THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shanxi Installation Group Co., Ltd.**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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山西安装
SHANXI CIG

Shanxi Installation Group Co., Ltd.
山西省安裝集團股份有限公司

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

(Stock Code: 2520)

PROPOSED CHANGE IN USE OF PROCEEDS; PROPOSED ISSUANCE OF DOMESTIC CORPORATE BONDS; AND NOTICE OF THE 2025 FIRST EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 3 to 9 of this circular. A notice of the extraordinary general meeting (the "**EGM**") of the Company to be held at 3:00 p.m. on Wednesday, September 24, 2025 at the Conference Room, East Side, 2/F, Shanxi Installation Office Building, No. 8 Xinhua Road, Shanxi Transformation and Comprehensive Reform Demonstration Zone, Shanxi Province, PRC, together with a form of proxy for use at the EGM were published on the HKEx's website (**www.hkexnews.hk**) and the Company's website (**www.sxaz.com.cn**) on Monday, September 8, 2025.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the proxy form in accordance with the instructions printed thereon. The proxy form must be signed by you or your attorney duly authorised in writing or, in case of a legal person, must either be executed under its seal or under the hand of its director or other attorney duly authorised to sign the same. If the proxy form is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other document of authority, must be notarized.

In the case of joint holders of the H Shares, only the holder whose name stands first in the register of members of the H Shares of the Company shall alone be entitled to vote at the EGM, either in person or by proxy in respect of such H Shares.

For Shareholders, please return the proxy form together with any documents of authority to the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, and in any event not later than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

September 8, 2025

CONTENTS

Page

DEFINITIONS 1

LETTER FROM THE BOARD 3

NOTICE OF THE 2025 FIRST EXTRAORDINARY GENERAL MEETING 10

Note: If there are any discrepancies between the Chinese version and the English version of this circular, the Chinese version shall prevail.

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"2024 Annual Report"	the 2024 annual report of the Company
"Announcement"	the announcement of the Company dated August 27, 2025 in relation to the proposed change in use of proceeds
"Articles of Association"	the articles of association of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"Company" or "Shanxi Installation"	Shanxi Installation Group Co., Ltd. (山西省安装集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the main board of the Hong Kong Stock Exchange (stock code: 2520)
"Director(s)"	director(s) of the Company
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be convened and held at 3:00 p.m. on September 24, 2025 at the Conference Room, East Side, 2/F, Shanxi Installation Office Building, No. 8 Xinhua Road, Shanxi Transformation and Comprehensive Reform Demonstration Zone, Shanxi Province, PRC
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the main board of the Hong Kong Stock Exchange
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	September 8, 2025
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated November 10, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Domestic Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	U.S. dollar, the lawful currency of the United States of America
"%"	per cent

山西安装
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Shanxi Installation Group Co., Ltd.
山西省安装集團股份有限公司

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

(Stock Code: 2520)

Executive Directors:
Mr. REN Rui *(Chairman of the Board)*
Mr. ZHANG Yan *(Vice President)*

Non-executive Directors:
Mr. XU Guanshi
Mr. ZHANG Hongjie
Mr. MU Jianwei
Mr. FENG Cheng

Independent non-executive Directors:
Mr. WANG Jingming
Professor WU Qiusheng
Ms. SHIN Chuck Yin
Mr. GUO He

Headquarters and Registered office:
No. 8 Xinhua Road
Tanghuai Industrial Park
Shanxi Transformation and Comprehensive
Reform Demonstration Zone
Shanxi Province
PRC

Principal place of business in Hong Kong:
Room 1919, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

September 8, 2025

To the Shareholders

Dear Sir or Madam,

PROPOSED CHANGE IN USE OF PROCEEDS; PROPOSED ISSUANCE OF DOMESTIC CORPORATE BONDS; AND NOTICE OF THE 2025 FIRST EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with the notice of the EGM and details of the ordinary resolutions to be proposed at the EGM to enable you to make informed decision on whether to vote for or against the ordinary resolutions to be proposed at the EGM.

At the EGM, the following ordinary resolutions will be proposed to approve:

(1) To consider and approve the Resolution on the Change in Use of Proceeds

(2) To consider and approve the Resolution on the Issuance Plan of Corporate Bonds of Shanxi Installation Group

1. PROPOSED CHANGE IN USE OF PROCEEDS

Reference is made to the Prospectus, the announcement of the Company dated November 21, 2023 in relation to the offer price and allotment result of the global offering, the announcement of the Company dated December 15, 2023 in relation to the partial exercise of the over-allotment option, the 2024 Annual Report and the Announcement.

As stated in the 2024 Annual Report and the Announcement, the total net proceeds from the issue of new H Shares by the Company in its listing on the Hong Kong Stock Exchange amounted to approximately HK$738.5 million, after deducting the underwriting commission and other expenses payable by the Company in connection with the global offering of the Company. As at the date of the Announcement, approximately HK$262.4 million of the net proceeds has been utilized, while approximately HK$476.1 million remains unutilized.

