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山西安裝

山西建投
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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2026

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	January to June 2026	January to June 2025	
	RMB'000	*RMB'000*	Change
	(Unaudited)	*(Unaudited)*	
Operating results			
Operating revenue	**4,563,853**	5,614,375	-1,050,522
Gross profit	**521,581**	598,678	-77,097
Net profit	**87,749**	83,057	4,692
Net profit attributable to the shareholders of the parent company	**58,569**	55,992	2,577
Profitability			
Gross profit margin	**11.4%**	10.7%	0.7%
Net sales margin	**1.9%**	1.5%	0.4%
Earnings per share (RMB)			
Earnings per share – Basic	**0.0426**	0.0408	0.0018
Earnings per share – Diluted	**0.0426**	0.0408	0.0018

The financial information set out in this announcement is prepared in accordance with the China Accounting Standards for Business Enterprises.

No interim dividend was proposed for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Shanxi Installation Group Co., Ltd. (the "**Company**", and its subsidiaries, the "**Group**") is pleased to announce the consolidated financial results of the Group for the six months ended June 30, 2026 (the "**Reporting Period**"), together with the comparative figures for the six months ended June 30, 2025 (the "**Corresponding Period of Last Year**").

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

For the six months ended June 30, 2026

Unit: *RMB'000*

Assets	*Notes*	**2026 June 30**	2025 December 31
Current assets:			
Cash		**1,606,326**	1,823,401
Bill receivables		**137,273**	230,677
Trade receivables	*4*	**8,226,718**	8,143,568
Receivables financing		**43,436**	8,049
Prepayments		**207,430**	286,596
Other receivables		**857,773**	744,234
Inventories		**295,308**	327,859
Contract assets	*5*	**8,161,128**	7,132,239
Other current assets		**305,322**	237,935
Total current assets		**19,840,714**	18,934,558
Non-current assets:			
Long-term equity investments		**351,212**	328,801
Investments in other equity instruments		**142,525**	154,215
Investment properties		**189,359**	188,989
Fixed assets		**1,051,918**	1,069,494
Construction-in-progress		**403,125**	218,593
Right-of-use assets		**130,814**	139,308
Intangible assets		**186,972**	187,711
Goodwill		**11,135**	11,135
Long-term deferred expenses		**5,879**	6,874
Deferred income tax assets		**196,647**	186,398
Other non-current assets		**4,777,471**	4,630,173
Total non-current assets		**7,447,057**	7,121,691
Total assets		**27,287,771**	26,056,249

Unit: *RMB'000*

liabilities and equity of shareholders	*Notes*	**2026 June 30**	2025 December 31
Current liabilities			
Short-term borrowings		**2,801,599**	3,130,479
Bill payables		**2,229,500**	2,034,671
Trade payables	*6*	**10,014,446**	9,892,334
Contract liabilities		**1,121,683**	973,315
Employee remuneration payables	*7*	**73,049**	78,308
Tax payables	*8*	**42,270**	55,923
Other payables	*9*	**652,028**	581,757
Non-current liabilities due within one year		**356,510**	570,503
Other current liabilities		**774,877**	817,294
Total current liabilities		**18,065,962**	18,134,584
Non-current liabilities			
Long-term borrowings		**4,497,181**	4,157,530
Bonds payables		**855,003**	0
Lease liabilities		**129,423**	130,761
Long-term employee remuneration payables		**26,500**	27,660
Deferred income		**35,335**	26,373
Deferred income tax liabilities		**84,797**	89,364
Total non-current liabilities		**5,628,239**	4,431,688
Total liabilities		**23,694,201**	22,566,272

liabilities and equity of shareholders	*Notes*	**2026 June 30**	2025 December 31
Equity of shareholders			
Share capital		**1,373,486**	1,373,486
Capital reserve		**661,276**	661,276
Other comprehensive income		**80,633**	90,581
Special reserve		**17,862**	3,536
Surplus reserve		**18,528**	18,528
Undistributed profit		**785,922**	755,344
Total equity attributable to shareholders of the parent company		**2,937,707**	2,902,751
Minority interests		**655,863**	587,226
Total equity of shareholders		**3,593,570**	3,489,977
Total liabilities and equity of shareholder		**27,287,771**	26,056,249

Legal representative of the Company: Ren Rui

Person in charge of accounting work in the Company: Zhou Saimei

Person in charge of the accounting organization of the Company: Xue Bowen

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the period from January 1, 2026 to June 30, 2026

Unit: *RMB'000*

	Notes	**January to June 2026**	January to June 2025
Operating revenue	*10*	**4,563,853**	5,614,375
Less: Operating costs	*10*	**4,042,272**	5,015,697
Taxes and surcharges	*11*	**12,401**	14,564
Selling expenses		**514**	650
Management expenses		**216,494**	234,947
Research and development expenses		**93,624**	172,876
Finance expenses	*12*	**54,585**	38,838
Including: Interest expenses		**181,511**	172,638
Interest income		**129,250**	136,469
Add: Other gains		**2,632**	3,034
Investment gains		**-2,716**	-4,445
Including: Gains on investment in associates and joint ventures		**-3,826**	-4,233
Gains on change of fair value		**370**	1,025
Credit impairment losses		**-10,980**	-23,903
Asset impairment losses		**-42,765**	-16,424
Gains on disposal of assets		**263**	435
Operating profit		**90,767**	96,525
Add: Non-operating revenue		**375**	190
Less: Non-operating expenses		**1,380**	305
Total profit		**89,762**	96,410
Less: Income tax expenses	*13*	**2,013**	13,353
Net profit		**87,749**	83,057
Classified by operating continuity:			
Net profit from continuing operations		**87,749**	83,057
Classified by ownership:			
Net profit attributable to shareholders of the parent company		**58,569**	55,992
Minority interests		**29,180**	27,065

	Notes	**January to June 2026**	January to June 2025
Other comprehensive income, net of tax		**-9,948**	1,303
Other comprehensive income attributable to shareholders of the parent company, net of tax		**-9,948**	1,303
Other comprehensive income that cannot be reclassified into profit or loss		**-9,927**	1,347
Changes in remeasurement of defined benefit plan		**9**	9
Fair value change of investment in other equity instruments		**-9,936**	1,338
Other comprehensive income that will be reclassified into profit or loss		**-21**	-44
Translation differences on financial statements of foreign currencies		**-21**	-44
Total comprehensive income		**77,800**	84,359
Of which:			
Total comprehensive income attributable to shareholders of the parent company		**48,620**	57,294
Total comprehensive income attributable to minority shareholders		**29,180**	27,065
Earnings per share (RMB/share)			
Basic earnings per share	*15*	**0.0426**	0.0408
Diluted earnings per share		**0.0426**	0.0408

Net profit realized by the combined party prior to the business combination under common control amounted to RMB-437,000, compared to RMB-7,292,000 in the preceding period.

Legal representative of the Company: Ren Rui

Person in charge of accounting work in the Company: Zhou Saimei

Person in charge of the accounting organization of the Company: Xue Bowen

NOTES TO FINANCIAL STATEMENTS

1. INFORMATION OF THE COMPANY

Shanxi Installation Group Co., Ltd. (the "**Company**"; together with its subsidiaries, collectively the "**Group**"), whose predecessor was Shanxi Industrial Equipment Installation Group Co., Ltd. (山西省工業設備安裝集團有限公司), and was previously named as Shanxi Industrial Equipment Installation Co., Ltd.* (山西省工業設備安裝有限公司) and Shanxi Industrial Equipment Installation Company* (山西省工業設備安裝公司), was established in November 1989. In August 2021, the Company was restructured on the basis of the original company into a wholly-owned subsidiary of Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司) ("**Shanxi CIG**") and was approved and registered by the Shanxi Provincial Administration for Market Regulation. Its business license registration number is 140000100001146, and the registered capital and paid-up capital are RMB1,000,000,000.

On September 2, 2021, Shanxi CIG transferred 2% of its equity in the Company (20,000,000 shares) to Shanghai Rongda Investment Management Co., Ltd.* (上海榮大投資管理有限公司) at nil consideration.

In December 2021, the Company was restructured into a joint stock limited company.

In November 2023, the Company issued 373,486,000 shares of stock (H shares) to overseas investors and listed on the Main Board of the Hong Kong Stock Exchange, with the stock abbreviation "SHANXI INSTALL" and stock code "02520". After the completion of the aforementioned issuance, the total share capital increased to RMB1,373,486,000.

The registered address of the Company is No. 8, Xinhua Road, Tanghuai Industrial Park, Shanxi Transformation Comprehensive Reform Demonstration Zone, with the Unified Social Credit ID of 91140000110011149W.

The industry in which the Company operates: construction industry. The Company is principally engaged in the following businesses: specialized industrial construction contracting, specialized auxiliary construction contracting, other construction contracting, and non-construction businesses.

The holding company of the Company is Shanxi CIG.

On December 1, 2025, in accordance with the spirit of the document Notice of the State-owned Assets Supervision and Administration Commission of Shanxi Provincial People's Government on the Transfer of State-owned Equity in Relevant Enterprises Held by Shanxi State-owned Capital Operation Co., Ltd. to the Provincial SASAC (Jin Guo Zi Chan Quan [2025] No. 75), the state-owned equity interest in Shanxi Construction Investment held by Shanxi State-owned Capital Operation Co., Ltd. was partially transferred to the State-owned Assets Supervision and Administration Commission of Shanxi Provincial People's Government, and the business change registration was completed on May 19, 2026. Upon such change, the State-owned Assets Supervision and Administration Commission of Shanxi Provincial People's Government holds 52.44% of the equity interest in Shanxi Construction Investment, Shanxi State-owned Capital Operation Co., Ltd. holds 37.56% of the equity interest in Shanxi Construction Investment, and the Department of Finance of Shanxi Province holds 10% of the equity interest in Shanxi Construction Investment.

The ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province (山西省人民政府國有資產監督管理委員會).

The financial statements and notes to the financial statements were approved by the resolution of the 66th meeting of the first session of the Board of the Company on August 28, 2026.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the China Accounting Standards for Business Enterprises and its application guidelines, interpretations, and other relevant provisions (collectively, the "**Accounting Standards for Business Enterprises**") issued by the Ministry of Finance of the PRC.

Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong issued by the Hong Kong Stock Exchange in December 2010, the corresponding amendments to the Listing Rules of the Hong Kong Stock Exchange, as well as the relevant documents issued by the Ministry of Finance (MOF) and the China Securities Regulatory Commission (CSRC), and upon approval by the Company's general meeting of shareholders, the Company will no longer provide financial reports prepared in accordance with International Financial Reporting Standards (IFRS) to H Shareholders with effect from the 2024 annual financial report and interim results. Instead, the Company will provide financial reports prepared in accordance with Chinese Accounting Standards (CAS) to all shareholders, and in preparing such financial reports, the Company has had regard to the relevant disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

The financial statements are presented on a going concern basis.

