China Hongqiao Group Limited
中國宏橋集團有限公司

(Incorporated under the laws of Cayman Islands with limited liability)

(Stock Code: 1378)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONNECTED TRANSACTION ACQUISITION OF EQUITY INTEREST

Reference is made to the announcement of China Hongqiao Group Limited (the "**Company**") dated 11 September 2026 (the "**Announcement**") in relation to the acquisition of the entire equity interest in Weiqiao Xinchuang by Yunnan Hongqiao (an indirect subsidiary of the Company) (the "**Acquisition**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide shareholders with further information in relation to the Acquisition:

Further background information of Weiqiao Xinchuang and Weiqiao Yanshan

As at the date of this supplemental announcement, Weiqiao Xinchuang only has one wholly-owned subsidiary, namely Weiqiao Yanshan New Energy Co., Ltd. (魏橋硯山新能源有限公司)("**Weiqiao Yanshan**"), which is a limited liability company incorporated under the laws of the PRC and is principally engaged in photovoltaic new energy generation business in the Yunnan region of China. The Company confirms that neither Weiqiao Xinchuang nor Weiqiao Yanshan holds any equity interest in any other company.

Details of the valuation of Weiqiao Xinchuang and Weiqiao Yanshan

Set out below is the additional information on the valuation, including the valuation approaches, key quantitative inputs and material differences between the book values and appraised values, and key valuation assumptions:

Valuation approaches

As disclosed in the Announcement, the valuation of Weiqiao Xinchuang was conducted under the asset-based approach, whereas the valuation of Weiqiao Yanshan was conducted under the market approach. In accordance with the relevant appraisal practice standards in the PRC, when conducting enterprise value appraisal, the independent valuer shall analyse the applicability of fundamental valuation approaches and select the appropriate valuation approaches based on factors such as the appraisal purpose, appraisal subject, value type, and data collection. As set out below, due to the difference in the actual circumstances of Weiqiao Xinchuang and Weiqiao Yanshan, different valuation approaches for Weiqiao Xinchuang and Weiqiao Yanshan were adopted.

For Weiqiao Xinchuang, it is the core shareholding platform of the photovoltaic power generation business. It does not have substantive business operations or independent profit-generating capability. Given that it has clear asset ownership and complete financial records, and all assets and liabilities can be identified, and that the transaction case comparison method is constrained by limitations in data collection and it is difficult to find a sufficient number of actively traded listed companies with publicly available data that are comparable to Weiqiao Xinchuang, the asset-based approach is applicable to the valuation of Weiqiao Xinchuang, while the market approach and the income approach were not adopted.

For Weiqiao Yanshan, its principal business is the development, construction and operation of photovoltaic power stations. The photovoltaic power stations constructed by Weiqiao Yanshan have all been connected to the grid and are generating electricity, meeting the conditions for ongoing operations. Given that there exists a sufficient number of public companies comparable to Weiqiao Yanshan on the market (the independent valuer has selected the relevant companies as the comparable companies after considering a series of factors), transaction and financial data are sufficiently available, and the business model of photovoltaic power generation enterprises is stable (electricity price × settled electricity volume) and future cash flows can be reasonably forecast, therefore, the market approach and income approach are adopted for Weiqiao Yanshan. The market approach relies on objective market transaction information to conduct valuation, which can intuitively reflect the current overall pricing level of the industry and fully capture the regional resource advantages of Weiqiao Yanshan. The valuation result comprehensively covers the value of the entire shareholders' equity of Weiqiao Yanshan. On the other hand, the photovoltaic power generation industry is significantly affected by government policies, power offtake, grid dispatch arrangements, sunlight and weather conditions, and equipment performance. The operating cycle of projects is long and there is greater uncertainty in income forecasting. The valuation result under the income approach carries a risk of more significant deviation from the actual enterprise value. Therefore, the valuation result under the market approach was ultimately selected as the valuation conclusion for the entire shareholders' equity of Weiqiao Yanshan. In addition, the asset-based approach cannot reflect the various subsidy and preferential policies enjoyed by Weiqiao Yanshan, nor the impacts on equity value due to the synergistic effects of operating qualifications, management capability and other factors, which makes it difficult to objectively reflect enterprise value. Therefore, the asset-based approach is not applicable to the valuation of Weiqiao Yanshan.

