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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)

CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE

INTRODUCTION

The Board is pleased to announce that on 22 October 2025, Shanxi Sanjian, Huaneng Power and the Company entered into the Cooperation Agreement in relation to, among others, the formation of the JV Company, whereby Shanxi Sanjian, Huaneng Power and the Company shall contribute RMB65 million, RMB25 million and RMB10 million, accounting to 65%, 25% and 10% of the registered capital of the JV Company, respectively. The JV Company is established to be a project company for the Project.

The Company's contribution to the registered capital of the JV Company will be financed by the internal resources of the Group. The JV Company will not become a subsidiary of the Company and the results of the JV Company will not be consolidated into the financial statements of the Group.

THE JV AGREEMENT

The principal terms of the JV Agreement are set out below:

Parties

(1) Shanxi Sanjian

(2) Huaneng Power

(3) the Company

Name of the JV Company

山西建華能源有限公司(Shanxi Jianhua Energy Co., Ltd*) (subject to final regulatory registration)

Registered capital

RMB100,000,000

Business Term

The business term of the JV Company shall be 50 years (subject to final registration approval). Upon expiry of the business term of the JV Company, the JV Company shall submit an application for dissolution to the relevant authorities (if required by law) seeking approval for the dissolution and liquidation of the JV Company. Upon receipt of such approval, the JV Company shall proceed with liquidation in accordance with the Cooperation Agreement and the relevant PRC laws and regulations.

Scope of business

Industry of business: Hydropower generation

Items subject to approval by the relevant PRC authorities: Hydropower generation, electricity generation, transmission and supply (distribution) business, installation, maintenance, and testing of transmission, supply, and receiving power facilities, electrical installation services, construction engineering.

General items: wind power generation technical services, solar power generation technical services, photovoltaic power generation equipment leasing, power generation technical services, electrical equipment repair, research and development of emerging energy technologies, technical services, technical development, technical consulting, technical exchange, technical transfer, and technical promotion, energy storage technical services, business training (excluding educational and vocational skills training that require permits), investment activities using self-owned funds, engineering management services and data processing and storage support services (except for projects that require approval by law).

Capital contribution

The Parties shall make a total capital contribution of RMB100 million, whereby Shanxi Sanjian, Huaneng Power and the Company shall contribute RMB65 million, RMB25 million and RMB10 million, accounting to 65%, 25% and 10% of the registered capital of the JV Company, respectively.

* *For identification purpose only*

The Parties shall complete the capital contribution by 30 October 2026, with the specific timing and amount of each capital contribution to be determined by the JV Company's board of directors based on the progress of the relevant project. The Parties may increase their capital contributions to the JV Company based on the expected capital requirements and the Project.

Shareholders' meetings

Resolutions on amendments to the articles of association, increase or reduction of the registered capital, merger, division, dissolution, winding up or change in form of the JV Company or issuance of debt securities made at the shareholders' meeting, shall be passed unanimously by all the shareholders of the JV Company. Resolutions made at the shareholders' meeting of the JV Company on matters other than those mentioned in the preceding paragraph shall be passed by the shareholders of the JV Company representing more than two thirds of the voting rights of all the shareholders of the JV Company.

Board of directors

The board of directors of the JV Company shall consist of five directors, with two directors to be nominated by Shanxi Sanjian, one director to be nominated by Huaneng Power, one director to be nominated by the Company, and one director shall be the employee director to be elected at the employees' congress of the JV Company. The board of directors of the JV Company shall have one chairman and one vice chairman, who shall be elected by the board of directors of the JV Company.

The term of the board of directors of the JV Company shall be three years, and directors may be re-elected upon the expiry of the term.

Senior management

The JV Company shall have one general manager, three to five deputy general managers and one chief financial officer. The general manager of the JV Company shall be nominated by Huaneng Power, and the chief financial officer of the JV Company shall be nominated by Shanxi Sanjian. The deputy general managers shall be nominated upon negotiation between the Parties.

Distribution of profits

The Parties shall be entitled to the profits of the JV Company according to their respective proportion of paid-up capital contribution actually made.

The amount of capital contribution was determined after arm's length negotiations between the Parties with reference to the preliminary business plan of the JV Company. The capital contribution to be made by the Company will be funded by internal resources of the Group.

INFORMATION OF THE PARTIES

Shanxi Sanjian

Shanxi Sanjian is a wholly-owned subsidiary of Shanxi CIG, the Controlling Shareholder of the Company, with a registered capital of RMB1 billion. Its scope of business covers a wide range of professional fields, including construction, infrastructure, water conservancy, municipal roads, highways, garden and ancient architecture construction, specialty decoration, real estate investment and development. Shanxi Sanjian has many years of experience in large-scale infrastructure construction, especially in the fields of energy and water conservancy, accumulating rich technical reserves and construction experience. At the same time, it has an extensive business presence and abundant resources in Jincheng City, Shanxi Province, where its projects are located. It is well-acquainted with the local market environment, policies, and regulations, and thus possesses strong market competitiveness.

Huaneng Power

Huaneng Power is a company established under the laws of China, with its Controlling Shareholder being Huaneng International Power Development Corporation and its ultimate Controlling Shareholder being China Huaneng Group Co., Ltd. The Company's scope of business is investment, construction, and operation and management of power plants; development, investment, and operation of other related enterprises primarily for export; thermal power production and supply (limited to branches approved by the local government); power production (limited to branches); power supply. Huaneng Power is primarily engaged in the development, construction, and operation and management of large-scale power plants across China, and has industry-leading strength and extensive experience in investing in the construction industry. It is one of the larger listed power generation companies in China and the first power generation company in the Chinese mainland to achieve listings on three stock exchanges: New York, Hong Kong (China), and Shanghai.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Huaneng Power and its ultimate beneficial owner are independent third parties.