The Company's accounting is based on the accrual basis. Except for certain financial instruments and investment properties, the financial statements are measured on a historical cost basis. Non-current assets held for sale are measured at the lower of their fair value less estimated costs to sell and their carrying amount at the time they meet the criteria for classification as held for sale. If assets become impaired, corresponding impairment provisions shall be made in accordance with relevant regulations.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Changes in significant accounting policies

Nil.

(2) Changes in accounting estimates

In order to reflect the condition of assets and operating results of the Company in a more fair and faithful way, and make the depreciation periods of fixed assets closer to the actual useful life and the depreciation period more reasonable, the Company conducted refined and detailed management of fixed assets such as houses and buildings, construction machinery, transportation and production equipment, office equipment and others, and change the depreciation periods of each sub-category of assets.

The Company convened the fourth meeting of the audit committee of the first session of the Board in 2026 and the 66th meeting of the first session of the Board on August 28, 2026 respectively, at which the Resolution on the Change in Accounting Estimates Relating to the Depreciation Periods of Fixed Assets (《關於固定資產折舊年限會計估計變更的議案》) was considered and approved, with effect from 1 January 2026.

The changes in accounting estimates is applied prospectively and no retrospective adjustment to the already disclosed financial statements of the Company is required. It will have no impact on the financial position and operating results of prior years. The impact on the financial position and operating results of the current period is as follows:

Unit: *RMB'000*

Content of and reasons for changes in accounting estimates	Time point at which the application begins	Financial Statement Items Affected	Amounts affected in the consolidated financial statements	Amounts affected in the financial statements of the parent company
Changes in depreciation periods of fixed assets	January 1, 2026			
		Items in the balance sheet as at June 30, 2026		
		1. Fixed assets	6,422	566
		2. Tax payables	1,531	85
		3. Undistributed profit	4,891	481
		4. Equity attributable to shareholders of the parent company	3,834	481
		5. Minority interests	1,057	0
		Items in the income statement from January to June, 2026		
		6. Operating costs	-5,253	-115
		7. Selling expenses	-47	0
		8. Management expenses	-1,122	-451
		9. Total profit	6,422	566
		10. Income tax	1,531	85
		11. Net profit	4,891	481
		12. Net profit attributable to shareholders of the parent company	3,834	481
		13. Minority interests	1,057	0

4. TRADE RECEIVABLES

The aging analysis of the trade receivables based on their transaction dates are as follows:

Unit: *RMB'000*

	June 30, 2026 *(Unaudited)*				
	Balance		Bad debt provision		
Category	Amount	Proportion *(%)*	Amount	Expected credit loss rate *(%)*	Carrying amount
Bad debt provision on an individual basis	**395,045**	**4.49**	**170,339**	**43.12**	**224,706**
Bad debt provision on a group basis	**8,412,950**	**95.51**	**410,938**	**4.88**	**8,002,012**
Including: Age group	**8,412,950**	**95.51**	**410,938**	**4.88**	**8,002,012**
Total	**8,807,995**	**100.00**	**581,277**	**6.60**	**8,226,718**

Unit: *RMB'000*

Category	December 31, 2025 Balance Amount	Proportion *(%)*	Bad debt provision Amount	Expected credit loss rate *(%)*	Carrying amount
Bad debt provision on an individual basis	410,795	4.72	160,574	39.09	250,221
Bad debt provision on a group basis	8,300,562	95.28	407,215	4.91	7,893,347
Including: Age group	8,300,562	95.28	407,215	4.91	7,893,347
Total	8,711,357	100.00	567,789	6.52	8,143,568

Bad debt provision on a group basis**:**

Group item: Age group

Unit: *RMB'000*

	June 30, 2026 *(Unaudited)*			December 31, 2025		
	Balance	**Bad debt provision**	**Expected credit loss rate *(%)***	Balance	Bad debt provision	Expected credit loss rate *(%)*
Within 1 year	**3,667,391**	**50,610**	**1.38**	4,664,480	64,294	1.38
1 to 2 years	**2,526,118**	**92,455**	**3.66**	1,740,100	63,624	3.66
2 to 3 years	**1,352,836**	**91,993**	**6.80**	1,161,047	78,927	6.80
3 to 4 years	**658,071**	**79,298**	**12.05**	475,865	57,358	12.05
4 to 5 years	**138,692**	**26,740**	**19.28**	143,784	27,726	19.28
Over 5 years	**69,842**	**69,842**	**100.00**	115,286	115,286	100.00
Total	**8,412,950**	**410,938**	**4.88**	8,300,562	407,215	4.91

5. CONTRACT ASSETS

Unit: *RMB'000*

	June 30, 2026 (Unaudited)			December 31, 2025		
Item	**Carrying amount**	**Impairment provision**	**Book value**	Carrying amount	Impairment provision	Book value
– Contract assets on service concession projects	**4,252,834**	**49,526**	**4,203,308**	4,114,308	47,938	4,066,370
– Contract assets on EPC projects	**8,711,373**	**197,367**	**8,514,006**	7,682,899	156,961	7,525,938
Sub-total	**12,964,207**	**246,893**	**12,717,314**	11,797,207	204,899	11,592,308
Less: Contract assets shown in other non-current assets	**4,635,040**	**78,854**	**4,556,186**	4,541,149	81,080	4,460,069
Total	**8,329,167**	**168,039**	**8,161,128**	7,256,058	123,819	7,132,239

6. TRADE PAYABLES

The aging analysis of the trade payables based on their recognition dates are as follows:

Unit: *RMB'000*

Item	**June 30, 2026** ***(Unaudited)***	December 31, 2025
Within one year	**2,907,488**	5,742,648
1 year to 2 years	**3,915,287**	2,410,173
2 years to 3 years	**1,712,002**	801,517
Over 3 years	**1,479,669**	937,996
Total	**10,014,446**	9,892,334

7. EMPLOYEE REMUNERATION PAYABLES

Unit: *RMB'000*

Item	**December 31, 2025**	**Increase in the period**	**Decrease in the period**	**June 30, 2026** ***(Unaudited)***
Short-term remuneration	75,278	266,941	272,299	69,920
Post-employment benefits – defined contribution plan	180	42,160	42,061	279
Termination benefits	2,850	28	28	2,850
Total	78,308	309,129	314,388	73,049

The defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate fund and will have no further payment obligations thereafter.

During the reporting period, the defined contribution plan of the Company is the basic pension insurance and unemployment insurance paid for the employees.

Regarding the basic social pension insurance and unemployment insurance organized and implemented by local labor and social security departments that employees of the Company participate in, if employees withdraw from the aforementioned defined contribution plan before the relevant contributions are vested, the Company cannot use the contributions already paid on behalf of the employees to offset the existing level of contributions required by the defined contribution plan.

8. TAX PAYABLES

Unit: *RMB'000*

Tax	**June 30, 2026** ***(unaudited)***	December 31, 2025
Corporate income tax	**12,119**	22,947
Value-added tax	**9,058**	11,254
Individual income tax	**17,271**	16,527
City maintenance and construction tax	**2,119**	2,295
Educational surcharge	**1,165**	1,218
Price adjustment fund payable	**277**	319
Local educational surcharge	**3**	60
Other taxes	**258**	1,303
Total	**42,270**	55,923

9. OTHER PAYABLES

Unit: *RMB'000*

Item	**June 30, 2026** *(unaudited)*	December 31, 2025
Interest payables		
Dividend payables	**52,890**	31,678
Other payables	**599,138**	550,079
Total	**652,028**	581,757

(1) Dividend payables

Unit: *RMB'000*

Name of shareholder	**June 30, 2026** *(unaudited)*	December 31, 2025
Shanxi Construction Investment Group Co., Ltd.	**43,437**	30,244
Shanghai Rongda Investment Management Co., Ltd.	**1,841**	1,434
Holders of overseas listed H shares	**7,612**	
Total	**52,890**	31,678

(2) Other payables

Unit: *RMB'000*

Item	**June 30, 2026** *(unaudited)*	December 31, 2025
Security deposits received	**23,309**	33,238
Amounts due to related parties	**198,384**	163,115
Amounts due to employees	**97,810**	104,584
Withholding and payment of social insurance and tax on behalf of individuals	**40,478**	3,171
Other payables	**239,157**	245,971
Total	**599,138**	550,079

10 OPERATING REVENUE AND OPERATING COSTS

(1) Operating revenue and operating costs

Unit: *RMB'000*

Item	**January to June 2026 *(unaudited)***		January to June 2025 *(unaudited)*	
	Revenue	**Costs**	Revenue	Costs
Principal businesses	**4,488,030**	**3,988,586**	5,588,041	5,005,369
Other businesses	**75,823**	**53,686**	26,334	10,328
Total	**4,563,853**	**4,042,272**	5,614,375	5,015,697

(2) Operating revenue and operating costs by type

Unit: *RMB'000*

Major product type	**January to June 2026 *(unaudited)***		January to June 2025 *(unaudited)*	
	Revenue	**Costs**	Revenue	Costs
Principal businesses:	**4,488,030**	**3,988,586**	5,588,041	5,005,369
1. Specialized industrial construction	**3,217,778**	**2,964,148**	4,069,822	3,735,341
– Construction income of service concession projects	**18,610**	**16,071**	–	–
– Construction income of EPC projects	**3,199,168**	**2,948,077**	4,069,822	3,735,341
2. Specialized auxiliary construction	**471,395**	**374,808**	534,251	487,804
– Construction income of service concession projects	**7,252**	**7,167**	570	525
– Construction income of EPC projects	**464,143**	**367,641**	533,681	487,279
3. Other construction	**220,698**	**199,313**	499,658	426,264
– Construction income of service concession projects	**–**	**–**	114	85
– Construction income of EPC projects	**220,698**	**199,313**	499,544	426,179
4. Non–construction business	**578,159**	**450,317**	484,310	355,960
– Operating fee income of service concession projects	**70,474**	**53,477**	62,802	51,392
– Urban heating technical services income	**263,553**	**191,923**	225,113	160,596
– Sales of LNG	**129,014**	**118,421**	73,235	70,779
– Sales of concrete	**658**	**3,012**	3,130	3,068
– Trading	**16,157**	**8,611**	43,849	37,791
– Design fee	**17,010**	**11,851**	20,847	10,922
– Sales of electricity	**28,261**	**14,475**	35,648	3,710
– Labor services fee	**53,032**	**48,547**	19,686	17,702

Major product type	**January to June 2026** *(unaudited)* Revenue	Costs	January to June 2025 *(unaudited)* Revenue	Costs
Other businesses:	**75,823**	**53,686**	26,334	10,328
– Lease	**35,973**	**26,847**	11,555	2,539
– Others	**39,850**	**26,839**	14,779	7,789
Total	**4,563,853**	**4,042,272**	5,614,375	5,015,697

(3) Operating revenue and operating costs by geographical location

Unit: *RMB'000*

Major operating areas	**January to June 2026** *(Unaudited)* Revenue	Costs	January to June 2025 *(Unaudited)* Revenue	Costs
China	**4,303,208**	**3,819,100**	5,405,009	4,842,838
Overseas	**260,645**	**223,172**	209,366	172,859
Sub-total	**4,563,853**	**4,042,272**	5,614,375	5,015,697

(4) Breakdown of operating revenue

Unit: *RMB'000*

	January to June 2026 *(Unaudited)*	January to June 2025 *(Unaudited)*
Timing of revenue recognition		
Including: Recognized at a point in time	**618,008**	499,089
Recognized over time	**3,909,872**	5,103,731
Total	**4,527,880**	5,602,820

The above excludes rental income, which is recognized in accordance with the Accounting Standards for Business Enterprises No. 21.

