*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED**
**鴻承環保科技有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 2265)**

# SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION ACQUISITION OF THE TARGET COMPANY

Reference is made to the announcement of Company dated 26 January 2026 (the "**Announcement**") in relation to the Acquisition. Unless otherwise specified, capitalised terms herein shall have the same meanings as those defined in the Announcement. The Company wishes to provide additional information in relation to the Acquisition in the Announcement as follows:

## THE VALUATION

As disclosed in the Announcement, the consideration of RMB71,170,000 of the Acquisition was determined with reference to (a) the audited net asset value as at 31 December 2025 of the Target Company; (b) the appraised value of the entire equity (excluding the value of the Excluded Assets consequent to the Demerger) of the Target Company as at 31 December 2025 as shown in an appraisal report prepared by an independent valuer (the "**Appraisal Report**"), using the asset-based approach; and (c) long-term strategic complementarity.

### Valuation Methodology

According to the Appraisal Report, the Valuer considered all commonly adopted valuation approaches in the market (namely asset-based approach, income approach and market approach) for the purpose of determining the market value of the Equity Interest as at the valuation benchmark date.

The Valuer determined that the asset-based approach was the most suitable method for this valuation. The rationale for the selection and exclusion of methods is as follows:

The asset-based approach refers to the valuation method that determines the value of the subject of valuation based on the balance sheet of the subject as at the valuation benchmark date, by reasonably assessing the value of various on-balance sheet and off-balance sheet assets and liabilities of the enterprise. This method was adopted because the Target Company possesses complete accounting record information, the ownership of assets and liabilities is clear, and relevant materials are relatively complete, allowing for a reasonable assessment of value.

The income approach refers to the valuation method that determines value by capitalising or discounting expected earnings. It was deemed inappropriate because the factory of the Target Company, being the principal assets of the Target Company, has not yet formally started production and operation, and therefore has no stable cash flow.

The market approach refers to the valuation method that determines value by comparing the subject with comparable listed companies or transaction cases. It was deemed inappropriate because the domestic capital market currently lacks comparable listed companies similar to the Target Company. Furthermore, transaction information in the equity trading market for non-listed companies is not public, making it difficult to obtain relatively complete equity transaction cases of similar enterprises.

**Key Inputs and Computation Process of the Valuation**

According to the Appraisal Report, as at 31 December 2025 which is the valuation benchmark date, the appraised value of the Equity Interest equals to the appraised value of total assets minus the appraised value of total liabilities of the Target Company.

**I. Valuation of assets and liabilities of the Target Group**

| | **Key assumptions and inputs** | **Book Value as at 31 December 2025** *(RMB)* | **Appraised Value as at 31 December 2025** *(RMB)* |
|---|---|---|---|
| **Assets** | | | |
| Bank balance and cash | Note 1 | 342,712.13 | 342,712.13 |
| Trade receivables | Note 1 | 422.94 | 422.94 |
| Other receivables | Note 1 | 8,893,049.68 | 8,893,049.68 |
| Inventory | Note 1 | 1,862,765.77 | 1,862,765.77 |
| Fixed assets | Note 2 | 4,233,561.06 | 4,188,455.41 |

| | Key assumptions and inputs | Book Value as at 31 December 2025 *(RMB)* | Appraised Value as at 31 December 2025 *(RMB)* |
|---|---|---|---|
| Construction in progress | Note 3 | 164,352,706.32 | 152,448,448.98 |
| Intangible assets | Note 4 | 50,191,491.78 | 54,123,145.29 |
| **Total Assets** | | **229,876,709.68** | **221,859,000.20** |
| **Liabilities** | Note 5 | | |
| Short term borrowings | | 10,000,000.00 | 10,000,000.00 |
| Trade payables | | 23,059,370.44 | 23,059,370.44 |
| Other payables | | 76,116,792.67 | 76,116,792.67 |
| Tax payables | | 316,937.09 | 316,937.09 |
| Long term borrowings | | 34,850,000.00 | 34,850,000.00 |
| **Total Liabilities** | | **144,343,100.20** | **144,343,100.20** |
| **Net assets/Equity value** | | **85,533,609.48** | **77,515,900.00** |

**Notes on key assumptions and inputs:**

1. For bank balance and cash, trade receivables, other receivables and inventory, the Valuer verified and analyzed their nature and considered that their book values reasonably represent their fair values as at 31 December 2025.

