

Ref. No.: PRC/0/7630/24



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Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

8 April 2024

The Board of Directors
Enviro Energy International Holdings Limited
20/F,
No. 9 Des Voeux Road West
Sheung Wan
Hong Kong

Dear Sirs/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the properties (the “**Property**”) held by Enviro Energy International Holdings Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) located in the People’s Republic of China (the “**PRC**”). We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the investment value of the Property as at 29 February 2024 (the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

Investment value (“**Investment Value**”) is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean “the value of an asset to a particular owner or prospective owner for individual investment.”

Investment Value “is an entity-specific basis of value that measures the value of the benefits of ownership to the current owner or to a prospective owner, recognizing that these may differ from those of a typical market participant. Although the value of an asset to the owner may be the same as the amount that could be realised from its sale to another party, this basis of value reflects the benefits received by an entity from holding the asset and, there, does not involve a presumed exchange.”

As the properties is restricted to be freely transferred or disposed of in the open market as at the Valuation Date (please refer to note No. 4 of “**Property Particulars and Opinion of Value**”) by the court. Therefore we adopt the Investment Value as the basis of valuation.

VALUATION METHODOLOGY

Based on the legal opinion obtained by the Group’s PRC legal adviser, China Commercial Law Firm (華商律師), dated 5 April 2024, the Property was sealed (查封) by the People’s Court and awaiting to be sealed (輪侯查封) by the Public Security Bureau which restricted the transfer or disposal of the Property in the open market. As at the Valuation Date, the Property was still sealed (查封) by the People’s Court and awaiting to be sealed (輪侯查封) by the Public Security Bureau. Accordingly, market approach which under assumption that the properties can be transacted in the open market may not be proper to be adopted.

Further based on the legal opinion, as the Property is legally held by the Group as at the Valuation Date, and despite the Property is sealed (查封) by the People’s Court and awaiting to be sealed (輪侯查封) by the Public Security Bureau, the act of seizure itself does not affect the validity of the existing lease agreements under the Property, but the lease agreements themselves should not be used against the plaintiff. Accordingly, the existing leases of the Property entered into between the Group and the leasees and their respective rental income are directly attributable to the Property as at the Valuation Date regardless of the restriction on transfer and disposal of the Property. As market approach may not be proper to be adopted, income approach is considered to be the most suitable, appropriate and common approach in accordance with the valuation standards and methods widely accepted by the valuation profession when estimating investment value of the Property as at the Valuation Date.

Term and Reversion Analysis is a common and suitable technique for the valuation of the properties subject to existing tenancies. This technique is used when the passing rent of a property differs from the market rent. It estimates the capital value of a property by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level.

In Term and Reversion Analysis, the total rental income of a property is divided into the current passing rental income over the existing lease term, namely the term income, and the potential reversionary rental income after the expiry of the existing lease term, known as the reversionary income. The term value involves the capitalisation of the term income over the existing lease term. The reversionary value involves the capitalisation of the reversionary income after the expiry of existing lease term until the land expiry date and it is then discounted back to the valuation date.

VALUATION CONSIDERATIONS

In valuing the Property, we have complied with all the requirements contained in Chapter 5, Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission and the International Valuation Standards 2022.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

- i. no deleterious or hazardous materials or techniques have been used in the construction of the Property;
- ii. as no tests were carried out on any of the services during our site inspection, we have assumed the Property is connected to main services and sewers which are available on normal terms; and
- iii. the cost of repairs and maintenance to the buildings of which the Property forms part are shared among all owners of the building, and that there are no onerous liabilities outstanding.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the Property. However, we have not examined the original documents to verify the existing titles to the Property or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company's PRC legal adviser, China Commercial Law Firm, concerning the real estate ownership of the Property.

LIMITING CONDITIONS

We have conducted on-site inspections in February 2024 by Mr. Fan Chuanpeng who has over 9 years of experience in property valuation.

