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Datang Environment Industry Group Co., Ltd.*
大唐環境產業集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1272)

SUPPLEMENTAL ANNOUNCEMENT
CONNECTED TRANSACTION – DISPOSAL OF ASSET

Reference is made to the announcement of Datang Environment Industry Group Co., Ltd.* (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 May 2026 (the “**Announcement**”) regarding the connected transaction in relation to the disposal of all the assets under The Water Management Centre Project of Yan’an Thermal Power Plant (延安熱電水務管理中心項目) (the “**Target Assets**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

This announcement is to provide supplemental information regarding the connected transaction in relation to the Target Assets.

INFORMATION ON PROFIT OR LOSS ATTRIBUTABLE TO THE TARGET ASSETS

The Target Assets are fixed assets used in the Project and did not constitute a standalone business or cash-generating unit with separate revenue, cost, administrative expenses, finance costs or taxation records. Accordingly, the net profit/(loss) before and after taxation attributable to the Target Assets for the two years ended 31 December 2024 and 2025 is not available.

The Project was operated by Water Engineering & Technology Yan'an Branch, which is a branch office of Water Engineering & Technology and not a separate legal entity or subsidiary, and therefore did not independently account for or pay corporate income tax, making net profit after taxation incalculable. As for the net profit/(loss) before taxation, administrative expenses, finance costs and other indirect expenses were centrally managed and borne by Water Engineering & Technology at the head office level without allocation to individual branches or projects. Therefore, it is unable to determine such expenses attributable to the Project and cannot derive the net profit/(loss) before taxation. Accordingly, the net profit/(loss) before and after taxation attributable to the Project for the two years ended 31 December 2024 and 2025 is not available.

For Shareholders' reference only, based on the unaudited internal records of the Project, the unaudited gross profit/(loss) of the Project for the two years ended 31 December 2024 and 2025 was a gross profit of RMB5,980,500 and a gross loss of RMB3,920,200, respectively.

INPUT PARAMETERS, CALCULATION PROCESS AND KEY ASSUMPTIONS OF THE ASSET VALUATION REPORT

The Target Assets are all the assets under the Project located at the Datang Yan'an Thermal Power Plant in Baota District, Yan'an City, Shaanxi Province, the PRC, including a number of buildings (the "**Buildings**"), building structures (the "**Building Structures**"), machinery equipment (the "**Machinery Equipment**") and electronic equipment (the "**Electronic Equipment**") owned by Water Engineering & Technology (a total of 138 items).

The PRC Independent Valuer adopted the Cost Method because the Target Assets comprise specific industrial buildings, structures, machinery and electronic equipment used for the Project. The PRC Independent Valuer considered that the market approach was not appropriate as market comparable transactions for assets of a similar industrial nature were difficult to obtain, and the income approach was not appropriate as the Target Assets did not generate separately identifiable net profit or cash flow. The PRC Independent Valuer considered that the Cost Method was appropriate because construction, engineering, purchase and market quotation information was available, and the replacement cost and relevant depreciation/obsolescence adjustments could be reasonably estimated.

For the purpose of applying the Cost Method, the PRC Independent Valuer valued the Buildings, Building Structures, Machinery Equipment and Electronic Equipment on an item-by-item basis, having regard to the nature, specifications, physical condition, actual use and maintenance status of each asset. The appraised value of each asset item was generally calculated by multiplying its full replacement cost or applicable valuation base by its newness rate. For certain Electronic Equipment which had exceeded its economic useful life, the appraised value was determined by reference to second-hand market prices.