11. TAX AND SURCHARGES

Unit: *RMB'000*

Item	**January to June 2026** *(Unaudited)*	January to June 2025 *(Unaudited)*
Property tax	**2,394**	2,183
Stamp duty	**1,462**	3,666
Urban maintenance and construction tax	**3,565**	4,425
Education surcharge	**2,911**	3,042
Land use tax	**522**	542
Others	**1,547**	706
Total	**12,401**	14,564

12. FINANCE EXPENSES

Unit: *RMB'000*

Item	**January to June 2026** *(Unaudited)*	January to June 2025 *(Unaudited)*
Interest expenses	**182,363**	174,093
Less: Capitalized interest	**852**	1,455
Interest income from bank deposits	**4,391**	8,698
Interest income from PPP projects	**124,859**	127,771
Exchange profits or losses	**1,187**	269
Handling fee and others	**1,137**	2,400
Total	**54,585**	38,838

13. INCOME TAX EXPENSES

(1) Breakdown of income tax expenses

Unit: *RMB'000*

Item	**January to June 2026** *(Unaudited)*	January to June 2025 *(Unaudited)*
Current income tax calculated in accordance with tax laws and related regulations	**24,147**	18,130
Deferred income tax expenses	**-22,134**	-4,777
Total	**2,013**	13,353

(2) Reconciliation between income tax expenses and total profit is as follows:

Unit: *RMB'000*

Item	**January to June 2026** *(Unaudited)*	January to June 2025 *(Unaudited)*
Total profit	**89,762**	96,410
Income tax expenses at statutory (or applicable) tax rate	**13,464**	13,749
Effect of different tax rates applied by certain subsidiaries	**6,213**	6,333
Adjustment of current income tax in previous periods	**–**	202
Profit or loss from joint ventures and associates accounted for under the equity method	**-574**	-160
Non-deductible costs, expenses and losses	**-1,957**	18,951
Tax effects of unrecognized deductible losses and deductible temporary differences	**-1,008**	209
Tax effects of deduction for research and development expenses (expressed in "–")	**-14,125**	-25,931
Income tax expenses	**2,013**	13,353

Tax Concessions and Approvals

Taxation concession applicable for high and new-technology corporate tax

① The Company has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance and Shanxi Provincial Taxation Bureau, State Taxation Administration on November 1, 2024, which is eligible to pay enterprise income tax (EIT) at a preferential rate of 15% from November 1, 2024 to October 31, 2027.

② Shan'an Bluesky, a subsidiary of the Company, has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance and Shanxi Provincial Taxation Bureau, State Taxation Administration on November 1, 2024, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from November 1, 2024 to October 31, 2027.

③ Xinshi Yangtian, a subsidiary of the Company, has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance and Shanxi Provincial Taxation Bureau, State Taxation Administration on December 6, 2024, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 6, 2024 to December 5, 2027.

④ Shan'an Biquan, a subsidiary of the Company, has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance and Shanxi Provincial Taxation Bureau, State Taxation Administration on December 8, 2025, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 8, 2025 to December 7, 2028.

⑤ Shan'an Lide, a subsidiary of the Company, has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance and Shanxi Provincial Taxation Bureau, State Taxation Administration on December 8, 2023, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 8, 2023 to December 7, 2026.

⑥ Shanghai Shan'an, a subsidiary of the Company, has obtained the Certificates of High and New-Technology Enterprise jointly issued by the Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Bureau of Finance and Shanghai Municipal Taxation Bureau, State Taxation Administration on December 12, 2023, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 12, 2023 to December 11, 2026.

Additional research and development deduction tax treatment

The Company's operations in the PRC enjoy an additional research and development deduction tax treatment in accordance to EIT.

According to the announcement issued by the Ministry of Finance, the State Taxation Administration, and the Ministry of Science and Technology, with effect from October 1, 2022, the additional deduction ratio of research and development expenses is 100% and additional deduction ratio of amortization of the intangible assets was 200%.

Tax concessions applicable to small and micro enterprises

① According to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individually-owned Businesses (Cai Shui (2023) No. 12): for small low-profit enterprises, the annual taxable income shall be calculated at a rate of 25%, and enterprise income tax shall be paid at a tax rate of 20%.

② The Company's subsidiaries, Chongqing Shan'an Construction Engineering Co., Ltd. (重慶山安建設工程有限公司), Guangxi Shan'an Construction Co., Ltd. (廣西山安建設工程有限公司), Shan'an Runxing New Energy (Lvliang) Co., Ltd. (山安潤興新能源(呂梁)有限公司), Liaoning Yingkou Shan'an New Energy Co., Ltd. (遼寧營口山安新能源有限公司), Shaanxi Shan'an Construction Engineering Co., Ltd. (陝西山安建設工程有限公司), Xiong'an Shan'an Construction Engineering Co., Ltd. (雄安山安建設工程有限公司), Shanxi Installation Xiaoyi Construction Engineering Co., Ltd. (山西安裝孝義建設工程有限公司), Shanxi Shan'an Maode Electricity Supply Co., Ltd. (山西山安茂德售電有限公司), Yuanping Shan'an Biquan Waterwork Development Limited (原平市山安碧泉水務發展有限公司), Changzhi Shan'an Zhihui Green Energy Co., Ltd. (長治山安智匯綠色能源有限公司), Changzhi Caihui Shan'an Energy Technology Co., Ltd. (長治市財匯山安能源科技有限公司), Siziwangqi Shan'an Thermal Power Co., Ltd. (四子王旗山安熱電有限公司), Hengshui Jizhou District Shan'an Heating Co., Ltd. (衡水市冀州區山安熱力有限公司), Taiyuan Yingze District Shan'an New Energy Co., Ltd. (太原市迎澤區山安新能源有限公司), Baode Shan'an New Energy Co., Ltd. (保德山安新能源有限公司), Daning Shan'an Xinyuan Co., Ltd. (大寧山安新源有限公司), Fenxi Shan'an Xinyuan Co., Ltd. (汾西山安新源有限公司), Shilou Shan'an New Energy Co., Ltd. (石樓山安新能源有限公司), Xiyang Shan'an Lvyuan New Energy Co., Ltd. (昔陽山安綠源新能源有限公司), Yangquan Shan'an New Energy Co., Ltd. (陽泉山安新能源有限公司), Run'an New Energy (Ningwu) Co., Ltd. (潤安新能源(寧武)有限公司) and Pingyao Shan'an Maode Solar Technology Co., Ltd. (平遙縣山安茂德太陽能科技有限公司) are subject to the provisions of the aforesaid document and will pay their taxable income at a preferential rate for the year 2026.

14. DIVIDEND

	January to June 2026	January to June 2025
Approved		
Final dividend – RMB0.20380 per 10 ordinary shares (June 30, 2025: RMB0.04537 per 10 ordinary shares)	**27,992**	6,232
Proposed		
Interim dividend (June 30, 2025: Nil)	**Nil**	Nil

15. EARNINGS PER SHARE

Earnings per share are calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

Item	**January to June 2026**	January to June 2025
Consolidated net profit attributable to the ordinary shareholders of the parent company *(Unit: RMB'000)*	**58,569**	55,992
Weighted average number of outstanding ordinary shares of the parent company *(Unit: thousand shares)*	**1,373,486**	1,373,486
Basic earnings per share	**0.0426**	0.0408

16. SEGMENT INFORMATION

According to the internal organizational structure, management requirements, and internal reporting system of the Company, the operations of the Company are divided into two reporting segments: the construction contracting segment and the non-construction segment. These reporting segments are determined based on the financial information required for the daily internal management of the Company. The management of the Group regularly evaluates the operating results of these reporting segments to determine resources allocated to them and to assess their performance.

Reporting information of segments is disclosed based on the accounting policies and measurement standards adopted by each segment when reporting to management and these accounting policies and measurement bases are consistent with those used in the preparation of financial statements.

Segment profits or losses, assets and liabilities

Unit: *RMB'000*

Current period or at the end of current period	Construction contracting segment	Non-construction segment	Offset	Total
Operating revenue	4,296,262	558,742	291,151	4,563,853
Including: Revenue from external transactions	4,077,272	486,581	0	4,563,853
Revenue from inter-segment transactions	218,990	72,161	291,151	0
Including: Revenue from principal businesses	4,273,659	492,717	278,346	4,488,030
Operating costs	3,883,617	431,948	273,293	4,042,272
Selling expenses	0	519	5	514
Management expenses	202,268	30,600	16,374	216,494
Research and development expenses	83,865	9,759	0	93,624
Finance expenses	105,757	-51,153	19	54,585
Operating profits/(losses)	-29,566	121,658	1,325	90,767
Total assets	22,836,290	8,613,502	4,162,021	27,287,771
Total liabilities	20,523,125	5,560,692	2,389,616	23,694,201
Supplementary information:				
Capital expenditures	3,553	203,363	8,726	198,190
Depreciation and amortization expenses	11,695	37,580	0	49,275
Asset impairment losses (losses are expressed in "–")	-41,244	-1,521	0	-42,765
Credit impairment losses (losses are expressed in "–")	-2,080	-8,900	0	-10,980

Previous period or at the end of previous period	Construction contracting segment	Non-construction segment	Offset	Total
Operating revenue	5,241,520	598,729	225,874	5,614,375
Including: Revenue from external transactions	5,178,695	435,680	0	5,614,375
Revenue from inter-segment transactions	62,825	163,049	225,874	0
Including: Revenue from principal businesses	5,221,740	580,028	213,727	5,588,041
Operating costs	4,747,493	477,952	209,748	5,015,697
Selling expenses	0	654	4	650
Management expenses	211,441	40,105	16,599	234,947
Research and development expenses	157,609	15,267	0	172,876
Finance expenses	90,998	-51,540	620	38,838
Operating profits/(losses)	82,781	102,631	88,887	96,525
Total assets	20,608,845	8,460,296	3,925,345	25,143,796
Total liabilities	18,337,281	5,909,196	2,506,029	21,740,448
Supplementary information:				
Capital expenditures	2,568	89,417	8,305	83,680
Depreciation and amortization expenses	12,586	51,431	0	64,017
Asset impairment losses (losses are expressed in "–")	-11,657	-5,918	-1,151	-16,424
Credit impairment losses (losses are expressed in "–")	-19,179	-4,724	0	-23,903

Reliance on major customers

The Company has a large number of customers and no single customer accounted for more than 10% of the Company's total revenue as at June 30, 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

Summary of Overall Results

In the first half of 2026, in the face of the external environment of a deep downturn in the construction industry and intensified market competition, the Company closely adhered to the "163335" development strategy, solidly implemented the deployment of reforms for "business segmentation and organizational clustering", and coordinated the two major domestic and international markets and the six major business segments for collaborative breakthroughs. The overall business operations remained stable and controllable, the development resilience continued to strengthen, and the diversified industry supporting pattern accelerated to take shape.