Key quantitative inputs and material differences between the book values and appraised values

Summary of appraised values for each asset and liability of Weiqiao Xinchuang:

		Valuation benchmark date: 31 May 2026			
No.	**Item**	**Book Value**	**Appraised Value**	**Increase/ Decrease**	**Appreciation Rate (%)**
			RMB		
1	**I. Total current assets**	**155,868,382.79**	**155,868,382.79**	**0.00**	**0.00**
2	Cash and bank balances	1,486,219.40	1,486,219.40	0.00	0.00
3	Other receivables	154,382,163.39	154,382,163.39	0.00	0.00
4	**II. Total non-current assets**	**450,000,000.00**	**490,421,200.00**	**40,421,200.00**	**8.98**
5	Long-term equity investment	450,000,000.00	490,421,200.00	40,421,200.00	8.98
6	**III. Total assets**	**605,868,382.79**	**646,289,582.79**	**40,421,200.00**	**6.67**
7	**IV. Total current liabilities**	**406,585,363.39**	**406,585,363.39**	**0.00**	**0.00**
8	Other payables	406,585,363.39	406,585,363.39	0.00	0.00
9	**VI. Total liabilities**	**406,585,363.39**	**406,585,363.39**	**0.00**	**0.00**
10	**VII. Net assets (owners' equity)**	**199,283,019.40**	**239,704,219.40**	**40,421,200.00**	**20.28**

Note: the book value data as at the valuation benchmark date were derived from the standard unqualified audit report of Weiqiao Xinchuang.

- **Cash and bank balances:** The appraised value was determined based on the verified book amount. There was no appraisal appreciation or depreciation.

- **Other receivables:** The appraised value was determined based on the amount likely to be recovered for each receivable item after verification. There was no appraisal appreciation or depreciation.

- **Long-term equity investment**

  Weiqiao Yanshan is a wholly-owned subsidiary of Weiqiao Xinchuang. It was appraised separately, and the appraised value of long-term equity investment was ultimately determined by multiplying the appraised net asset value of Weiqiao Yanshan by the investment ratio. The valuation result under the market approach was selected as the valuation conclusion for Weiqiao Yanshan.

  (a) List of comparable companies and basis for compilation

  Considering Weiqiao Yanshan's principal business, the following selection criteria were adopted for screening the comparable companies: (i) must have been profitable for the past two years; (ii) must have been listed for at least five years; (iii) issue only RMB-denominated A-shares; and (iv) their industry or principal business is the development, construction and operation of photovoltaic power stations, or is subject to the same economic factors, and has been engaged in such industry for at least two years.

Based on the above criteria, the independent valuer ultimately selected 4 listed companies as comparable companies:

Company	Principal Business
Company A	Investment in, and development and operations of, wind and solar power; generation and sales of green power including onshore wind power, offshore wind power, photovoltaic power, concentrating solar power and energy storage
Company B	Photovoltaic power station generation, photovoltaic product sales, photovoltaic station related services and EV charging services
Company C	Photovoltaic power station investment and operation; research & development, production and sales of photovoltaic cells and modules
Company D	Investment in, and development, construction, operation and management of, wind power, photovoltaic power, hydropower, hydrogen power, energy storage and other renewable energy

(b) Adjustments between the appraised entity and comparable companies under the market approach

Based on the appraisal purpose, the nature of the industry of the appraised entity, and the characteristics of both the appraised entity and the comparable companies, five categories of indicators, namely profitability, debt risk, operational capability, enterprise scale, and installed capacity in operation, were selected as comparable indicators in the valuation.

The adjustment coefficients under the market approach for Weiqiao Yanshan and the comparable companies are as follows:

Company	Adjustment Coefficient
Company A	0.9502
Company B	0.9512
Company C	0.9316
Company D	0.9436

(c) Pricing multiples used in the calculation and rationale

Photovoltaic power stations belong to an asset-heavy industry. Revenue is derived from selling electricity to grid companies. In recent years, due to factors such as adjustments to photovoltaic electricity prices and subsidy policies, differences in power curtailment rates, tax burden differences at different stages, and market-based trading, profitability indicators of photovoltaic enterprises, such as revenue and net profit, have experienced significant fluctuations and poor comparability. Therefore, earnings-based ratio multiples were not adopted for this valuation. Photovoltaic power station enterprises have a relatively uniform business model, and value is highly dependent on long-term asset investments such as photovoltaic modules, inverters, and step-up substations. Net assets constitute the core vehicle for value creation. Based on analysis of industry characteristics and available data, the independent valuer selected the Price-to-Book ratio (P/B) as the valuation metric. The formula is as follows:

Value of the entire shareholders' equity of the appraised entity = Owners' equity of the appraised entity × AVERAGE (price ratio × adjustment coefficient) × (1 – lack of marketability discount rate)

The independent valuer adopted, with reference to actual domestic conditions, a method of comparing the P/E ratios of non-listed company M&A transactions with P/E ratios of listed companies to estimate the lack of marketability discount rate. After calculation, the lack of marketability discount rate is 21.75%.

