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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)

CONNECTED TRANSACTION
FORMATION OF A JOINT VENTURE

FORMATION OF A JOINT VENTURE

The Board is pleased to announce that on 3 February 2026, the Company, Shanghai Jingyu and Shanxi Infrastructure entered into the JV Agreement for the establishment of the Joint Venture to invest in the BOO Project. In particular, the Company, Shanghai Jingyu and Shanxi Infrastructure will make capital contribution of RMB43.8962 million, RMB27.9339 million and RMB7.9811 million, respectively, representing 55%, 35% and 10% of the registered capital of the Joint Venture, respectively. The Company's capital contribution to the registered capital of the Joint Venture will be funded by the internal resources of the Company. Upon its establishment, the Joint Venture will become a non wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Shanxi CIG is the controlling shareholder and a connected person of the Company. Shanxi Infrastructure is a subsidiary of Shanxi CIG. As such, Shanxi Infrastructure is an associate of Shanxi CIG and a connected person of the Company.

As one or more applicable percentage ratios of the Transaction is more than 0.1% but less than 5%, the Transaction 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.

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THE JV AGREEMENT

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

Parties

(1) the Company

(2) Shanghai Jingyu

(3) Shanxi Infrastructure

Business Scope and Registered Capital of the Joint Venture

The business scope of the Joint Venture includes investment, construction, operation and management of projects; water pollution control; wastewater treatment and recycling; solid waste management; water resource management; environmental consultancy services; construction management services; water-related consulting services; research and development of resource recycling technologies; urban greening management; municipal facilities management; sales of chemical products (excluding hazardous materials); sales of wastewater treatment agents; development and transfer of resource recycling technologies and development and utilization of consulting services; pilot-scale testing; and investment activities using self-owned funds (subject to official business registration).

The registered capital of the Joint Venture is RMB79.8112 million, which shall be paid up by 31 December 2026. The capital contribution amount and method of each party are as follows:

	Shareholder	Form of capital contribution	Amount of capital contribution (RMB million)	Subscribed capital contribution (RMB million)	Proportion of capital contribution
1	The Company	Cash	43.8962	43.8962	55%
2	Shanghai Jingyu	Cash	27.9339	27.9339	35%
3	Shanxi Infrastructure	Cash	7.9811	7.9811	10%
Total			79.8112	79.8112	100%

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

Corporate Governance Structure

The Joint Venture shall establish a shareholders' meeting and a board of directors. The shareholders' meeting shall serve as the highest authority of the Joint Venture. The parties shall exercise voting rights based on their respective proportions of subscribed capital contribution. In particular, changes to the registered capital, merger, division, dissolution, liquidation, or change of corporate form of the Joint Venture, amendments to the articles of association, and matters relating to the execution of the Engineering, Procurement, and Construction (EPC) contract and the entrusted operation and management contract in relation to the BOO Project, shall require the consent of shareholders representing more than two-thirds of the voting rights of the Joint Venture.

The JV Board shall consist of seven directors, of which four directors, two directors and one director shall be nominated by the Company, Shanghai Jingyu and Shanxi Infrastructure, respectively, and all of them shall be elected by a shareholders' meeting of the Joint Venture. The JV Board shall have one chairman, who shall be recommended by the Company and elected by the JV Board. Significant events of the Joint Venture shall be subject to approval of more than two-thirds of the directors on the JV Board, including but are not limited to investments or disposals of assets, financing, provision of loans or guarantees to third parties exceeding a specified amount, significant changes in accounting systems and policies, and connected transactions.

The Joint Venture shall have one general manager who shall be concurrently served by a director nominated by the Company, one chief financial officer who shall be recommended by the Company, and three deputy general managers each of whom shall be nominated by each of the parties. The appointment or dismissal of the general manager, deputy general managers, and chief financial officer shall be determined by the JV Board. The Joint Venture's accountant shall be recommended by Shanghai Jingyu. All other management personnel of the Joint Venture may be recommended by shareholders, nominated by the general manager, or recruited publicly. Their appointment or dismissal shall be determined by the JV Board.

Distribution of Profit

Any remaining balance after covering losses and appropriation of statutory reserve and discretionary reserve (if necessary) from the net profit after taxation of each fiscal year of the Joint Venture must be distributed to all shareholders in cash (unless otherwise agreed by all shareholders). The distribution ratio shall not be less than 50% of the distributable profit for that year.

INFORMATION OF THE PARTIES

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.

Shanghai Jingyu is a provider of water treatment solutions and operational services with wastewater zero-discharge and resource utilisation as its core businesses. It holds the titles of national-level "Specialised, Refined, Peculiar and Innovative 'Little Giant' Enterprise" (專精特新「小巨人」企業), Shanghai High-tech Enterprise (高新技術企業) and Shanghai Technology-based Little Giant Enterprise (科技小巨人企業). It focuses on offering solutions, investment and operational services related to wastewater zero-discharge and by-product resource utilisation. Its actual controllers are Xiao Longbo (肖龍博) and Lu Kui (陸魁). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Shanghai Jingyu and its ultimate beneficial owners are Independent Third Parties.

