

Our Reference No.: V24048/HCH/SCH

23 August 2024

**Enviro Energy International Holdings Limited**

The Board of Directors

20/F

No. 9 Des Voeux Road West

Sheung Wan

Hong Kong

Dear Sirs/Madams,

**Valuation of Various Retail Shops Located at Liaohai Commercial Street, Bayuquan District, Yingkou City, Liaoning Province, The People's Republic of China; and Enviro Energy International Logistics Building, North of Huanghe Road, Bayuquan District, Yingkou City, Liaoning Province, The People's Republic of China (the "Properties")**

We refer to the instruction from Enviro Energy International Holdings Limited (hereinafter refer to the "Company") for us to carry out valuation of the Properties held by the Company together with its subsidiaries (the "Group") located in the People's Republic of China, detail of which are set out in the attached valuation certificates. We confirm that we have made relevant investigation and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 30 June 2024 ("Valuation Date").

**VALUATION STANDARDS AND BASIS**

In valuing the property interests, we have complied with relevant requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the "HKIS Valuation Standards (2020 Edition)" published by the Hong Kong Institute of Surveyors.

Our valuation is conducted on market value basis. 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"*.

Market value is understood as the value of an asset or liability estimated without regard to cost of sales or purchases (or transactions) and without offsetting any associated taxes or potential taxes.

## **VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

## **VALUATION METHODOLOGY**

Market approach refers to a valuation approach which estimates the value of an asset by comparing it with comparable assets for which price information is available. However, there are insufficient comparable market transactions available for the derivation of the fair value of the Property, we considered the market approach is not applicable for the valuation.

Income Approach is a valuation approach commonly adopted for income-producing properties such as offices, shops and arcades. We have adopted the income approach to value the property interests as the properties are subject to various tenancies with rental income. The technique used in this valuation by Income Approach is Term and Reversion Method.

Term and Reversion Method is a suitable technique for the valuation of 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 Method, 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 expiry date of land lease and it is then discounted back to the valuation date.

## **SOURCE OF INFORMATION**

We have relied on a considerable extent on the information provided by the Company and have accepted the advice given to us on such matters as tenure, planning approvals, statutory notices, easements, site area, gross floor area, tenancy schedule and all other relevant matters. All documents and contracts are for reference only, while all dimensions, measurement and area are approximations.

We have had no reason to doubt the accuracy and legitimacy of the information provided to us, which are material to the valuation. We also made enquiries to the Company and were confirmed that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to form an informed opinion and have no reason to doubt any material information hidden.

We have been provided with copies of the title documents relating to the Property, however due to the nature of the land registration system in the PRC, land search cannot be done on the title of the Properties nor have we scrutinized all the original documents to verify the land use right and encumbrances or to ascertain subsequent amendments, if any, which may not appear on the copies handed to us.

## **PROPERTY INSPECTION**

The Properties were inspected by our colleague, Mr. Wang Tieliang, on 5 June 2024, to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations.

We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation is on the basis that these aspects are satisfactory.

Unless stated otherwise, all currencies are in Renminbi (“RMB”).

We enclose herewith our valuation certificates.

Yours Faithfully

For and on behalf of

**PSA (HK) Surveyors Limited**

A handwritten signature in black ink, appearing to be 'H. Chan', written in a cursive style.

Harry C W Chan

*FHKIS, MRICS, MCIREA, RPS(GP)*

*Managing Director*

*Valuation & Advisory Services*

*Notes:*

*Mr. Harry Chan is a Registered Professional Surveyor (General Practice) with over 30 years' experience in asset valuation in Hong Kong and Mainland China. Mr. Chan is a fellow member of The Hong Kong Institute of Surveyors, a corporate member of Royal Institution of Chartered Surveyors and a member of China Institute of Real Estate Appraisers and Agents.*

Encl.