The Company

The Company is a construction service provider, and is mainly engaged in specialized industrial construction, specialized auxiliary construction, other construction and non-construction business. As a national high tech enterprise, the Company tops 100 competitive enterprises in the field of China construction industry, ranks as top 10 backbone construction enterprise in Shanxi Province, and has extensive practical experience in the field of project investment, construction, and operation. The Company is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province.

REASONS FOR AND BENEFITS OF FORMATION OF THE JV COMPANY

The Company has established the JV Company with the aim of investing in the Project. The Directors anticipate that the Project will provide the Company with the following benefits:

(I) Enhancing profitability

Long-term and stable returns: Pumped storage power stations optimize the utilisation of electric energy through the principle of "storing energy at low cost and generating power at high efficiency." Calculated at standard electricity rates, the revenue from power generation typically exceeds the pumping costs. With an operational cycle that can often extend beyond 50 years, such stations can provide the Company with long-term and sustainable cash returns, thereby enhancing our profitability and risk-resistance capabilities.

(II) Expanding business scope and brand influence

Optimizing business structure: As a crucial component in the new energy sector, pumped storage power stations can form a strong complement to the Company's existing businesses, such as construction services. By participating in such projects, the Company can accumulate more cross-disciplinary experience and technical expertise, enhancing our comprehensive management capabilities in complex engineering projects, which will facilitate the Company's ability to undertake more similar large-scale and high-end projects in the future. Meanwhile, it will drive the Company to expand into the new energy business segment, optimize our energy business structures, and achieve diversified development.

Expanding market share: The Project aligns with China's national "dual carbon" goals and the development direction of green energy, enabling the Company to seize early market opportunities in the new energy sector. By offering energy storage services and engaging in power trading to diversify profit models, we can further expand our market share. Meanwhile, it will help establish the Company's successful image in the pumped storage power sector, attracting more collaboration opportunities and investment resources.

Enhancing brand value: As a significant strategic move in the new energy sector, this investment enables the Company to participate in the implementation of the national energy strategy. It showcases our technological prowess and social responsibility, strengthens our collaborations with the government and industry peers, further expands our brand influence, and solidifies the foundation for sustainable development.

The connected Directors, namely Mr. Xu Guanshi, Mr. Zhang Hongjie, Mr. Mu Jianwei and Mr. Feng Cheng, were deemed to have material interest and thus did not participate in the voting on the resolutions related to the establishment of the JV Company and the Cooperation Agreement. Save as disclosed above, no other Directors are deemed to have a material interest in the establishment of the JV Company and/or the Cooperation Agreement, nor are there any other directors required to abstain from voting on the board resolutions concerning the establishment of the JV Company and/or the Cooperation Agreement. The Directors (including the independent non-executive Directors) consider that the formation of the JV Company and the terms of the Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Shanxi CIG is the Controlling Shareholder and a connected person of the Company. Shanxi Sanjian is a subsidiary of Shanxi CIG. Therefore, Shanxi Sanjian is an associate of Shanxi CIG and a connected person of the Company.

As one or more applicable percentage ratios of the formation of the JV Company is more than 0.1% but less than 5%, the formation of the JV Company is subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

The following expressions shall have the meanings set out below unless the context requires otherwise:

"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors of the Company;
"Company"	Shanxi Installation Group Co., Ltd. (山西省安装集團股份有限公司), a joint stock company established under the PRC laws with limited liability whose H shares are listed on the Stock Exchange (stock code: 2520);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder'	has the meaning ascribed to it under the Listing Rules;

"Cooperation Agreement"	the cooperation agreement entered into between the Parties on 22 October 2025 in relation to the formation of the JV Company;
"Directors"	the directors of the Company;
"Huaneng Power"	Huaneng Power International, Inc. (華能國際電力股份有限公司), a joint stock company established under the PRC laws with limited liability, the H shares and A Shares of which are listed on the Stock Exchange (stock code: 902) and the Shanghai Stock Exchange (stock code: 600011), respectively;
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected person(s) (having the meaning ascribed to it under the Listing Rules);
"JV Company"	山西建華能源有限公司 (Shanxi Jianhua Energy Co., Ltd*), the company to be established pursuant to the terms of the Cooperation Agreement;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Parties"	Shanxi Sanjian, Huaneng Power and the Company;
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules;
"PRC"	the People's Republic of China;
"Project"	Shanxi Qinshui Pumped Storage Power Station Project* (山西沁水抽水蓄能電站項目);
"RMB'	Renminbi, the lawful currency of the PRC;
"Shanxi CIG"	Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司), a state-owned company established under the laws of the PRC and our controlling shareholder;
"Shanxi Sanjian"	Shanxi Sanjian Group Co., Ltd.* (山西三建集團有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of Shanxi CIG;
"Share(s)"	the shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

* *For identification purpose only*

"subsidiary(ies)"	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and
"%"	per cent.

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, 22 October 2025

As at the date of this announcement, the Board of the Company comprises: (i) Mr. Ren Rui, and Mr. Zhang Yan as executive Directors, (ii) Mr. Xu Guanshi, Mr. Zhang Hongjie, Mr. Mu Jianwei and Mr. Feng Cheng as non-executive Directors; and (iii) Mr. Wang Jingming, Professor Wu Qiusheng, Ms. Shin Chuck Yin and Mr. Guo He as independent non-executive Directors.