At the operational level, operating revenue amounted to RMB4.564 billion, total profit reached RMB0.09 billion, and operating quality improved steadily. Material projects have become the core support for orders, and the structural transition of the business has continued to tilt towards high value-added tracks such as new energy, chemical new materials and low-carbon operation.

Remarkable results were achieved in market expansion, markets outside the province and abroad formed important growth poles, and the value of contracts outside the province accounted for more than half in the first half of the year. The international operations segment achieved a significant year-on-year increase in the value of new contracts signed, signed the Huashuo P06 pyrometallurgy project in the IPIP park in Indonesia, and successfully won the bids for the 500MW photovoltaic project in Oman, officially entering the high-end new energy market in the Middle East and achieving a milestone breakthrough in the "Belt and Road" layout abroad. Meanwhile, the Company deepened strategic cooperation with EDF, and continuously advanced the progress of subsequent solar and energy storage projects in the Middle East. Domestic tracks of expertise flourished on multiple fronts, and the electricity and new energy sector implemented multiple benchmark projects for independent energy storage and green hydrogen coupling. The chemical segment secured an RMB100-million level semiconductor silicon-based new materials project in Inner Mongolia. The low-carbon environmental protection business implemented its first heating project under the TOT concession model. In the field of solid waste resource utilisation, the Company continuously promoted the progress of projects in other cities within the province, and further built and improved a province-wide network layout for construction waste treatment. The electromechanical division won the bids for Section 3 of Phase I of Hangzhou Metro Line 15 project, and the advantages of the full industrial chain continued to be released.

The project performance and lean management improved quality and efficiency, and the Group's project schedule performance rate continued to increase, while the customer complaint rate decreased by 28.57% year-on-year. A number of key projects substantially shortened construction periods and saved costs through prefabrication and BIM technology. The average profit margin of projects under implementation gradually increased, with high-profit benchmark projects continuing to emerge. The implementation of whole-process commercial management and control achieved effective results, project settlement work was accelerated, and the overall project process right confirmation rate and project fund recovery rate continued to improve. The Company continued to advance centralized procurement, and the centralized procurement channels continued to reduce procurement costs. Funding and financing management was continuously optimized, with the issuance of two tranches of corporate bonds totaling RMB0.85 billion, and its overall financing cost has continued to decline. The Company simultaneously stepped up the collection of trade receivables and existing contract assets.

Reforms and innovation, capital operation and party building support were strengthened in tandem. The Company continued to promote organizational streamlining, eliminated 6 inefficient and redundant departments, and improved the authority and responsibility system of the six major business segments. The application for the full circulation of H Shares has been accepted by the CSRC, promoting the opening up of a channel for releasing the value of the listing platform. The Company also strengthened technology-driven benefit creation and reinforced front-end value guidance, with multiple design optimizations and scientific research projects achieving benefit conversion, and the digital management and control platform passing the provincial-level digital pilot acceptance. Party building and production and operations were deeply integrated, study and education on the correct view of performance were solidly carried out, full coverage of grass-roots party organizations was extended to projects abroad, mass organization construction won multiple honors including the "National May 4th Red Flag Youth League Committee", and the work style of the cadre team continued to transform.

Industry in which the Company Operates

In the first half of 2026, the overall scale of China's construction industry remained stable, demonstrating significant resilience. In terms of industry dynamics, the construction sector displayed an adjustment trend of "volume reduction with quality improvement", while sectors such as power and chemical engineering showed an upward momentum. Policy incentives continued to favor green building, smart construction, urban renewal, and new infrastructure, creating a favorable market environment for the Company. The increasing concentration of leading enterprises further strengthened the competitive advantages of compliant and high-quality companies. The industry's deep-seated transformation toward digitalization and green development became an established trend. Coupled with the expansion of overseas markets under the "Belt and Road" initiative and the upgrade towards an integrated "investment-construction-operation" model, these factors constitute core development opportunities for the Company. Overall, the optimization of market structure and technological innovation provide a clear growth path for the Company. The industry's transition from scale expansion to quality enhancement further enables the Company to focus on high-growth sectors and achieve breakthroughs.

Specialized Industrial Construction in China

Specialized industrial construction generally includes construction related to new energy, petrochemicals and fine chemicals and similar sectors. The steady growth of China's specialized industrial construction market is attributed to the substantial expansion of the new energy industry and the strong energy demand associated with national economic development.

1. *New Energy Industry Projects*

   In 2026, the PRC new energy sectors entered a new development stage of "volume expansion and quality improvement, and reliable substitution". Under the guidelines of the dual-carbon goals, the PRC has intensively introduced material policy documents, providing a clear roadmap for the high-quality development of the new energy sectors. On July 23, the National Development and Reform Commission and the National Energy Administration issued the *15th Five-Year Plan for Renewable Energy Development*, proposing the total volume target, power generation target, non-power utilization target and reliable substitution target for renewable energy development during the "15th Five-Year Plan" period, and deploying key tasks in seven aspects. As the first year of the 15th Five-Year Plan, the new energy sectors place greater emphasis on development quality and system reliability, shifting from the sole pursuit of growth in installed capacity to comprehensive development that takes into account electricity supply, capacity support and system regulation capabilities.

   In 2026, the nationwide installed capacity of new energy continued to rise rapidly. By the end of June 2026, the nation's cumulative installed power generation capacity reached 4.04 billion kilowatts (kW), a year-on-year increase of 10.8%. Specifically, installed capacity of solar power reached 1.27 billion kilowatts, representing a year-on-year increase of 15.8%; wind power installed capacity was 0.68 billion kW, a year-on-year increase of 18.5%. As of the end of May 2026, the national installed capacity of new energy reached 1.92 billion kW, accounting for 48.1% of the total national installed power generation capacity. The proportion of installed capacity of coal-fired power has decreased from 61% in 2010 to 32% in May 2026.

The new installed capacity of power generation was 158.70 million kW in the first half of the year in China. Among these, newly installed PV capacity was 72.07 GW, and newly installed wind power capacity was 38.62 GW. The China Electricity Council estimates that solar power capacity will surpass coal power capacity for the first time in 2026; by the end of the year, the combined installed capacity of wind and solar power will account for half of the country's total power generation capacity. It is expected that the newly installed power generation capacity for the full year will exceed 0.4 billion kilowatts, of which the newly installed new energy will exceed 0.3 billion kilowatts.

In 2026, the new-type energy storage industry continued to maintain rapid growth. As of the end of the first quarter of 2026, the installed capacity of new-type energy storage in China had exceeded 0.14 billion kW. In the first half of the year, the total installed capacity of newly grid-connected projects was 25.18GW/64.50GWh, representing a year-on-year increase of 14.17% (power)/17.16% (capacity). The "15th Five-Year Plan" for the Construction of a New Energy System proposes that the installed capacity of new-type energy storage is targeted to reach 0.3 billion kW by 2030. The Special Action Plan for Large-scale Construction of New-type Energy Storage Facilities (2025–2027) proposes to achieve an installed capacity of over 0.18 billion kW of new-type energy storage nationwide by 2027. Driven by these policies, new-type energy storage is transforming from "supporting costs" for new energy grid connection to "core support" of the power system. It is estimated that the average annual newly installed capacity of new-type energy storage during the "15th Five-Year Plan" period could reach 300–400 GWh.

In 2026, efforts to promote energy conservation and carbon reduction in the energy sector have accelerated significantly. The power industry reduces the carbon emission level per unit of electricity of thermal power by shutting down old and inefficient coal-fired power units, constructing a new generation of coal-fired power units, and promoting the integration of thermal power and new energy; the coal industry promotes the application of intelligent equipment and advanced mining technologies, and utilizes sites such as coal mining subsidence areas and industrial squares to develop and utilize PV and wind power. On the consumption side, strong impetus has been given to new-energy heavy-duty trucks and urban public charging networks. The penetration of green electricity in production and daily life continued to increase, and the green power replenishment network for new energy vehicles accelerated its formation.

As the only province-wide comprehensive reform pilot for the energy revolution in the PRC, Shanxi Province continued to make breakthrough progress in the development of new energy in 2026. On January 6, 2026, the provincial energy work conference was held, setting targets for the "15th Five-Year Plan" and the year 2026, and proposing to promote the transformation of Shanxi from a major coal province to a strong energy province in accordance with the development concept of "integration, convergence and unification". As of the end of the first quarter of 2026, Shanxi Province had completed the construction of 79.04 million kW of new energy installed capacity (28.56 million kW of wind power and 50.28 million kW of PV power), with newly added grid-connected installed capacity of wind power and PV power exceeding 43 million kW. In terms of the large-scale and base-oriented development of new energy, efforts will be made to put the new energy base in the coal mining subsidence area in northern Shanxi, and to develop a number of provincial-level large-scale wind and solar power bases with a capacity of over 0.5 million kW. The planned installed capacity for wind power and PV power is 30 million kW, with 20 million kW expected to be grid-connected. A diversified system was improved in the energy storage sector, promoting the coordinated development of pumped storage and new-type energy storage. The reform of the electricity market has continued to deepen, with the first comprehensive provincial-level electricity spot trading system in China having been established, and cross-provincial green power transmission volumes ranking among the top nationwide. In 2026, focus will be placed on developing new business models for integrated energy services, strengthening inter-provincial mutual support with the Beijing-Tianjin-Hebei region, and building a peak-shaving base for the North China Power Grid. Efforts will focus on scenarios such as green power parks and smart microgrids to restructure the ecosystem for green power consumption.