### SUMMARY OF VALUES

No.	Property	Capital Value in Existing State as at 30 June 2024 (RMB)
1.	Various retail shops located at Liaohai Commercial Street, Bayuquan District, Yingkou City, Liaoning Province, The People's Republic of China 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	33,500,000
2.	Enviro Energy International Logistics Building (formerly known as Kunlun Building), North of Huanghe Road, Bayuquan District, Yingkou City, Liaoning Province, The People's Republic of China 中華人民共和國遼寧省營口市鮫魚圈區黃河路北環能國際物流大廈 (前稱為「昆侖大廈」)	46,900,000
<b>Total:</b>		<b>80,400,000</b>

### VALUATION CERTIFICATE

Property	Description and Tenure	Details of Occupancy	Capital Value in Existing State as at 30 June 2024	
1.	<p>Various retail shops located at Liaohai Commercial Street, Bayuquan District, Yingkou City, Liaoning Province, The People's Republic of China</p> <p>位於中華人民共和國遼寧省營口市鮎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 located in Bayuquan District, Yingkou City. The property is for commercial use. The Property was completed in around 2015.</p> <p>The total gross floor area of the property is about 7,890.93 square meters (84,741 square feet).</p> <p>The land use rights of the property are for residential use with a land use term expiring on 7 December 2082.</p>	<p>As at the Valuation Date, the property was partially leased and partially vacant.</p> <p>Portion of the property with a total GFA of approximately 3,985.68 sq.m. has been tenanted for several terms of 1 to 10 years and the total monthly rent received in June 2024 was about RMB 23,400.</p> <p>The remaining portion with a total gross floor area of 3,905.25 sq.m. was vacant.</p>	<p><b>RMB 33,500,000</b>                      (Renminbi Thirty-Three Million and Five Hundred Thousand Only)</p>

**Notes:**

1. According to 23 Real Estate Title Certificates (Fang Quan Zheng Xiong Zi No. 20151200961, 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:
  - a. Owner: Enviro Energy International Trading (Yingkou) Co., Ltd, a wholly owned subsidiary of the Company
  - b. Total gross floor area: approximately 7,890.93 sq.m.,
  - c. Use: Commercial
2. For Term and Reversion Method, 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 RMB16.4 to RMB29.6 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:	RMB17.91 per sq.m. per month

3. The opinion of the legal adviser, China Commercial Law Firm, regarding the legal title of the property on the PRC laws dated 5 April 2024 states that:
  - a. The property is legally held by Enviro Energy International Trading (Yingkou) Co., Ltd;
  - b. The property is subject to a mortgage in favour of Yingkou Coastal Bank;
  - c. The ownership of the property as at the Valuation Date was sealed by the People's Court and awaiting to be sealed by the Public Security Bureau therefore the property cannot be freely transferred or disposed of in the market; and
  - d. If Enviro Energy International Trading (Yingkou) Co., Ltd 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 Enviro Energy International Trading (Yingkou) Co., Ltd related debts.
  
4. This valuation is based on the following assumptions:
  - a. The registered land use holder owns the land use right of the property and has the right to use and control the proceeds of the property during the validity period.
  - b. The property is freely assignable to both local and foreign buyers.