Having considered the Company's business development, market conditions and policy trends, the Board proposed the change in the use of the proceeds from the global offering in the following manner (the "**Proposed Change in the Use of Proceeds**"):

Unit: million Currency: HK$

Use of proceeds	Net proceeds intended to be distributed according to the Prospectus	Net proceeds utilized as at the date of the Announcement	Net proceeds unutilized as at the date of the Announcement	Intended use of unutilized net proceeds
For financing our future centralized photovoltaic projects	147.6	5.6	142	10.5
For financing our investment in existing and future distributed photovoltaic projects	73.9	0	73.9	0
For our future investment in wind power projects in the PRC or abroad	73.9	33.4	40.5	255.3

Use of proceeds	Net proceeds intended to be distributed according to the Prospectus	Net proceeds utilized as at the date of the Announcement	Net proceeds unutilized as at the date of the Announcement	Intended use of unutilized net proceeds
For financing the future equity investment and/or construction of other types of new energy projects	73.9	56.6	17.3	19.2
For financing our existing and future clean heating projects	29.5	17.6	11.9	53.0
For financing our future distributed energy projects	36.9	0	36.9	21.8
For financing our existing water treatment projects	36.9	20.9	16.0	15.8
For financing our future solid waste disposal projects	29.5	23.2	6.3	79.3
For paying up the registered capital of the project company and the payment of construction fee of the existing service concession project	22.2	0	22.2	0
For making payment of the construction fee for equipment required for the existing service concession project	36.9	36.4	0.5	0
For our existing and future service concession projects including the service concession project of Urban Flood Control and Drainage and Comprehensive Treatment of Ecological Environment in Zhangzi County, Changzhi City	44.3	0	44.3	0
For financing new energy projects of upstream and downstream manufacturing industries, major expenditures including the payment used in purchase of tower production line equipment and related ancillary facilities, purchase of raw materials	73.9	13.0	60.9	17.8
For working capital and other general corporate purposes	59.1	55.7	3.4	3.4
Total	**738.5**	**262.4**	**476.1**	**476.1**

The Company currently expects to fully utilize the unutilized net proceeds by the end of 2027. The expected timeframe is based on the Group's estimation of future market conditions and may be subject to change depending on the development of current and future market conditions.

Reasons for and benefits of the change in use of net proceeds

The intended use of proceeds from the global offering as disclosed in the Prospectus was based on the best estimation made by the Group in relation to the then prevailing and future market conditions as at the latest practicable date of the Prospectus. In this connection, the Board evaluates the development trends of the industry from time to time to determine the most effective use of the net proceeds.

In the field of new energy, given the policy support for wind power technology research and development and industrial upgrading, the significant tariff rate advantages of wind power projects, and better consumption of wind power projects as compared to photovoltaic projects, the Directors believe that reallocating a larger portion of the unutilized net proceeds to invest in wind power projects will enable the Company to deploy the Group's financial resources more effectively, while also allowing the Company to better capitalize on market opportunities.

In terms of equity investment, China's "dual carbon" goals and "waste-free cities" initiatives, along with the mandatory implementation of construction waste separation policies, offer tax concessions and subsidies for solid waste disposal projects. In the clean heating sector, driven dually by policy support and the increasing market demand, coupling with environmental benefits and long-term business value, the Company's business opportunities and outlook in the clean heating sector continue to be promising. Meanwhile, considering the uncertainties in the implementation of PPP projects, the Directors believe that reallocating the unutilized net proceeds from PPP project investments to investments in future projects on clean heat supply and solid waste disposal will be more conducive to the Company's long-term sustainable development and profit optimization.

The Directors are also of the view that the existing production line equipment is sufficient to meet the procurement needs of the Group, and hence the reallocation of the unutilized proceeds reserved for financing new energy projects of upstream and downstream manufacturing industries will allow more effective utilization of the Company's financial resources.

The Board considers that the Proposed Change in the Use of Proceeds is in line with the Group's operational strategy, is fair and reasonable, will not have any material adverse effect on the business operation of the Group, and is in the best interests of the Company and its shareholders as a whole. The Board confirms that there has been no material change in the nature of the Company's business as set out in the Prospectus as of the Latest Practicable Date.

2. PROPOSED ISSUANCE OF DOMESTIC CORPORATE BONDS

1. Background

The Board resolved to propose the Company's issuance of domestic corporate bonds with an aggregate principal amount not exceeding RMB1.5 billion for consideration and approval by the Shareholders at the EGM.

According to the laws of the PRC, the implementation of the proposed issuance of domestic corporate bonds is subject to the approval of Shareholders by way of ordinary resolutions and the approval of relevant regulatory authorities in the PRC.

2. Details of Proposed Issuance of Domestic Corporate Bonds

The proposed arrangements for the issuance of the corporate bonds are as follows:

1.	Issuer:	the Company
2.	Place of issuance:	the PRC
3.	Issuance scale:	the aggregate issuance amount of not more than RMB1.5 billion, in single or multiple tranche(s)
4.	Bond maturity:	not exceeding 10 years
5.	Use of proceeds:	proceeds of this bond issuance may be used for repayment of interest-bearing debts, replenishment of operating funds, project investments, and other purposes.
6.	Issuance pricing:	the specific issue price will be determined based on market conditions at the time of issuance.
7.	Proposed venue of listing and trading:	upon completion of the bond issuance, the Company will apply for the listing and trading of the corporate bonds on the Shanghai Stock Exchange.