2. Fixed assets consist of general machinery and equipment, based on the characteristics and actual condition of the valuation subjects, combined with materials provided by the Target Company and data held by the Valuer, as well as on-site inspections, the Valuer decides to adopt the cost method as the primary approach for this valuation. This method involves calculating the replacement cost or reconstruction cost of the valuation subject at the valuation benchmark date, and deducting depreciation (Straight-line depreciation over 3–10 years).

   The formula is: Appraised Value = Replacement Cost (or Reconstruction Cost) × Comprehensive Newness Rate

3. Construction in progress includes: (1) engineering works such as buildings, structures, and other above-ground attachments; and (2) equipment sets for the sulfuric acid production line, amidosulfonic acid production line, and magnesium sulfate production line, as well as general administrative equipment and facilities, which have not yet been officially put into production.

   The cost method is adopted. This method accounts for reasonable expenditures already incurred by the project, including construction and installation engineering fees, equipment purchase costs, preliminary engineering fees, management fees, cost of capital, etc. The appraised value is determined after excluding unreasonable expenditures (such as extra losses from work stoppages/idleness, or ineffective investments).

   The formula is: Appraised Value = Replacement Cost × Comprehensive Newness Rate.

   As the construction site began at June 2022, depreciation was applied, resulting in the Comprehensive Newness Rate ranging from 80% to 95%.

4. The intangible asset refers to land use rights of a parcel of industrial land located in Yinhai Chemical Industrial Park, Laizhou city, Shandong province, the PRC, with a total gross site area of approximately 175,155.81 sq.m. The land is evaluated using the benchmark land price coefficient correction method (基準地價係數修正法) as the land is within the coverage area of the Laizhou City Land Grade and Benchmark Land Price Table《萊州市土地級別及基準地價表》.

   The Valuer concluded that the appraised unit price of the land use right of the abovementioned property is RMB309 per square meter.

5. All items of liabilities are cited from the financial statement as of 31 December 2025. After verification and analysing their natures, the Valuer considered that the book values fully reflected the indebtedness of the Target Group, and thus the entire amount was adopted in the valuation.

**Valuation Assumptions**

In this valuation, the Valuer followed the following basic assumptions:

1. Going Concern Assumption

   This valuation is premised on a going concern basis. Going concern refers to the assumption that the operational and management activities of the entity being appraised can continue indefinitely and will not be affected by factors such as its quality or other reasons.

2. Continued Use of Assets Assumption

   The continued use of assets assumption refers to the assumption made during the valuation that the assets being appraised can continue to be used. The valuation methods, parameters, and basis are determined accordingly.

3. Transaction Assumption

   The transaction assumption assumes that all assets to be appraised are already in the process of being traded. The appraisers estimate the value based on simulated market conditions such as the transaction terms of the assets being appraised. The transaction assumption is one of the most fundamental prerequisites for asset valuation to proceed.

4. Open Market Assumption

   The open market assumption assumes that for assets traded in the market, or assets intended to be traded in the market, both parties to the asset transaction have equal status and both have the opportunity and time to obtain sufficient market information, so as to make rational judgments regarding the function, usage, and transaction price of the assets. The open market assumption is based on the premise that assets can be publicly bought and sold in the market.

**View of the Board**

The Board has reviewed the Appraisal Report, focusing on the methodology adopted, its key assumptions and the financial information of the Target Company. Considering that (i) the Valuer has the necessary professional qualifications and relevant experience to perform the valuations of the Target Company, and is independent from the Company; (ii) the scope of work carried out by the Valuer is appropriate for the relevant assessments; and (iii) the valuation assumptions and methodology adopted by the Valuer for the relevant assessments are fair and reasonable, the Board is of the view that the valuation that formed the basis of the consideration is fair and reasonable. The total consideration of RMB71,170,000 represents a discount of approximately 8.2% to the appraised value of the Equity Interest (RMB77,515,900). Taking into account the discount to the appraised value and the strategic benefits the Acquisition, the Board considers that the consideration is fair and reasonable.

By order of the Board
**HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED**
**Liu Zeming**
*Chairman and Executive Director*

Hong Kong, 9 February 2026

*As at the date of this announcement, the Board comprises Mr. Liu Zeming, Mr. Zhan Yirong and Mr. Sheng Haiyan as the executive Directors; and Mr. Zhang Shijun, Ms. Liu Ye and Mr. Lau Chung Wai as the independent non-executive Directors.*