The detailed calculation for value of the entire shareholders' equity of Weiqiao Yanshan under the market approach as at 31 May 2026 is as follows:

Company	PB	Adjustment Coefficient	Adjusted PB	Arithmetic Average	Lack of Marketability Discount Rate	Target Entity	
						Owners' Equity Book Value	Entire Shareholders' Equity Value
						RMB'10,000	
Company A	1.09	0.95	1.04				
Company B	2.24	0.95	2.13	1.47	21.75%	42,641.32	49,042.12
Company C	0.91	0.93	0.85				
Company D	1.97	0.94	1.86				

- **Liabilities:** The appraised value was determined based on the liability items that the appraised entity would actually need to bear after the appraisal purpose is achieved and verified amounts. There is no appraisal appreciation or depreciation.

Reason for valuation appreciation: the long-term equity investment showed a valuation appreciation of RMB40,421,200. The reason for the appreciation is that Weiqiao Xinchuang accounts for its investment in Weiqiao Yanshan using the cost method, with the book value being the investment cost. In this valuation, the valuation result under the market approach was adopted for Weiqiao Yanshan (which has connected its power generation to the grid), resulting in the appraised value of the net assets exceeding the book investment cost and thus leading to a valuation appreciation. As at the valuation benchmark date, Weiqiao Yanshan's photovoltaic power stations were in the initial stage of production and operation. The book net asset value was accounted for at historical cost, reflecting only the actual investment in the early-stage construction of the project. In contrast, the market approach conducts valuation based on objective market transaction information, comprehensively taking into account the operating qualifications of the photovoltaic power stations, objective conditions such as altitude and sunlight, electricity prices and volumes, ancillary offtake and energy storage facilities, operation and maintenance management, and other factors contributing to the operational value of the power stations, as well as the current overall pricing level of the photovoltaic new energy power generation industry. This resulted in a valuation appreciation when compared against the book net asset value.

Valuation assumptions

The valuation is subject to the following assumptions and limitations:

Basic assumptions and limitations

(i) Transaction assumption: it is assumed that the appraised entity is already in the process of being transacted, and the appraisers conduct the appraisal by simulating market based on the transaction terms of the appraised entity.

(ii) Open market assumption: an open market refers to fully developed and well-functioning market conditions. The open market assumption presumes that assets transacted or intended to be transacted on the market involve parties of equal standing, each having the opportunity and time to obtain sufficient market information to make rational judgments regarding the function, purpose and transaction price of the assets.

(iii) Continued use of assets assumption: this assumes that the assets of the appraised entity that are in use will continue to be used at their current location and in their current manner and use after ownership changes.

(iv) Going-concern assumption: this assumes that the production and business operations of the appraised entity can continue to operate in accordance with its current manner, and will not undergo significant changes in the foreseeable future, without considering the impacts of the economic actions involved in the purpose of this valuation on business operations of the enterprise.

(v) External environment assumption: no significant changes to current laws, regulations and policies of the PRC; no significant changes to the political, economic and social environment of the regions in which the parties to the transaction are located; no significant changes to relevant interest rates, exchange rates, tax bases and rates, or policy-based levies.

(vi) It is assumed that the management of the appraised entity responsibly fulfils its obligations in the operation of the enterprise and has competently managed the relevant assets in an effective manner. The appraised entity has not engaged in any conduct that violates national laws or regulations in its business operations.

(vii) The impact on the appraisal conclusion of factors such as potential future mortgages and guarantees, as well as additional costs that may arise from specific transaction structures, was not taken into account.

Specific assumptions and limitations

(i) It is assumed that the accounting policies to be adopted by the appraised entity in the future will be substantially consistent in all material respects with those adopted in preparing the report.

(ii) It is assumed that the financial structure and capital scale of the appraised entity will not undergo material changes during its future operating period.

(iii) Income calculations are based on the fiscal year, with income and expenses assumed to occur evenly.

(iv) The appraised entity will continue to operate in the future, and its scope and mode of operations will remain consistent with the current direction based on existing management methods and management standards.

The Board has reviewed and considered the valuation report, including the valuation approach, key inputs and assumptions adopted by the independent valuer in arriving at the valuation. The Board is of the view that the valuation is fair and reasonable.

The consideration for the Acquisition of RMB239,704,219.40 was determined at the appraised value of the entire shareholders' equity of Weiqiao Xinchuang as assessed by the independent valuer as at 31 May 2026 (the valuation benchmark date), representing a premium of RMB40,421,200.00 to the audited net asset value of Weiqiao Xinchuang at the relevant time. Such premium is principally attributable to the appreciation in the appraised value of Weiqiao Xinchuang's long-term equity investment in Weiqiao Yanshan. Having considered that (i) the consideration was determined at the independent appraised value with reference to objective and publicly available market data, (ii) the valuation reflects the current pricing level of the photovoltaic power generation industry and captures the regional resource advantages of Weiqiao Yanshan, and (iii) as further described below, Weiqiao Xinchuang's losses decreased significantly in the first half of 2026 and it is expected that its financial performance will be further improved in the second half of 2026, the Board considers the consideration and the Acquisition to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