3. Reasons for and Benefits of the Proposed Issuance of Domestic Corporate Bonds

The issuance of corporate bonds will help the Company establish a good capital market image and reputation, gain recognition and confidence from our extensive investor base in the capital market and upstream and downstream partners, and lay a solid foundation for the Company to further utilize capital markets for fundraising in the future by opening up direct financing channels in the capital market.

3. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

A notice of the EGM is set out on pages 10 to 11 of this circular. A proxy form to be used at the EGM or any adjournment thereof is also enclosed herein and published on the website of HKEx. Shareholders who intend to appoint a proxy to attend the EGM shall complete, sign and return the proxy form in accordance with the instructions printed thereon.

None of the Shareholders has any material interest in any of the resolutions to be proposed at the EGM and is required to abstain from voting at the EGM.

None of the Directors has any material interest in any of the resolutions to be proposed at the EGM.

For Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarized copy of that power of attorney or other authority, must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

In order to determine the qualification to attend and vote at the EGM, the register of members of the H Shares will be closed from Friday, September 19, 2025 to Wednesday, September 24, 2025 (both days inclusive), during which period no transfer of H Shares will be effected. H Share holders whose names appear on the register of members of the H Shares of the Company on Friday, September 19, 2025 are entitled to attend the EGM. For unregistered Shareholders who intend to attend the EGM, all share certificates and the relevant transfer documents must be lodged with the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, September 18, 2025.

4. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolutions proposed at the EGM will be voted by poll.

5. RECOMMENDATION

The Directors consider that all resolutions proposed at the EGM are in the interests of the Company and its Shareholders as a whole. As such, the Directors recommend the Shareholders to vote in favour of all resolutions to be proposed at the EGM.

6. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By order of the Board
Shanxi Installation Group Co., Ltd.
山西省安裝集團股份有限公司
Mr. Ren Rui
Chairman and Executive Director

Shanxi Installation Group Co., Ltd.
山西省安裝集團股份有限公司

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

(Stock Code: 2520)

NOTICE OF THE 2025 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2025 first extraordinary general meeting (the "**EGM**") of Shanxi Installation Group Co., Ltd. (the "**Company**") will be held at 3:00 p.m. on Wednesday, September 24, 2025 at the Conference Room, East Side, 2/F, Shanxi Installation Office Building, No. 8 Xinhua Road, Shanxi Transformation and Comprehensive Reform Demonstration Zone, Shanxi Province, PRC for the purpose of considering, and if thought fit, passing the following resolutions. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as defined in the circular of the Company dated September 8, 2025.

ORDINARY RESOLUTIONS

1. To consider and approve the Resolution on the Change in Use of Proceeds; and

2. To consider and approve the Resolution on the Issuance Plan of Corporate Bonds of Shanxi Installation Group.

By order of the Board
Shanxi Installation Group Co., Ltd.
山西省安裝集團股份有限公司
Mr. Ren Rui
Chairman and Executive Director

Shanxi, the PRC,
September 8, 2025

Notes:

1. In order to determine the qualification to attend and vote at the EGM, the register of members of the H Shares will be closed from Friday, September 19, 2025 to Wednesday, September 24, 2025 (both days inclusive), during which period no transfer of H Shares will be effected. H Share holders whose names appear on the register of members of the H Shares of the Company on Friday, September 19, 2025 are entitled to attend the EGM. For unregistered Shareholders who intend to attend the EGM, all share certificates and the relevant transfer documents must be lodged with the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, September 18, 2025 for registration.

2. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder.

3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.

4. In order to be valid, the proxy form must be deposited, for Shareholders, to the H Shares registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 24 hours before the time for holding the EGM. If the proxy form is signed by a person under a power of attorney or other authority, a notarized copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjourned meetings should they so wish.

5. Shareholders shall produce their identification documents and supporting documents in respect of the shares of the Company held when attending the EGM. If corporate Shareholders appoint authorised representative to attend the EGM, the authorised representative shall produce his/her identification documents and a notarized copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate shareholders or other notarized documents allowed by the Company. Proxies shall produce their identification documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.

6. The EGM is expected to take for less than half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.

7. All voting at the EGM will be conducted by poll.

8. References to times and dates of this notice are to Hong Kong times and dates

This circular (in both English and Chinese versions) is available on the Company's website at www.sxaz.com.cn.

Shareholders may request for printed copy of the circular free of charge or change their choice of means of receipt and language of the Company's corporate communications by sending reasonable notice in writing to the Company's H Shares registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by sending an email to sxaz.ecom@computershare.com.hk.

Shareholders who have chosen to receive the Company's corporate communications in either English or Chinese version will receive both English and Chinese versions of this circular since both languages are bound together into one booklet.