The full replacement cost or valuation base and the applicable newness rate were determined by the PRC Independent Valuer based on the valuation methodologies and key assumptions described below. The appraised values of individual asset items were then aggregated by asset class to arrive at the appraised market value of the Target Assets of RMB51,160,898.00 (tax exclusive) as at the Appraisal Reference Date. A summary of the principal quantitative inputs adopted by the PRC Independent Valuer and the valuation results by asset class is set out below:

Asset class	No. of items	Audited NBV as at Appraisal Reference Date	Full replacement cost/ valuation base	Newness rate	Depreciation/ obsolescence adjustment	Appraised value, tax-exclusive
Buildings	9	RMB22,476,368.62	RMB31,635,824.00	85%	RMB4,745,374.00	RMB26,890,450.00
Building Structures	5	RMB6,883,661.60	RMB9,687,960.00	75%	RMB2,421,989.00	RMB7,265,971.00
Machinery Equipment	116	RMB17,298,937.04	RMB34,227,110.00	15% to 75%; implied weighted average approx. 50.37%	RMB17,224,753.00	RMB17,002,357.00
Electronic Equipment	8	RMB2,561.75	Market purchase price/ second-hand market price, as applicable	Economic useful life method/second-hand market price for over-life equipment		Approx. RMB2,120.00
Total	<u>138</u>	<u>RMB46,661,529.01</u>				<u>RMB51,160,898.00</u>

(1) Buildings and Building Structures

The appraised value of the Buildings and Building Structures is RMB34,156,421.00 (tax exclusive). The PRC Independent Valuer adopted the following formula to appraise the value of the Buildings and Building Structures: Appraised value = Full replacement cost × Composite newness rate = RMB31,635,824.00 × 85% + RMB9,687,960.00 × 75%.

(A) Determination of full replacement cost

Full replacement cost = Construction and installation costs (tax exclusive) + Preliminary and other project fees (tax exclusive) + Capital cost. The construction and installation costs mainly include direct project costs, indirect project costs, planned profits, taxes and fees, etc, which was determined through: (i) the adjusted budget (final account) method for projects with complete data and verified project settlement amount; and (ii) the unit cost method for relatively simple buildings and structures. Preliminary and other project fees comprise construction fees charged in accordance with local government regulations, and other fees incurred by the construction entity. Such fees were determined in accordance with relevant regulatory documents.

Therefore, the full replacement costs for Buildings and Building Structures as at the Appraisal Reference Date are RMB31,635,824.00 and RMB9,687,960.00, respectively.

(B) Determination of the composite newness rate

For the Buildings, the composite newness rate was determined by taking the weighted average of theoretical newness rate, determined based on the remaining useful life of the building, and the on-site inspection newness rate, derived from condition of the structural, decorative and equipment components of each building scored by the valuer. The theoretical newness rate and the composite newness rate are calculated as: Theoretical newness rate = $[\text{Remaining useful life} \div (\text{Remaining useful life} + \text{Elapsed years of use})] \times 100\%$; Composite newness rate = Theoretical newness rate x 40% + On-site inspection newness rate x 60%.

For the Building Structures, the method of major or large-scale structures is consistent with that for the Buildings. For auxiliary or small-scale structures, the composite newness rate is determined based on their remaining useful life, adjusted based on on-site inspections, usage and maintenance status. As at the Appraisal Reference Date, the composite newness rates for the Buildings and the Building Structures were 85% and 75%, respectively.

Following the Cost Method, the appraised market value of the Buildings and the Building Structures was RMB26,890,450.00 (tax exclusive) and RMB7,265,971.00 (tax exclusive), respectively, as of the Appraisal Reference Date.

(2) Machinery Equipment

The appraised value of the Machinery Equipment is RMB17,002,357.00 (tax exclusive) under the following valuation methodology for each individual item: Appraised value = Replacement cost \times Newness rate. The total appraised value represents the sum of the appraised values of all equipment items, with newness rates determined on an item-by-item basis.

