaluation, etc.

## OUR SERVICES:





**TOGETHER > We Achieve**



### Members of Roma (Meta) Group Limited

Roma Appraisals Limited

Roma Oil and Mining Associates Limited

Roma Surveyors and Property Consultants Limited  
Licence No. : C-056458

Roma Credit and Risk Evaluation Limited

Roma Risk Advisory Limited

Roma Strategic Marketing Limited

M Success Finance Limited

Excellent Success Investments Limited  
SFC CE No. BIL 855

Leo Asset Management Limited  
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