2. *Chemical Industry Works*

Chemical industry works are primarily divided into four sectors: coal chemicals, natural gas chemicals, petrochemicals, and fine chemicals. There were 3,872 chemical projects under construction and planned nationwide with investment amounts exceeding RMB50 million, with the western region recording the fastest growth in new projects. Energy investment in Shanxi Province increased by 13.1% against the trend, and investment in the gas production and supply industry increased by 86.0%. The Province fully phased out 4.3-meter coke ovens, and accelerated the development of multi-billion-yuan industrial clusters, including coke oven gas-to-hydrogen and deep processing of coal tar. There are 629 provincial-level key projects in Shanxi Province in 2026, with planned investment of more than RMB283.0 billion, of which RMB109.04 billion is allocated to energy transformation, RMB51.71 billion to industrial upgrading, and RMB76.54 billion to infrastructure. Major projects such as the extension of the coal chemical industry chain, the increase in reserves and production of coalbed methane, and water conservancy infrastructure construction have provided a continuous source of business for construction and installation enterprises.

Coal chemicals constitute a significant component of China's energy and chemical industry. Leveraging its abundant coal resources, China has become one of the core regions for global coal chemical industry development. Regions such as Xinjiang, Inner Mongolia, and Shanxi, in particular, provide solid resource guarantees for the development of the coal chemical sector. In the first half of 2026, the demand for engineering construction in the coal chemical sector was primarily driven by capacity expansion projects and the upgrading and renovation of existing facilities. The estimated total investment in key energy projects and emerging business forms under the 15th Five-Year Plan will exceed RMB20 trillion, among which future investment in the fundamentals of energy supply security, such as coal-to-oil and gas, will remain stable with moderate growth, and the total investment scale over the five years will increase by more than 10% as compared with the 14th Five-Year Plan period. The General Office of the Shanxi Provincial People's Government, in the "Action Plan of Shanxi Province for Continuously Carrying Out the Major Project Construction Year to Promote the Stable Growth of Investment", stated that efforts should be made to promote the extension of the coal chemical industry chain, advance the commencement of construction of the China Coal Pingshuo olefin project as soon as possible, and implement the upgrading and transformation of Lanhua coal chemical. The full-year manufacturing investment exceeds RMB130 billion, and investment in the energy sector is targeted to exceed RMB200 billion. The above projects will directly drive the demand for coal chemical engineering construction and installation.

Natural gas chemicals continue to undergo a comprehensive upgrade from resource development towards high-end and green applications, particularly in light hydrocarbon integration and hydrogen utilization. In the first half of 2026, the demand for engineering construction in the natural gas chemical sector was primarily driven by light hydrocarbon integration projects and supporting projects for unconventional natural gas development. In the first half of the year, the production of unconventional natural gas by industrial enterprises above designated size in Shanxi Province increased by 12.4%, of which the production of coalbed methane increased by 8.1%. Investment in unconventional natural gas increased by 26.9%. The document issued by the General Office of the Shanxi Provincial People's Government clearly stated that efforts should be made to accelerate the increase in reserves and production of coalbed methane, promote the construction of projects such as the Daji coalbed methane field, and strive for the annual production to exceed 20 billion cubic meters. The demand for the construction of supporting projects for coalbed methane development continues to be released.

The petrochemical industry is transitioning from a phase of capacity expansion for traditional bulk commodities towards a period of high-end and fine-processed development. In the first half of 2026, driven by the advancement of the "dual carbon" goals and changes in market demand, refining-chemical integration and downstream industrial chain extension have become core pathways for the transformation and upgrading of the petrochemical sector. From the perspective of construction engineering, the market of petrochemical engineering construction presents structural characteristics of "strictly controlling new production capacity, encouraging the upgrading of existing facilities, and downstream fine extension". With continuous support for the petrochemical industry based on policies such as the "Petrochemical Industry Planning and Layout Plan" (《石化產業規劃佈局方案》), the total market size of petrochemical industry engineering is expected to reach RMB2,688.4 billion by 2027. In line with policy guidelines and the "Shanxi Province's 14th Five-Year Plan for Industrial Development" and the "Implementation Plan for Accelerating the Development of the New Material Industry in Shanxi Province", the carbon-neutral policy is expected to drive Shanxi's petrochemical industry towards low-carbon, green, high-end and differentiated development. The development of carbon fiber and graphene and other emerging carbon-based materials is a key pillar for the transformation and development of the petrochemical industry in Shanxi Province. The market size of petrochemical industry engineering in Shanxi Province is expected to reach RMB103.1 billion in 2027.

In the field of fine chemicals, industrial growth is accelerating in areas such as high-performance materials, electronic chemicals, synthetic biology, fluoro-chemistry, and refrigerants. In the first half of 2026, the demand for capacity construction in the abovementioned fields drove related chemical engineering construction. In the first half of the year, as of the end of May 2026, the number of chemical projects under construction and planned for construction nationwide with an investment amount exceeding RMB50 million reached 3,872. The western region recorded the fastest growth rate of new projects, with a year-on-year increase of 27.6%, and the three provinces and autonomous regions of Ningxia, Inner Mongolia and Sichuan ranked the top three nationwide in terms of the number of new projects. There is a clear trend of the focus of chemical engineering construction shifting to the resource-rich regions in western China, which highly overlaps with the core regions for coal chemical industry development, such as Xinjiang, Inner Mongolia and Shanxi.

Specialized Auxiliary Construction in the PRC

Specialized auxiliary construction mainly includes urban roads, power supply, water supply, as well as transportation infrastructure such as expressways, railways, and bridges. Specialized auxiliary construction plays an important role in infrastructure construction. With the rapid progress of urbanization in China, and the continuous increase in the government's investment in fixed assets for specialized auxiliary construction, the total output value of specialized auxiliary construction has maintained continuous growth.

1. *Clean Heat Supply*

    Currently, there is sustained robust demand in the domestic heating market. Against the backdrop of the steady advancement of a new type of urbanization, the coverage area of urban heating in various regions has expanded year by year. Replacing scattered household heating with centralized heating can save approximately 30% of energy overall. Developing centralized heating is an inevitable path to continuously optimize the urban ecological environment, create a high-quality urban style and features, and enhance the overall urban carrying capacity. The heat source boilers for centralized heating have a large single-unit installed capacity and are equipped with comprehensive ancillary environmental protection and dust removal facilities. The system is equipped with high-efficiency purification devices, featuring high pollutant removal efficiency, and is able to effectively reduce emissions of atmospheric pollutants such as smoke and dust at source, thereby delivering outstanding economic benefits as well as ecological and environmental benefits.

    In combination with the policy guidance related to energy transformation and clean heating of the PRC, the future development focus will be centered on clean and low-carbon development, energy conservation and high efficiency, intelligent regulation, and multi-energy complementarity: First, to fully revitalize the resources of existing heating areas and industrial parks, vigorously expand industrial waste heat recovery and utilization projects, and deploy clean heat sources such as geothermal energy and air source heat pumps according to local conditions. Second, leveraging the existing layout of heating pipeline networks, to continue implementing energy-saving upgrading and renovation of old heating pipeline networks and heat exchange stations, optimize the hydraulic balance of the pipeline networks, and effectively reduce heat transmission losses. Third, on the basis of the existing heating service system, to fully implement the AI smart heating platform, promote household-based heat metering management, and achieve precise and efficient heating based on users' actual heating demand. Fourth, to promote the construction of supporting heat storage and energy storage facilities and integrate self-owned heat sources, pipeline networks and user load resources to create an integrated generation-network-load-storage comprehensive energy supply system. Fifth, to closely follow the supportive policy for clean heating, leverage mature experience in project investment and heat supply operation to innovate the market-oriented business model, and comprehensively promote the green and low-carbon transformation and upgrading of the enterprise's heat supply business.

2. *Solid Waste Disposal*

According to estimates by the China Association of Urban Environmental Sanitation, the annual generation of construction waste in China's large and medium-sized cities has consistently exceeded 2 billion tons in recent years. Regarding processing capacity, the current volume of construction waste processed is approximately 1.75 billion tons, and it is expected to exceed 2 billion tons by 2026. Estimates indicate that the construction waste resource utilization rate in some developed countries reaches as high as 90%, while China's construction waste recycling rate is less than 10%. With the continuous improvement of relevant laws and standard systems for the construction waste recycling industry, the State has introduced the first "15th Five-Year Plan for the Prevention and Control of Solid Waste Pollution" and the supporting "15th Five-Year Plan for the Development of Circular Economy", which set a target that the total output value of the resource recycling industry will reach RMB8 trillion by 2030. China's construction waste resource utilization has achieved breakthroughs in areas such as processing equipment, production technology, standards and specifications, product quality, and demonstration applications. The platform for construction waste resource utilization is gradually improving, and utilization capabilities are significantly enhanced. The treatment of special waste is entering an era of targeted processing. Increasing the recycling rate will be the primary pathway for construction waste treatment. The resource utilization of construction waste is entering a phase of large-scale, rapid development, thereby creating significant market potential for the application of solid waste treatment equipment in the environmental protection field.

3. *Distributed Photovoltaic*

Shanxi Province is relatively rich in solar energy resources, with annual sunshine hours of approximately 2,200–3,000 hours, and has wide application scenarios such as industrial parks, industrial and mining enterprises, public buildings, rural roofs and transportation facilities. According to the statistical calibre of the National Energy Administration, from 2023 to 2025, the cumulative grid-connected capacity of distributed photovoltaic power in the province was 6.664 million kW, 9.759 million kW and 15.141 million kW, respectively, representing a net increase of 10.754 million kW over the three years, and the installed capacity increased to approximately 3.45 times that at the end of 2022. By the end of 2025, the installed capacity of household photovoltaic power reached 7.767 million kW, and distributed photovoltaic power accounted for approximately 30.6% of the province's total installed capacity of photovoltaic power. In terms of policy, Shanxi Province issued the *Three-Year Action Plan of Shanxi Province for Promoting the Development of Distributed renewable energy (2023–2025)* in 2023, focusing on promoting the development of rooftop photovoltaics in rural areas, transportation, buildings and entire counties. In June 2025, the Energy Administration of Shanxi Province and the Shanxi Regulatory Office of the National Energy Administration jointly issued the Detailed Implementation Rules for the Management of Development and Construction of Distributed Photovoltaic Power Generation in Shanxi Province (Trial) (Jin Neng Yuan Gui [2025] No. 2), specifying the whole-process management requirements including project classification, on-grid mode, and record-filing, grid connection, construction and safe operation. In June 2026, the Energy Bureau of Shanxi Province issued the Notice on Optimizing the Management of Distributed Renewable Energy Power Generation Projects (Jin Neng Yuan Xin Neng Yuan Fa [2026] No. 89), stipulating that for general industrial and commercial distributed photovoltaic projects adopting the "self-generation and self-consumption, surplus electricity connected to the grid" model, the annual self-generated and self-consumed electricity shall in principle still not be less than 50% of the electricity generated, but projects constructed by utilizing Party and government authorities, schools and hospitals shall not be subject to such proportion limit upon the provision of valid proof of building ownership and purpose. This policy is conducive to unlocking rooftop resources of public institutions, addressing the issue of project capacity constraints caused by insufficient electricity load of certain departments, schools and hospitals, and bringing benefits to the development of distributed photovoltaic projects of public institutions.