### VALUATION CERTIFICATE

No	Property	Description and Tenure	Details of Occupancy	Capital Value in Existing State as at 30 June 2024																																										
2.	Enviro Energy International Logistics Building (formerly known as Kunlun Building), North of Huanghe Road, Bayuquan District, Yingkou City, Liaoning Province, The People's Republic of China  中華人民共和國遼寧省營口市鮫魚圈區黃河路北環能國際物流大廈(前稱為「昆侖大廈」)	<p>The property is a twelve-storey composite building located in Bayuquan District, Yingkou City. The property is erected on a parcel of land with a total site area of approximately 4,320.00 sq.m. (46,500 sq.ft). The property is for commercial use. The Property was completed in around 1995 and refurbished in May 2016.</p> <p>The total gross floor area of the property is approximately 17,800 sq.m. (191,598 sq.ft.). Area breakdown of the property is as follows:</p> <table border="1"> <thead> <tr> <th>Floor</th> <th>Usage</th> <th>Approx. GFA (sq.m.)</th> </tr> </thead> <tbody> <tr><td>1/F</td><td>Retail</td><td>2,231.80</td></tr> <tr><td>2/F</td><td>Retail</td><td>2,405.09</td></tr> <tr><td>3/F</td><td>Retail</td><td>2,354.19</td></tr> <tr><td>4/F</td><td>Office</td><td>1,343.78</td></tr> <tr><td>5/F</td><td>Office</td><td>1,343.78</td></tr> <tr><td>6/F</td><td>Office</td><td>1,354.24</td></tr> <tr><td>7/F</td><td>Office</td><td>1,354.24</td></tr> <tr><td>8/F</td><td>Office</td><td>1,354.24</td></tr> <tr><td>9/F</td><td>Office</td><td>1,354.24</td></tr> <tr><td>10/F</td><td>Office</td><td>1,308.48</td></tr> <tr><td>11/F</td><td>Office</td><td>821.16</td></tr> <tr><td>12/F</td><td>Office</td><td>574.76</td></tr> <tr> <td><b>Total</b></td> <td></td> <td><b>17,800.00</b></td> </tr> </tbody> </table>	Floor	Usage	Approx. GFA (sq.m.)	1/F	Retail	2,231.80	2/F	Retail	2,405.09	3/F	Retail	2,354.19	4/F	Office	1,343.78	5/F	Office	1,343.78	6/F	Office	1,354.24	7/F	Office	1,354.24	8/F	Office	1,354.24	9/F	Office	1,354.24	10/F	Office	1,308.48	11/F	Office	821.16	12/F	Office	574.76	<b>Total</b>		<b>17,800.00</b>	<p>As at the Valuation Date, the property was partially leased and partially vacant.</p> <p>Portion of the property with a total GFA of approximately 4,257.72 sq.m. has been tenanted for several term of 1 to 5 years and the total monthly rent received in June 2024 was about RMB 35,253.</p> <p>The remaining portion with a total gross floor area of 13,542.28 sq.m. was vacant.</p>	<p><b>RMB 46,900,000</b>                      (Renminbi Forty-Six Million and Nine Hundred Thousand Only)</p>
Floor	Usage	Approx. GFA (sq.m.)																																												
1/F	Retail	2,231.80																																												
2/F	Retail	2,405.09																																												
3/F	Retail	2,354.19																																												
4/F	Office	1,343.78																																												
5/F	Office	1,343.78																																												
6/F	Office	1,354.24																																												
7/F	Office	1,354.24																																												
8/F	Office	1,354.24																																												
9/F	Office	1,354.24																																												
10/F	Office	1,308.48																																												
11/F	Office	821.16																																												
12/F	Office	574.76																																												
<b>Total</b>		<b>17,800.00</b>																																												

The land use rights of the property are for composite use for a term expiring on 1 June 2033.

**Notes:**

1. According to the State-owned Land Use Rights Certificate (Ying Kou Guo Yong (2014) No. 5080) dated 5 September 2015:
  - a. The Land Use Right Holder: Liaoning Taoqiabao Shopping Mall Management Co., Ltd., a wholly owned subsidiary of the Company
  - b. Site area: 4,320.00 sq.m



- c. Type of Land (Use): Composite
- d. Expiry Date: 1 June 2033

2. According to the Real Estate Title Certificate (Ba Fang Quan Zheng Zi No. 00522737) 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 Method, 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 RMB47.6 to RMB77.3 per sq.m. per month on the basis of gross floor area, and the unit rents of the adopted office comparables range from RMB13.9 to RMB20.0 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:	3.6%
Market Rent:	Retail: RMB65.7 per sq.m. per month Office: RMB16.8 per sq.m. per month

4. The opinion of the legal adviser, China Commercial Law Firm, regarding the legal title of the property on the PRC laws dated 5 April 2024 states that:
  - a. The property is legally held by Liaoning Taoqibao Shopping Mall Management Co., Ltd.;
  - b. The property is subject to a mortgage in favour of Yingkou Coastal Bank;
  - c. The ownership of the property as at the valuation date was sealed by the People's Court and awaiting to be sealed by the Public Security Bureau therefore the property cannot be freely transferred or disposed of in the market; and
  - d. If Liaoning Taoqibao Shopping Mall Management Co., Ltd. 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 Shopping Mall Management Co., Ltd. related debts.
5. This valuation is based on the following assumptions:
  - a. The registered land use holder owns the land use right of the property and has the right to use and control the proceeds of the property during the validity period.
  - b. The property is freely assignable to both local and foreign buyers.