(A) *Determination of replacement cost*

Replacement cost of Machinery Equipment requiring installation = Purchase price (tax inclusive) + Transportation and miscellaneous fees + Installation and commissioning fees + Equipment basic fees + Preliminary and other fees + Capital costs – Creditable value added tax

Replacement cost of Machinery Equipment not requiring installation = Purchase price (tax inclusive) + Transportation and miscellaneous fees – Creditable value added tax

Purchase price was determined through inquiries with manufacturers on the market price as at the Appraisal Reference Date or by reference to contract prices of similar equipment transacted near the Appraisal Reference Date. For small equipment, the purchase price was determined through market quotations. If market quotation cannot be obtained, the price was determined by reference to similar equipment available on the market. Transportation and miscellaneous fees are typically charged at a certain rate based on the purchase price, with reference to relevant governmental provisions, market surveys, and other factors. The installation and commissioning fees were calculated using the adjusted budget (final account) method, based on the project budget (final account) data and the verified total project settlement amount, with certain adjustments. Equipment basic fees were primarily determined based the basic project characteristics, project budget (final account) data and verified total project settlement amount, with certain adjustments. Preliminary and other fees are determined by reference to the local fee standards where the equipment is situated and taking into account the characteristics of the equipment itself. In accordance with relevant government regulations, as Water Engineering & Technology is a general value-added tax (the “VAT”) payer, the replacement cost is calculated on a VAT-exclusive basis by deducting the creditable VAT.

As of the Appraisal Reference Date, the full replacement cost for Machinery Equipment was RMB34,227,110.00.

(B) Determination of the newness rate

The newness rate was primarily determined based on the economic useful life and on-site inspection of the equipment's usage condition. For large and key Machinery Equipment, the newness rate was determined by taking the weighted average of theoretical newness rate (based on economic life of Machinery Equipment), and the on-site inspection newness rate (based on operational environment, current technical condition, recent technical data, and relevant repair and operation records), using the formula: $\text{Newness rate} = \text{Theoretical newness rate} \times 40\% + \text{On-site inspection newness rate} \times 60\%$. For general small Machinery Equipment, the composite newness rate was determined based on the equipment's operational environment, current technical condition and its economic useful life. As of the Appraisal Reference Date, the newness rate ranged from 15% to 75%.

(3) Electronic Equipment

The PRC Independent Valuer adopted the formula: $\text{Appraised value} = \text{Replacement cost} \times \text{Newness rate}$. The replacement cost was determined primarily based on the market purchase price as at the Appraisal Reference Date, with newness rate determined by the economic useful life method. For Electronic Equipment that had exceeded its economic useful life, the appraised value was determined based on second-hand market prices. As at the Appraisal Reference Date, the appraised value of the Electronic Equipment was approximately RMB2,120.00 (tax exclusive).

(4) Key Assumptions

According to the Asset Valuation Report, the following key assumptions have been made for the valuation:

1. The valuation assumes that the Disposal take place in an open and fully competitive market, where buyers and sellers act voluntarily and rationally, have equal standing, and possess sufficient time and access to market information.
2. The valuation assumes that the Target Assets are currently in use and will continue to be used for their current purposes and in their current manner of use following the transaction, without alteration to their use or relocation.
3. The valuation assumes that the external economic environment as at the Appraisal Reference Date remains unchanged and does not take into account the impact of potential guarantees, any special premiums payable by particular counterparties, changes in national macroeconomic policies, or force majeure events on the value of the Target Assets.

4. The valuation assumes that the actual quantity of the Target Assets is as at the Appraisal Reference Date and that the status of the Target Assets as at the Appraisal Reference Date is consistent with the status observed during the physical site inspection.
5. The valuation assumes that the Target Assets are free from any rights defects, encumbrances or restrictions that would affect their value.

By order of the Board
Datang Environment Industry Group Co., Ltd.*
Zhu Liming
Chairman

Beijing, the PRC, 8 June 2026

As of the date of this announcement, the executive Director is Mr. Zhu Liming; the non-executive Directors are Mr. Xu Chun, Mr. Pang Xiaojin, Mr. Xia Huaixiang, Mr. Chu Hongbo and Ms. Wang Mi; and the independent non-executive Directors are Mr. Mao Zhuanjian, Mr. Suen Chun Hung, Benjamin and Ms. Hu Yunqing.

This announcement is available on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.dteg.com.cn).

* *For identification purposes only*