Looking ahead to the "15th Five-Year Plan", Shanxi Province will adhere to the simultaneous development of centralized power generation and distributed power generation, and strive to achieve 0.1 billion kW of newly installed capacity of renewable energy such as wind power and photovoltaics by 2030. Distributed photovoltaic power will further expand to scenarios such as industrial parks, mining areas, public buildings, transportation facilities and rural roofs, and promote solar-storage-charging integration, "centralized convergence, step-up and grid connection" and contiguous whole-village development models, driving the transition of projects from simply expanding installed capacity to generation-network-load-storage synergy, local consumption, and safe and efficient operation.

4. Water Environment Management

Closely adhering to the deployment and arrangements of Shanxi Province's "Diverting Clear Water into the Yellow River" project, the Company's water environment management business is highly aligned with the policy orientation: leveraging experience in watershed restoration such as the Xinjiang Fenhe River comprehensive management PPP project, we continuously followed up on the ecological governance of rivers and lakes; leveraging the accumulation from the operation of wastewater treatment in established towns and rural areas in Wenshui, Pinglu and other places, we consolidated our advantages in the remediation of black and odorous water bodies; leveraging the existing operation and maintenance base of 33 sewage treatment plants and stations and with an annual disposal volume of 18.70 million tons, we seized the market opportunities arising from the quality improvement and efficiency enhancement of sewage facilities; leveraging the benchmark established by the zero sewage discharge BOO project for Lanhua coal chemical operations in advanced industrial wastewater treatment, we expanded the scope for recycled water utilization in the park and comprehensively served the new pattern of coordinated governance of the "water resources, water environment and water ecology" in the Fenhe River Basin.

5. Urban Renewal

In the first half of 2026, urban renewal continued to serve as an important tool for expanding domestic demand. The State Council recently issued the "15th Five-Year Plan for Urban Renewal", which estimates that the overall market size of national urban renewal will reach approximately RMB20 trillion. During the 15th Five-Year Plan period, the renovation of 115 thousand old urban residential communities will be launched nationwide, and approximately 0.77 million kilometers of urban underground pipeline networks will be constructed and renovated concurrently. For 2026, the central government has allocated RMB97 billion in special funds for urban renewal, which is expected to benefit approximately 8 million households. Municipal engineering investment plan of Shanxi Province: A document from the General Office of the Shanxi Provincial People's Government specifies to carry out high-quality urban renewal in 2026, promote the renovation of "three zones and one village", accelerate the upgrading and reconstruction of old underground pipeline networks for urban gas, water supply, drainage and heating, and complete the renovation of 300 kilometers of gas pipelines, 300 kilometers of water supply pipelines, 400 kilometers of drainage pipelines and 300 kilometers of heating pipelines. The plan also calls for promoting the installation of elevators in existing residential buildings and advancing the construction and expansion of 5 township domestic sewage treatment plants. Municipal investment for the whole year shall strive to reach RMB60 billion. The aforesaid investment in municipal engineering will be directly translated into the output value of construction and installation enterprises.

Shanxi Province is accelerating the construction of a modern water network, speeding up the construction progress of provincial water network backbone projects such as the East Main Line of the Central Yellow River Diversion Project, Phase II of the Xiaolangdi Yellow River Diversion Project, and the Hutuo River Connection Project, while advancing the construction of 46 county-level supporting water network projects as well as the Yellow River Guxian Water Conservancy Hub Project in an orderly manner. An investment of RMB22 billion was completed in the water conservancy sector for the whole year. The total investment of the South-to-North Water Diversion Project is expected to exceed RMB500 billion, of which the Western Route Project (still in the preliminary feasibility study stage) is planned to divert water to Qinghai, Gansu, Ningxia, Inner Mongolia, Shaanxi, Shanxi and other places in the upper reaches of the Yellow River, and Shanxi Province is one of the planned water-receiving provinces. The Wanjiazhai Yellow River-to-Shanxi Water Diversion Project covers the northern and central regions of Shanxi, with a total annual water diversion capacity of 0.88 billion cubic meters.

Overseas Construction Market Ushers in New Development Opportunities

The high-quality joint construction of the "Belt and Road" Initiative continued to deepen, with rigid demand in water conservancy, highway, power station, park and livelihood housing construction projects in the countries along the route being steadily released. The key markets in Southeast Asia, Central Asia and Africa, where the Company has been focusing its efforts, remained generally stable with strong resilience. In the first quarter of 2026, Chinese enterprises signed newly-signed contracts valued at RMB348.51 billion in countries along the "Belt and Road", representing a year-on-year counter-trend growth of 2.4%, which further reinforced our confidence in expanding into the "blue ocean" of overseas markets. Leveraging their advantages in technology, capital, and the entire industrial chain, Chinese engineering enterprises are deeply cultivating key fields such as transportation, new energy, and smart cities, shaping a new paradigm for "Belt and Road".

Operating revenue

The Group derives its revenue from: (1) specialized industrial construction; (2) specialized auxiliary construction; (3) other construction; and (4) non-construction business. The following table sets out the breakdown of revenue by segment during the indicated periods:

Unit: *RMB'000*

Major category	January to June 2026	Percentage of revenue %	January to June 2025	Percentage of revenue %	Change
Specialized industrial construction	**3,217,778**	**70.5**	4,069,822	72.5	-852,044
Specialized auxiliary construction	**471,395**	**10.3**	534,251	9.5	-62,856
Other construction	**220,698**	**4.8**	499,658	8.9	-278,960
Non-construction business	**578,159**	**12.7**	484,310	8.6	93,849
Other business	**75,823**	**1.7**	26,334	0.5	49,489
Total	**4,563,853**	**100.0**	5,614,375	100.0	-1,050,522

Our operating revenue during the Reporting Period amounted to RMB4,563,853 thousand, representing a decrease of 18.71% as compared with RMB5,614,375 thousand for the Corresponding Period of Last Year, mainly due to the decrease in operating revenue derived from specialized industrial, specialized auxiliary construction and other construction.

Specialized Industrial Construction Business

Our specialized industrial construction business mainly includes projects related to the following fields: power engineering (thermal power generation, new energy wind power generation, new energy PV power generation, new energy geothermal power generation, hydrogen power generation, power transmission and transformation); petrochemical engineering (oil and gas storage and transportation, petrochemical engineering, chemical engineering, pharmaceutical and chemical engineering); electromechanical installation engineering; metallurgical engineering (glass, coking, cement, non-ferrous metal, ferrous metal smelting, carbon, electrolytic aluminum, electrolytic copper, etc.); water conservancy and hydropower engineering (water conservancy engineering, hydropower engineering, pumped storage); urban rail transit engineering; mining engineering (coal mines, iron ore, aluminum ore, copper ore, etc.). The Group provides services such as investment, design consulting, construction, operation and maintenance for these specialized industrial construction projects.

During the Reporting Period, our revenue derived from specialized industrial construction business amounted to RMB3,217,778 thousand (Corresponding Period of Last Year: RMB4,069,822 thousand), representing a decrease of 20.94% for the Corresponding Period of Last Year. Such decrease was mainly due to the decrease in project revenue derived from power engineering, petrochemical engineering and electromechanical installation engineering projects of such segment in 2026.

Specialized Auxiliary Construction Business

Our specialized auxiliary construction business mainly includes projects related to the following fields: standardized workshops, urban supporting works such as heating, water supply, drainage, gas, communication and lighting engineering, environmental protection engineering (waste heat utilization, waste water treatment, waste treatment, waste gas treatment), road bridge engineering, low-carbon green engineering, agricultural engineering, etc. The Company provides services such as investment, design consulting, construction, operation and maintenance for these specialized auxiliary construction projects.

During the Reporting Period, our revenue derived from specialized auxiliary construction business amounted to RMB471,395 thousand (Corresponding Period of Last Year: RMB534,251 thousand), representing a decrease of 11.77% for the Corresponding Period of Last Year. Such decrease was mainly due to the decrease in revenue derived from standardized factory engineering, environmental protection engineering, and road and bridge construction engineering projects under such segment.

Other Construction Business

We also engage in the construction of residential, office and commercial buildings, science, education, culture and health buildings and other types of projects. The Group provides general contracting services for such projects.

During the Reporting Period, our revenue derived from other construction business amounted to RMB220,698 thousand (Corresponding Period of Last Year: RMB499,658 thousand), representing a year-on-year decrease of 55.83%. Such decrease was mainly due to a decline in revenue from major projects in residential construction engineering, science, education, culture and health construction engineering, and building decoration and decoration engineering.

Non-construction Business

We also generate revenue from non-construction business, which mainly includes operating income from PPP projects, sales revenue from liquefied natural gas ("**LNG**"), income from provision of urban heating technical services, trading income and others.

During the Reporting Period, our revenue derived from non-construction business amounted to RMB578,159 thousand (Corresponding Period of Last Year: RMB484,310 thousand), representing a year-on-year increase of 19.38%. Such increase was mainly due to the increase in income from urban heating services, LNG sales income and labor service fees income projects.

Cost of sales

Our cost of sales primarily includes raw material costs, labor force, machinery utilization costs and subcontracting costs, etc.

During the Reporting Period, our cost of sales amounted to RMB4,042,272 thousand, representing a decrease of 19.41% from RMB5,015,697 thousand for the Corresponding Period of Last Year. It was mainly due to the decrease in costs corresponding to the decrease in revenue of the Company.

Gross profit and gross profit margin

During the Reporting Period, our gross profit amounted to RMB521,581 thousand, representing a decrease of 12.88% as compared with RMB598,678 thousand for the Corresponding Period of Last Year. It was mainly due to the decrease in gross profit from specialized industrial construction, other construction and non-construction segments.

During the Reporting Period, our gross profit margin was 11.4% (Corresponding Period of Last Year: 10.7%) and the change in gross profit margin was mainly due to the increase in gross profit margin of specialized auxiliary construction and non-construction segments.