During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

Should it be discovered that any contamination, subsidence or other latent defect exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied to a very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property. The plans including but not

limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Group. Neither have we verified the correctness of any information supplied to us concerning the Property.

POTENTIAL TAX LIABILITY

As advised by the Group, if the Property is to be sold, major potential tax liabilities include:

- VAT (5% to 9%)
- Land appreciation tax at progressive tax rates from 30% to 60%
- Stamp duty around 0.05%
- Deed tax around 3%

REMARKS

We have adopted the exchange rate of 1 RMB to 1.1075 Hong Kong Dollar. We have valued all the properties in Renminbi (RMB) and Hong Kong Dollar (HKD).

We enclose herewith the summary of values and the “Property Particulars and Opinion of Value”.



Jessie X. Chen
MRICS, MSc (Real Estate), BEcon
Senior Associate Director

Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

SUMMARY OF VALUES

No.	Property	Investment Value as at 29 February 2024 RMB
1.	Various retail shops located at Liaohai Commercial Street, Bayuquan District, Yingkou City, Liaoning Province, The PRC 位於中華人民共和國遼寧省營口市鮫魚圈區遼海商業街 之多個商鋪	34,000,000 (HK\$37,655,000)
2.	Kunlun Building (used to be known as Wuzi Composite Building), North of Huanghe Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC 中華人民共和國遼寧省營口市鮫魚圈區黃河路北昆侖大 廈（也稱為「物資綜合大廈」）	49,900,000 (HK\$55,264,000)
Total:		83,900,000 (HK\$92,919,000)

PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Investment Value as at 29 February 2024 RMB												
1.	<p>Various retail shops located at Liaohai Commercial Street, Bayuquan District, Yingkou City, Liaoning Province, The PRC</p> <p>位於中華人民共和國遼寧省營口市鮫魚圈區遼海商業街之多個商鋪</p>	<p>The property comprises 23 retail shops in two 4-storey commercial buildings completed in about 2015 erected on a parcel of land with a site area of approximately 10,364.00 sq.m. (111,557 sq.ft.).</p> <p>The total gross floor area of the property is approximately 7,890.93 sq.m. (84,741 sq.ft.) with details as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Approx. GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>1/F</td> <td style="text-align: right;">1,877.49</td> </tr> <tr> <td>2/F</td> <td style="text-align: right;">1,877.49</td> </tr> <tr> <td>3/F</td> <td style="text-align: right;">2,549.51</td> </tr> <tr> <td>4/F</td> <td style="text-align: right;">1,586.44</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">7,890.93</td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term expiring on 7 December 2082 for residential use.</p>	Floor	Approx. GFA (sq.m.)	1/F	1,877.49	2/F	1,877.49	3/F	2,549.51	4/F	1,586.44	Total	7,890.93	<p>Portion of the property with a total gross floor area of approximately 4,762.50 sq.m. is subject to various tenancy agreements with a total annual rental income of approximately RMB454,490 which the latest one expiring on 4 December 2029, while the remaining portion with a total gross floor area of 3,128.43 sq.m. is vacant.</p>	<p>34,000,000 (RENMINBI THIRTY FOUR MILLION ONLY)</p> <p>100% interest attributed to the Group: RMB34,000,000</p>
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Total	7,890.93															

Notes:

- Pursuant to two State-owned Land Use Rights Certificates — Ying Kou Guo Yong (2013) No. 6003 and 6004 (營口國用(2013)第6003號-6004號) dated 8 January 2013, the land use rights of Liaohai Garden with a site area of 10,364.00 sq.m. have been granted for a term of 70 years expiring on 7 December 2082 for residential use. The Land Use Rights Certificates was held under Yingkou Liao Hai Real Estate Development Co., Ltd. (營口遼海房地產開發有限公司) because it was for the whole site where the development, of which the properties located within, erected on. After issuance of building ownership certificate of individual units (see below), the land use right has been allocated to respective portion of the development. We have relied on this for the land use right tenure.
- Pursuant to 23 Real Estate Title Certificates — Fang Quan Zheng Xiong Zi No. 20151200961 (房權證熊字第 20151200961號, 下同), Nos. 20151200965–20151200969, No. 20151200971, No. 20151200972, No. 20151200974, No. 20151200975, No. 20151200978, No. 20151200980, No. 20151200983, No. 20151200986, No. 20151200988, No. 20151200991, No. 20151200994, No. 20151200995, No. 20151200997, No. 20151200999 and Nos. 20151201001–20151201003 dated 31 December 2015, the ownership of the property with a total gross floor area of approximately 7,890.93 sq.m., has been vested in Huan Neng International Trading (Yingkou) Co., Ltd (環能國際貿易(營口)有限公司) (“**Huan Neng Yingkou**”), a wholly owned subsidiary of the Company, for commercial use.

3. In the course of valuation, we have considered and analysed rental comparables in the same district of Bayuquan. These comparables are adopted as they are considered relevant to the property in terms of usage, physical and locational attributes. The unit rents of the adopted comparables range from RMB18.1 to RMB19.6 per sq.m. per month on the basis of gross floor area. The unit rents adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustment in terms of different attributes. The parameters adopted in our valuation are listed below:

Term Yield:	3%
Reversionary Yield:	3.5%
Market Rent:	RMB19 per sq.m. per month on the basis of gross floor area
Vacancy Rate:	5%

4. Refer to the legal opinion by the Group's PRC legal adviser, China Commercial Law Firm (華商律師), dated 5 April 2024, regarding the legal title of the property as at the date of the legal opinion, which contains, inter alia, the followings:
- i. the property is legally held by Huan Neng Yingkou;
 - ii. the property is subject to a mortgage in favour of Yingkou Coastal Bank (營口沿海銀行);
 - iii. the ownership of the property as at the valuation date was sealed (查封) by the People's Court and awaiting to be sealed (輪候查封) by the Public Security Bureau therefore the property cannot be freely transferred or disposed of in the market; and
 - iv. if Huan Neng Yingkou fail to fulfill the obligations determined by the legal instruction in accordance with the execution notice, the relevant court have the right to dispose the property by the way of auction, sale, etc and use the proceeds to pay off Huan Neng Yingkou related debts.

PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Investment Value as at 29 February 2024 RMB																																										
2.	Kunlun Building (used to be known as Wuzi Composite Building), North of Huanghe Road, Bayuquan District, Yingkou City, Liaoning Province, the PRC 中華人民共和國 遼寧省 營口市 鮫魚圈區 黃河路北 昆侖大廈 (也稱為「物資綜合大廈」)	The property comprises a twelve-storey composite building erected on a parcel of land with a total site area of approximately 4,320.00 sq.m. (46,500 sq.ft). The property was built in around 1995 while the major refurbishment was completed in May 2016. The total gross floor area of the property is approximately 17,800 sq.m. (191,598 sq.ft.) with details as below:	Portion of the property with a total gross floor area of approximately 4,562.52 sq.m. is subject to various tenancy agreements with a total annual rental income of approximately RMB623,636 which the latest one expiring on 31 May 2028, while the remaining portion with a total gross floor area of 13,237.48 sq.m. is vacant.	49,900,000 (RENMINBI FORTY NINE MILLION AND NINE HUNDRED THOUSAND ONLY) 100% interest attributed to the Group: RMB49,900,000																																										
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Approx. GFA (sq.m.)</th> </tr> </thead> <tbody> <tr><td>1/F</td><td>Retail</td><td style="text-align: right;">2,231.78</td></tr> <tr><td>2/F</td><td>Retail</td><td style="text-align: right;">2,405.13</td></tr> <tr><td>3/F</td><td>Retail</td><td style="text-align: right;">2,354.22</td></tr> <tr><td>4/F</td><td>Office</td><td style="text-align: right;">1,343.80</td></tr> <tr><td>5/F</td><td>Office</td><td style="text-align: right;">1,343.80</td></tr> <tr><td>6/F</td><td>Office</td><td style="text-align: right;">1,354.26</td></tr> <tr><td>7/F</td><td>Office</td><td style="text-align: right;">1,354.26</td></tr> <tr><td>8/F</td><td>Office</td><td style="text-align: right;">1,354.26</td></tr> <tr><td>9/F</td><td>Office</td><td style="text-align: right;">1,354.26</td></tr> <tr><td>10/F</td><td>Office</td><td style="text-align: right;">1,308.61</td></tr> <tr><td>11/F</td><td>Office</td><td style="text-align: right;">820.84</td></tr> <tr><td>12/F</td><td>Office</td><td style="text-align: right;">574.77</td></tr> <tr> <td>Total</td> <td></td> <td style="text-align: right;">17,800.00</td> </tr> </tbody> </table>	Floor	Usage	Approx. GFA (sq.m.)	1/F	Retail	2,231.78	2/F	Retail	2,405.13	3/F	Retail	2,354.22	4/F	Office	1,343.80	5/F	Office	1,343.80	6/F	Office	1,354.26	7/F	Office	1,354.26	8/F	Office	1,354.26	9/F	Office	1,354.26	10/F	Office	1,308.61	11/F	Office	820.84	12/F	Office	574.77	Total		17,800.00		
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The land use rights of the property have been granted for a term expiring on 1 June 2033 for composite use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Ying Kou Guo Yong (2014) Di No. 5080 (營口國用(2014)第5080號) dated 5 September 2015, the land use rights of the property with a site area of 4,320.00 sq.m. have been granted to Liaoning Taoqibao Shopping Mall Management Co., Ltd. (遼寧淘氣寶商城管理有限公司) (“**Liaoning Taoqibao**”), a wholly-owned subsidiary of the Company, for a term expiring on June 2033 for composite use.
2. Pursuant to a Real Estate Title Certificate — Ba Fang Quan Zheng Zi Di No. 00522737 (鹹房權證字第00522737號) dated 26 August 2014, the ownership of the property with a total gross floor area of approximately 17,800.00 sq.m., has been vested in Liaoning Taoqibao for other uses.
3. For Term and Reversion Analysis, we have considered and analysed rental comparables of retail and office units in the same district of Bayuquan. These comparables are adopted as they are considered relevant to the property in terms of usage, physical and locational attributes. The unit rents of the adopted retail comparables range from RMB67.9 to RMB80.6 per sq.m. per month on the basis of gross floor area, and the unit rents of the adopted office comparables range from RMB14.9 to RMB19.2 per sq.m. per month on the basis of gross floor area. The unit rents adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustment in terms of different attributes. The parameters adopted in our valuation are listed below:

Term Yield: 2%

Reversionary Yield: 3%

Market Rent: Retail: RMB72.9 per sq.m. per month on the basis of gross floor area

Office: RMB16.9 per sq.m. per month on the basis of gross floor area

Vacancy Rate: 5%

4. Refer to the legal opinion by the Group’s PRC legal adviser, China Commercial Law Firm (華商律師), dated 5 April 2024, regarding the legal title of the property as at the date of the legal opinion, which contains, inter alia, the followings:
 - i. the property is legally held by Liaoning Taoqibao;
 - ii. the property is subject to a mortgage in favour of Yingkou Coastal Bank (營口沿海銀行);
 - iii. the ownership of the property as at the valuation date was sealed (查封) by the People’s Court and awaiting to be sealed (輪候查封) by the Public Security Bureau therefore the property cannot be freely transferred or disposed of in the market; and
 - iv. if Liaoning Taoqibao fail to fulfill the obligations determined by the legal instruction in accordance with the execution notice, the relevant court have the right to dispose the property by the way of auction, sale, etc and use the proceeds to pay off Liaoning Taoqibao related debts.