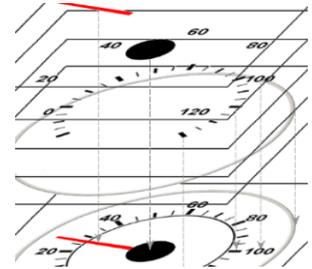




NEW JADE FACILITY

For discussion and decision, by **Peter Wok, MD JADE**



BACKGROUND



JADE has 3 manufacturing plants in Manta (making wid-jets[©], used in Tesselat[©] devices, for the medical sector, for which we are a strong player in Manta) at Manta City, Nateva City and TinSha.

The current principal production facility outside Manta City is now over 29 years old and, as has been reported previously, suffers regular outages caused by flooding. The facility is almost fully written off in our accounts. It is to the Operations Director Mr. Alvin Tamoo’s credit, that the company has always been able to recover without any material financial damage from these outages. A recent HSE report however raises major new issues.

The Manta City site represents 55% of our total production, 45% is shared by Nateva City and TinSha on a 30/70 split.

PROPOSAL



It is now proposed to close the existing Manta City site and build a new state of the art facility on the outskirts of Nateva City, where we have a small facility (providing only basic assembly for the local market).

The Nateva region is the fastest growing market for JADE, given the substantial and new infrastructure projects recently announced by the Mayor of the local Nateva government.

The existing facility in Nateva City would also be closed with a write off cost of Doz 20,000.

Please note there may be some small decontamination costs associated with the existing Manta site. In addition, there will be redundancy costs of Doz 210,000 and stay-pay supplements (one-off) of Doz 85,000. The cost of the land is not material. I propose that all the costs be written off over 20 years, the expected life of the new plant equipment.

COSTS

The table below shows the costs of the move. The amounts are in Doz.

Redundancy	210,000
Construction	530,000
Fit-Out	18,000
New machinery	120,000
Write-Off	20,000
Professional Fees	80,000
Agent Fees	40,000
Stay-Pay	85,000
Other (contingency)	<u>120,000</u>
	1,223,000

THE SITE & TRANSITION



Nateva Region has been reasonably stable since the political coup in 2012 was put down by state police.

We have secured an exclusive option on the site, which is uncontaminated, as a result of the excellent work of our agent in Nateva, Mr. Ole Peekdoe. He has paid on our behalf, a non-refundable deposit of Doz 90,000 to the vendors. This gave us 4 weeks exclusivity, and following further site inspections, we have until 29th October to sign the lease, which will be for 50 years with a break clause after 25 years. The rent, with quinquennial reviews, is yet to be agreed but is expected to be around Doz 398,000 pa.

As the Board will recall the factory requires particular site characteristics which are far from common – access to plentiful water and electricity, flat ground, good road transport etc. Space is at an absolute premium in Nateva City, and it is imperative that a decision to proceed is made quickly as there are other actively interested parties.

We are indeed fortunate that Ole was able to find this site as our extensive searches had yielded few options over the preceding 19 months.

The construction, commissioning and acceptance work at Nateva City will take nine months to complete, during which time production will remain in the existing facility in Manta City. I am delighted to report that Mr. Tamoo has agreed to relocate to Nateva City on completion of the new building. During the transfer phase, which is expected to be 3-6 months it will be possible, if necessary, to increase production

in the remaining facilities by up-to 30%, although this would not be sustainable for very long, and there would be a slight shortfall in the final month or so, in the Manta plant.

Production capacity of the new site vs old, is approx. doubled

EFFECT ON PLAN

We have recast the three-year plan for JADE as follows:

Doz m	FY2022	FY2023	FY2024	FY2025
<i>Original plan revenue</i>	8.2	7.6	12.1	n/a
New Revenue	8.2	7.4	12.3	15.2
<i>Original costs</i>	7.8	8.5	8.9	n/a
Costs	7.8	8.8	10.0	10.9
<i>Original profit</i>	0.4	-0.9	3.2	n/a
Operating Profit	0.4	-1.4	2.3	4.3

These numbers are not included in the plan previously agreed by the Board.

We believe that the investors understand the need to close our existing facility, but their models will not (yet) reflect an increased loss in JADE in 2023.

CONCLUSION

In view of the time constraints the Board is asked to APPROVE the project and DELEGATE the approval of final terms and signing authority to a sub-committee of the Board, made up of Mr. Tang and Mrs. Wang.

Peter Wok
MD JADE