Supplemental information in relation to the reasons for and benefits of the Acquisition

Reasons for net losses

As disclosed in the Announcement, Weiqiao Xinchuang incurred net losses for the years ended 31 December 2024 and 2025. The reasons for incurring such losses are that the photovoltaic projects owned by Weiqiao Yanshan (being the subsidiary of Weiqiao Xinchuang) were still under construction in 2024 and had not yet been connected to the grid for power generation, resulting in no power generation revenue. In the absence of power generation revenue, management expenses continued to be incurred, leading to losses in 2024. The relevant photovoltaic projects achieved full grid-connected operation in May 2025. The further increase in losses in 2025 was primarily due to the second half of 2025 being the initial stage of production, during which power station operations had not yet reached a stable phase, and gross loss was recorded. In addition, trial operations needed to be conducted before being formally put into production, which required the advance deployment of production and operations management personnel, and the compensation of such personnel was recorded as management expenses. The management expenses increased accordingly. Further, interest expenses relating to operations also increased.

The Company considers that the above financial performance is consistent with the stage-specific financial characteristics typical of the initial operating period of power generation assets. As the operation of the relevant photovoltaic power stations enters a stable phase, based on its management accounts, Weiqiao Xinchuang's financial performance has shown significant improvement. The losses narrowed significantly in the first half of 2026, and it is expected that its financial performance will be further improved in the second half of 2026.

Power supply autonomy

Weiqiao Xinchuang is principally engaged in photovoltaic new energy power generation. Its grid-connected photovoltaic power generation projects are primarily located in Wenshan Prefecture of Yunnan Province, geographically adjacent to Yunnan Hongqiao's aluminium products production base in Wenshan Prefecture. Both are within the same power consumption zone, meeting the conditions for local offtake. Accordingly, through the Acquisition, it can stabilise the Group's power supply and mitigate the adverse impact of power supply fluctuations on the Group's production and operations.

Cost-savings justification

As mentioned above, upon completion of the Acquisition, the Group will hold both aluminium product production bases and photovoltaic power generation assets, achieving integrated aluminium-power operations. Yunnan is abundant in solar resources, and Weiqiao Xinchuang's photovoltaic power stations are in close proximity to the Group's electrolytic aluminium production bases, with favourable load offtake conditions. The utilisation efficiency of the power generation facilities is expected to remain at a relatively high level. On the cost side, the savings arising from the Acquisition are primarily reflected in the following aspects: (i) the electricity generated by the photovoltaic power stations is connected to the Yunnan power grid and participates in market-based trading, and is transmitted through the grid to electricity-consuming entities such as the Group's electrolytic aluminium production bases. The power generation returns can effectively offset electricity procurement costs, resulting in a substantive reduction in overall electricity costs; and (ii) the photovoltaic power stations and the electrolytic aluminium production bases can enter into medium-to-long-term power purchase and sale agreements, further stabilising electricity supply costs and reducing the impact of market electricity price fluctuations. Through the combination of (i) and (ii) above, the Group can effectively optimise its overall electricity costs, further enhancing the cost competitiveness of its electrolytic aluminium production operations. In view of the above, the Board considers the Acquisition to be reasonable and in the interests of the Company and its shareholders as a whole.

Information on Weiqiao Chuangye Group

As disclosed in the Announcement, Weiqiao Chuangye Group is held as to approximately 73.91% of the equity interest by Shenghe Zhiyuan, which is held as to 80% by China Hongqiao Holdings Limited and 20% by Shiping Global Holding Company Limited* (士平環球控股有限公司) ("**Shiping Global**").

The Company would like to supplement that Shiping Global is held as to 40%, 30% and 30% by Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong (who are family members of Mr. Zhang Bo), respectively, and they maintain an acting-in-concert arrangement in respect of the exercise of the shareholders' rights of Shiping Global. Shiping Global is the settlor, protector and one of the beneficiaries of Shiping Prosperity Trust. Shiping Prosperity Private Trust Company holds 100% equity interest in China Hongqiao Holdings Limited as trustee. Therefore, Shiping Global is a connected person of the Company. For further details, please refer to the 2025 annual report of the Company.

By order of the Board
China Hongqiao Group Limited
Zhang Bo
Chairman

Hong Kong, the PRC
23 September 2026

As at the date of this announcement, the Board comprises eleven Directors, namely Mr. Zhang Bo, Mr. Zhang Jinglei, Ms. Zhang Ruilian and Ms. Wong Yuting as executive Directors, Mr. Yang Congsen, Mr. Tu Yikai (Mr. Zhang Hao as his alternate) and Ms. Sun Dongdong as non-executive Directors, and Mr. Meng Xianzhong, Mr. Wen Xianjun, Ms. Fu Yulin and Mr. Ma Jin as independent non-executive Directors.