Taxes and surcharges

During the Reporting Period, our taxes and surcharges amounted to RMB12,401 thousand, representing a decrease of 14.85% as compared with RMB14,564 thousand for the Corresponding Period of Last Year, which was mainly due to the decrease in stamp duty, urban maintenance and construction tax and others.

Selling expenses

Our selling expenses principally consist of sales and transportation fees of liquefied natural gas ("**LNG**"), employee compensation, travel expenses, depreciation expenses, advertising fees and others.

During the Reporting Period, our selling expenses amounted to RMB514 thousand, representing a decrease of 20.92% from RMB650 thousand for the Corresponding Period of Last Year, which was mainly due to the decrease in staff costs resulting from a decrease in headcount in sales personnel, which was in line with the fixed staffing policy during the Reporting Period.

Management expenses

Our management expenses principally consist of employee benefits expenses, training and consulting fees, depreciation and amortization and office expenses, agency fees, travel expenses and others.

During the Reporting Period, our management expenses amounted to RMB216,494 thousand, representing a decrease of 7.85% as compared with RMB234,947 thousand for the Corresponding Period of Last Year, which was mainly due to the decrease in employee remuneration, short-term lease expenses, depreciation expense and others during the Reporting Period.

Research and development expenses

During the Reporting Period, our research and development expenses amounted to RMB93,624 thousand, representing a decrease of 45.84% as compared with RMB172,876 thousand for the Corresponding Period of Last Year, which was mainly due to the decrease in the Company's R&D projects and R&D budgets during the Reporting Period.

Finance expenses

Our finance expenses mainly represent interest on bank borrowings and borrowings from other non-financial institutions, interest on lease liabilities, interest income from PPP projects and deposit interest income.

During the Reporting Period, our finance expenses amounted to RMB54,585 thousand, representing an increase of 40.55% as compared with RMB38,838 thousand for the Corresponding Period of Last Year, which was mainly due to the increase in interest expenses during the Reporting Period.

Other gains

Our other gains mainly represent government grants and individual income tax fee refunds.

During the Reporting Period, our other gains amounted to RMB2,632 thousand, representing a decrease of 13.25% as compared with RMB3,034 thousand for the Corresponding Period of Last Year.

Investment gains

During the Reporting Period, our investment gains amounted to RMB-2,716 thousand, representing an increase of RMB1,729 thousand as compared with RMB-4,445 thousand for the Corresponding Period of Last Year. The increase in investment gains was primarily due to higher dividend payments from other equity investments.

Gains on change in fair value

During the Reporting Period, we recorded gains on change in fair value of RMB370 thousand, representing a decrease of RMB655 thousand as compared with RMB1,025 thousand for the Corresponding Period of Last Year, which was mainly due to changes in fair value of investment properties.

Credit impairment losses

Our credit impairment losses represent credit impairment losses on our trade receivables, bill receivables and other receivables.

During the Reporting Period, we applied an internal expected credit loss model (the "**ECL Model**") developed by the management of the Group in calculating expected credit losses and recognized provision for expected credit losses. The ECL Model reflects the recoverability and historical settlement results on trade receivables, bill receivables and other receivables at the end of each reporting period without the use of hindsight. Any reduction on or addition to the credit impairment losses on our trade receivables, bill receivables and other receivables at the end of each year is credited or charged to profit or loss.

During the Reporting Period, we had credit impairment losses of RMB10,980 thousand, representing a decrease of RMB12,923 thousand from RMB23,903 thousand for the Corresponding Period of Last Year.

Impairment losses on assets

Our impairment losses on assets represent the impairment losses of our contract assets, goodwill and long-term equity investments.

During the Reporting Period, our impairment losses on assets amounted to RMB42,765 thousand, representing an increase of RMB26,341 thousand from RMB16,424 thousand for the Corresponding Period of Last Year.

Total profit

During the Reporting Period, our total profit amounted to RMB89,762 thousand, representing a decrease of 6.9% from RMB96,410 thousand for the Corresponding Period of Last Year, which was mainly due to the decrease in revenue from construction engineering, as well as the provision for credit impairment losses and asset impairment losses.

Income tax expense

Our income tax expense for a given period includes corporate income tax and deferred income tax.

During the Reporting Period, our income tax expense was RMB2,013 thousand, representing a decrease of RMB11,340 thousand from RMB13,353 thousand for the Corresponding Period of Last Year, which was mainly due to the change in deferred income tax expenses during the Reporting Period.

Net profit

During the Reporting Period, we recorded a net profit of RMB87,749 thousand, representing an increase of 5.7% from RMB83,057 thousand for the Corresponding Period of Last Year, which was mainly due to the consolidation of Shanxi Construction Investment International Investment Co., Ltd. under common control in the Reporting Period, as well as the decrease in management expenses and research and development expenses.

Total comprehensive income attributable to shareholders of the parent company

During the Reporting Period, total comprehensive income attributable to our equity holders was RMB48,620 thousand, representing a decrease of RMB8,674 thousand from total comprehensive income attributable to equity holders of the Company of RMB57,294 thousand for the Corresponding Period of Last Year.

Liquidity and capital resources

As at June 30, 2026, the Group's net current assets amounted to RMB1,774,752 thousand (as at December 31, 2025: RMB799,974 thousand) consisting of current assets of RMB19,840,714 thousand (as at December 31, 2025: RMB18,934,558 thousand) and current liabilities of RMB18,065,962 thousand (as at December 31, 2025: RMB18,134,584 thousand), representing a current ratio of 1.1 (as at December 31, 2025: 1.0).

As at June 30, 2026, the Group had cash and bank balances (including restricted bank deposits) of approximately RMB1,606,326 thousand (as at December 31, 2025: RMB1,823,401 thousand). As at June 30, 2026, the Group had cash and bank balances (excluding restricted bank deposits) of approximately RMB1,355,352 thousand (as at December 31, 2025: RMB1,548,347 thousand).

As at June 30, 2026, the Group's borrowings amounted to RMB7,640,623 thousand (as at December 31, 2025: RMB7,843,747 thousand), which were mainly borrowings in RMB. The increase in borrowings of the Group was mainly used for daily operating liquidity.

The Directors are of the view that the Group will be able to have sufficient working capital to fund its future financing needs and working capital based on the below: (a) the Group is expected to be profitable and therefore will continue to generate operating cash flows from future business operations; (b) the Group has maintained long-term business relationship with its principal banks; and (c) the Company has obtained a commitment letter from Shanxi CIG, the controlling shareholder, committing to provide continuous funding support for the Group's operation needs.

Capital expenditures

The Group's capital expenditures relate primarily to construction and equity investment. As at June 30, 2026, the total amount of capital expenditures contracted by the Group but not yet incurred was RMB2,695,516 thousand (as at December 31, 2025: RMB2,262,302 thousand).

Gearing ratio and quick ratio

Gearing ratio represents net debt divided by total capital. Net debt represents total borrowings (including, among other things, short-term borrowings, long-term borrowings due within one year and long-term borrowings) less cash balance presented in the statement of cash flow. Total capital represents the sum of shareholders' equity and net debt presented in the consolidated balance sheet. Total shareholders' equity includes equity attributable to shareholders of the parent company and minority interests. Our gearing ratio as at June 30, 2026 was 63.62% (as at December 31, 2025: 64.33%).

Quick ratio represents current assets (excluding inventory) divided by current liabilities at the end of each year/period. Our quick ratio as at June 30, 2026 was 1.1 (as at December 31, 2025: 1.0).

Contingent liabilities

As at June 30, 2026, the Group did not have any significant contingent liabilities.

Long-term equity investments

As at June 30, 2026, the Group's long-term equity investments amounted to RMB351,212 thousand, representing an increase of 6.82% as compared with RMB328,801 thousand as at December 31, 2025. The increase in the Group's long-term equity investments was mainly due to the increase in investment in associates by the Company and higher investment income recognized under the equity method from the associate.

As at June 30, 2026, each individual investment held by the Group did not constitute 5% or more of the Group's total assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the Reporting Period, there were no material acquisitions and disposals.

Interim dividend

The Board does not recommend declaring an interim dividend for the Reporting Period (Corresponding Period of Last Year: Nil).

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(1) Future Prospect

2026 marks the inaugural and foundational year of the 15th Five-Year Plan, and represents a critical period for the Group in its pursuit of becoming "the most competitive modern engineering service provider in China". The Group will position itself in a new stage of development, gain a profound understanding of the international environment, domestic policies, industry transformations, the mission of state-owned enterprises, and regional opportunities, and strive to break new ground amid changes while seizing opportunities amidst challenges. The Group will make comprehensive efforts in terms of business direction, core competencies, and market value management:

First, the Group will clarify the business direction and establish a multi-dimensional market structure

In the provincial market, the Group will deepen grid-based development, strengthen the market development system of "responsibility assigned to regions, projects allocated to grids, and tasks designated to individuals", and promote the upgrade of provincial operations from "construction contracting" to "integrated services", thereby solidifying our foundational market. In the markets outside the province, the Group will resolutely pursue the "go-global" strategy, reinforce the pivotal role of regional institutions, focus on advantageous sectors such as chemical engineering, new energy, and low-carbon environmental protection, and drive the transition of projects from "scattered contracting" to "large-scale acquisition". In the overseas market, guided by the international investment company, the Group will adhere to the principle of "investment-driven, platform-coordinated, and breakthrough-focused", study the establishment of overseas regional subsidiaries, strengthen overseas teams, and promote the shift of projects from "isolated presence" to "regional deep cultivation", while leveraging the bridging value of the Hong Kong company.

Second, the Group will focus on key areas to build stable growth drivers

In the chemical sector, we will focus on high-end and fine chemical engineering, strengthening the general contracting capability of "design-led + construction integration", and promoting modularization and skid-mounting of equipment to enhance professional integration. In the new energy sector, we will adhere to the principle of "stabilizing existing operations, expanding incremental opportunities, and optimizing structure", consolidating the fundamentals of wind power and solar power, accelerating the expansion of the "new energy +" market space, and actively positioning ourselves in new business formats such as green power parks, source-grid-load-storage systems, and new power systems. In the low-carbon environmental protection sector, leveraging our four platform companies, we will focus on cultivating niche markets such as clean heating, solid waste disposal, distributed energy, and industrial wastewater treatment, strengthening the development model of "investment-led, integrated investment-construction-operation", and building business segments with stable cash flow.

Third, the Group will forge core capabilities and systematically build strong competitive strengths

In terms of cost competitiveness, the Group will build a full-chain and systematic system for reducing costs and improving efficiency. The Group will strengthen source control at the business planning stage under the principle of "planning to win before acting", promote the restructuring of the centralized procurement system, seek efficiency gains through refined management, and continuously reduce non-production costs.