Shanxi Infrastructure is a wholly-owned subsidiary of Shanxi CIG. It mainly engages in professional investment and long-term operational services in the infrastructure sector, with its businesses covering multiple fields including road transportation, municipal utilities, medical and educational services, and urban renewal. Having rooted deeply in the locations of its projects for many years, it possesses abundant market resources.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Formation of the Joint Venture is to invest in the BOO Project, which involves the construction and operation of a zero-liquid-discharge wastewater treatment facility supporting the energy conservation and environmental protection upgrade and renovation project of Shanxi Lanhua. This includes a wastewater treatment system, domestic wastewater reuse system, saline wastewater treatment system, concentrated brine treatment system, and an evaporation-crystallization system. The Joint Venture will be responsible for the construction, operation and maintenance of the BOO Project, and will receive wastewater treatment service fees in return. The total investment for the BOO Project is estimated to be RMB266.7 million. Apart from the equity investment contributed by the parties for establishing the Joint Venture, the remaining investment will be funded by external financing. The construction period for the BOO Project is expected to be 15 months, with an operational service period of 20 years. Matters concerning cooperation after the expiration of the service period will be renegotiated and determined by the parties.

The Directors anticipate that the BOO Project will bring the following benefits to the Company:

1. The operational cycle of the BOO Project is expected to be 20 years, which is expected to provide the Company with long-term, sustainable investment returns and enhance the profitability and risk resilience of the Company.

2. Through investment in the BOO Project, the Company can further consolidate its market position in the industrial wastewater treatment sector, improve the "solid waste + water treatment" environmental protection industrial chain, and align with the Company's long-term development plan for the low-carbon and environmental protection industry.

3. The Company will accumulate experience in municipal wastewater treatment projects through the operation of the Joint Venture, and will strengthen its technical capabilities in the field of high-difficulty industrial wastewater treatment through the implementation of the BOO Project.

4. In accordance with the requirements of Shanxi Province, coking/coal chemical enterprises shall be equipped with wastewater zero-discharge facilities. As a provincial-level upgrading and renovation project, the BOO Project has demonstrative significance, laying the foundation and accumulating experience for the Company to undertake similar projects of other enterprises in the province subsequently.

The Directors, namely Mr. Xu Guanshi, Mr. Zhang Hongjie, Mr. Mu Jianwei and Mr. Feng Cheng, are deemed to have a material interest by reason of their position at Shanxi CIG and thus abstained from voting on the resolution related to the Transaction. Save as disclosed above, no other Directors are deemed to have a material interest in the Transaction, nor are there any other Directors required to abstain from voting on the Board resolutions concerning the Transaction. The Directors (including the independent non-executive Directors) consider that the terms of the Transaction are fair and reasonable and in the interests of the Company and the shareholders as a whole.

LISTING RULES IMPLICATIONS

Shanxi CIG is the controlling shareholder and a connected person of the Company. Shanxi Infrastructure is a subsidiary of Shanxi CIG. As such, Shanxi Infrastructure is an associate of Shanxi CIG and a connected person of the Company.

As one or more applicable percentage ratios of the Transaction is more than 0.1% but less than 5%, the Transaction 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
"BOO Project"	the Build-Own-Operate (BOO) project for the zero-liquid-discharge wastewater treatment facility supporting the energy conservation and environmental protection upgrade and renovation project of Shanxi Lanhua
"Company"	Shanxi Installation Group Co., Ltd. (山西省安裝集團股份有限公司), 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
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected person(s)
"JV Agreement"	the equity cooperation agreement entered into between the Company, Shanghai Jingyu and Shanxi Infrastructure on 3 February 2026 in relation to the formation of the Joint Venture
"JV Board"	the board of directors of the Joint Venture
"Joint Venture"	a company to be formed pursuant to the terms of the JV Agreement, namely Jincheng Shan'an Jingyu Water Affairs Development Co., Ltd.* (晉城山安晶宇水務發展有限公司) (subject to official business registration)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"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 the controlling shareholder of the Company
"Shanxi Infrastructure"	Shanxi Infrastructure Investment and Operation Co., Ltd.* (山西基礎設施投資運營有限公司), a company established under the PRC laws and a wholly-owned subsidiary of Shanxi CIG

"Shanxi Lanhua"	Shanxi Lanhua Coal Chemical Industry Co., Ltd.* (山西蘭花煤化工有限責任公司), a company established under the PRC laws and a subsidiary under the control of Shanxi Lanhua Sci-Tech Venture Co., Ltd.* (山西蘭花科技創業股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600123). To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Shanxi Lanhua and its ultimate beneficial owners are Independent Third Parties
"Shanghai Jingyu"	Shanghai Jingyu Environmental Engineering Co., Ltd.* (上海晶宇環境工程股份有限公司), a company established under the PRC laws and an Independent Third Party
"Share(s)"	the shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the Company's investment in the formation of the Joint Venture according to the JV Agreement

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, 3 February 2026

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.

* *For identification purposes only.*