In terms of technological competitiveness, the Group will accelerate the cultivation of new quality productive forces. The Group will focus our efforts on tackling key technical problems relating to its principal business, strengthen the leading role of design and the orientation towards "creating value through technology", establish a mechanism for the transformation of scientific and technological achievements, and promote the development of replicable and marketable product systems from achievements such as skid-mounted equipment and the conversion of bulk solid waste. The Group will accelerate the development of digital platforms, aiming at "institutionalized management, standardized institutions, streamlined standards, informatized processes and intelligent information", empower management through data, and improve operational efficiency.

In terms of market competitiveness, the Group will build an open, collaborative and responsive business system. The Group will promote the transformation from "undertaking projects" to "operating customers", make solid progress in customer return visits and feedback mechanisms, deepen collaborative cooperation with financial institutions, design institutes, equipment manufacturers and scientific research institutions, and build a symbiotic and win-win ecosystem. The Group will strengthen contract performance management, accelerate the building of its work teams and the industrial workforce, strictly implement the special initiatives on incentives and constraints, fully implement the "Six 100%" targets, and lay a solid foundation for the smooth implementation of projects.

In terms of capital operation capability, the Group will leverage the advantages of the listing platform to empower the development of the six major business segments. The Group will strengthen market capitalization management and investor relations management, and improve the quality of information disclosure and market transparency. In light of the development needs of the six major business segments, the Group will study differentiated capital support pathways, actively explore diversified capital operation methods such as equity cooperation, industrial funds and asset securitization, revitalize existing assets, optimize the capital structure and enhance the capacity for sustainable growth.

Fourth, the Group will continue to carry out routine market capitalization management

The Group will strengthen top-level design and promote the deep integration of market capitalization management into the Company's development strategy, so as to ensure the steady enhancement of the Company's investment value. The Group will continuously improve the quality of information disclosure and corporate governance, always maintain a long-term and stable dividend policy, and reward shareholders' trust with tangible investment returns and dividends.

(2) Potential Risks

Risks that may have material effects on the operation of the Group are as follows:

The Company's business and future growth prospects are dependent on the overall economic situation in China and the extent of the development of specialized industrial construction, specialized auxiliary construction, other construction and infrastructure, and the Company's business operations and financial condition are subject to the following major risks:

Policy and Regulatory Risks

The Company's core business is affected by changes in government policies relating to the construction industry, including laws and regulations affecting infrastructure development, new energy, project financing and taxation, local government budgets and corporate participation in the infrastructure industry. During the Reporting Period, the Company complied with the regulatory requirements of the principal laws, regulations and departmental rules while closely monitoring the legislative developments in the industries in which it operates. During the Reporting Period and up to the date of this announcement, the Group has complied with the relevant laws and regulations that have impacts on the Group's business and operations. Any changes to applicable laws and regulations will be communicated periodically to the relevant employees and operational units. Changes in Chinese government policies pertaining to the construction industry may affect the Company's business and financial performance; and any alterations in procurement policies or industry standards may have a significant impact on the Company's business.

Market Risks

The Company is exposed to market risks primarily from the Company's major customers and key suppliers. Market uncertainties caused by reforms of major customers and suppliers may have a significant impact on the Company's business. In addition, other market risks, including foreign exchange risk and interest rate risk, may also have impacts on the Company's business and operations.

Environmental Compliance Risks

In the course of conducting the Company's business, we are required to comply with various PRC national and local environmental laws and regulations that set out the standards for the emission and treatment of pollutants generated during operations, including the "Law of the People's Republic of China on Prevention and Control of Noise Pollution" and other environmental protection laws and regulations. For example, we are required to take measures to control environmental pollution generated at construction sites and pay for the discharge of waste materials. In the event of serious environmental offences, we may be subject to fines and other administrative penalties and/or rejection from obtaining or renewing relevant licenses and permits. Law enforcement officials also have the right to order the closure of our construction facilities if they cause environmental damage or destruction that we are unable to remedy.

Purchase, Sales and/or Redemption of Listed Securities of the Company

During the Reporting Period, save for the public issuance of corporate bonds by the Company to professional investors in the amounts of RMB0.5 billion and RMB0.35 billion on February 9, 2026 and June 24, 2026, respectively, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares).

As at June 30, 2026, the Company did not hold any treasury shares.

USE OF PROCEEDS

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 estimated expenses payable by the Company in connection with the global offering of the Company.

Pursuant to the announcements of the Company dated June 4, 2026 and June 26, 2026 and the circular dated June 4, 2026 (the "**Circular**"), the Company has, after taking into account the Company's business development as well as market and policy trends, adjusted the amounts allocated to the various uses (the "**Further Revisions**"). Details of the reasons for and the benefits of the change in the use of the net proceeds are set out in the Circular. The changes became effective upon consideration and approval at the annual general meeting on June 26, 2026. Following the above changes, the plan for the use of the net proceeds is as follows:

Unit: *million* Currency: *HK$*

Item	Net proceeds allocated following the Further Revisions	Unutilized net proceeds as of January 1, 2026	Actual use of proceeds during the Reporting Period	Net proceeds unutilized at the end of the Reporting Period	Expected timeframe for utilizing the remaining unutilized net proceeds
For financing our future centralized photovoltaic projects	6.8	1.2	0	1.2	To be utilized before end of 2027
For our future investment in wind power projects in the PRC or abroad	218.7	196.9	5.9	191	To be utilized before end of 2027
For financing the future equity investment in and/or construction of other types of new energy projects	100.6	43.2	17.4	25.8	To be utilized before end of 2027

Item	Net proceeds allocated following the Further Revisions	Unutilized net proceeds as of January 1, 2026	Actual use of proceeds during the Reporting Period	Net proceeds unutilized at the end of the Reporting Period	Expected timeframe for utilizing the remaining unutilized net proceeds
For financing our existing and future clean heating projects	19.2	1.5	0	1.5	To be utilized before end of 2027
For financing our future distributed energy projects	21.8	21.8	7.2	14.6	To be utilized before end of 2027
For existing water treatment projects	87.6	66.7	35.9	30.8	To be utilized before end of 2027
For financing our future solid waste disposal projects	166.7	148	41.9	106.1	To be utilized before end of 2027
For making payment of the construction fee for equipment required for the existing service concession project	36.4	0	0	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	21.6	8.6	0	8.6	To be utilized before end of 2027
For working capital and other general corporate purposes	59.1	0	0	0	
Total	738.5	487.9	108.3	379.6	

As at June 30, 2026, approximately HK$379.6 million of the net proceeds remains unutilized.

COMPLIANCE WITH THE CG CODE

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of shareholders of the Company and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as in effect from time to time) as the basis of the Company's corporate governance practices.

The Board is of the view that during the Reporting Period, the Company has complied with all the code provisions and substantially satisfied most of the recommended best practices requirements as set out in Part 2 of the CG Code. The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintain a high standard of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management.

The Company has maintained a system for monitoring the dealings of the Company's securities by Directors (including a notification mechanism) to ensure compliance with the Model Code. In particular, the Company will notify all Directors of the blackout period before the commencement of such blackout period, reminding the Directors not to deal in the Company's securities during the blackout period before the announcement of results. The Board is of the view that the guidelines and procedures for the Directors' dealings of securities in the Company are adequate and effective.

The Company had made specific enquiries of all Directors and all Directors have confirmed that they were in strict compliance with the standards as set out in the Model Code during the Reporting Period and up to the date of this announcement.

REVIEW OF INTERIM RESULTS

The Audit Committee consisted of three independent non-executive Directors, namely Professor WU Qiusheng, Mr. FENG Cheng and Mr. WANG Jingming, and was chaired by Professor WU Qiusheng.

The Company's Audit Committee has reviewed together with the management the unaudited interim results of the Group for the Reporting Period.

Employee and Remuneration Policies

As at June 30, 2026, the Group had 3,478 full-time employees, and the majority of them are based in Taiyuan, Shanxi Province. The total staff costs, including directors' emoluments, amounted to approximately RMB316 million during the Reporting Period (for the Corresponding Period of Last Year: approximately RMB336 million). The Company enters into written employment agreements with our direct employees to specify the employee's position, responsibilities, remuneration, benefits and grounds of termination pursuant to relevant labor laws and regulations. We also have employees under labor dispatch agreements.

We believe that our long-term growth depends on the expertise, experience and development of our employees. We mainly recruit through recruitment fairs and on-campus recruitment. We have established a training system for our employees based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to promote the career development of our employees, representing an investment in the future of our human resources. At the same time, we have established an incentive mechanism for professional qualification certificates to encourage our employees to obtain professional qualification certificates, thereby fostering a positive learning atmosphere. The remuneration package for our employees generally includes salaries, bonuses and welfare benefits. In addition, we make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for our employees.

EVENTS AFTER THE REPORTING PERIOD

Since June 30, 2026 and up to the date of this announcement, there were no events that had a significant impact on the Group.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.sxaz.com). The 2026 interim report of the Company containing all the information required by the Listing Rules will be made available to the shareholders and will be published on the websites of the Company and the Hong Kong Stock Exchange in due course.

CHANGE IN ACCOUNTING ESTIMATE

The Company has continuously maintained a practice of regular maintenance, upkeep and renovation of its fixed assets: reinforcing and repairing houses and buildings; implementing preventive maintenance, regular overhauls and technical upgrades for equipment; and prolonging the actual service life of office, electronic equipment and other fixed assets through component maintenance, system upgrades, and hardware replacement. In order to reflect the Company's asset position and operating results in a more fair and true manner, to bring the depreciation periods of fixed assets closer to their actual service lives, and to make the depreciation periods more reasonable, the Company has implemented a refined subdivision management for fixed asset categories, including houses and buildings, construction machinery, transportation and production equipment, office equipment and others, and has changed the useful lives of each sub-category of assets. The Audit Committee and the Board of the Company each held meetings on August 28, 2026 and considered and approved the "Proposal on the Change in Accounting Estimate Relating to the Depreciation Periods of Fixed Assets", effective from January 1, 2026. The specific changes in depreciation periods involved in this change in accounting estimate are as follows: houses and buildings from 30 years to 6–50 years; construction machinery from 8 years to 6–17 years; transportation and production equipment from 8–20 years to 5–30 years; office, electronic equipment and others from 5 years to 5–15 years. The depreciation periods and residual value rates of other fixed assets remain unchanged.

This change in accounting estimate is accounted for prospectively, without retrospective adjustment to the financial statements already disclosed by the Company, and will not have any impact on the financial position and operating results of previous years. For its impact on the financial position and operating results of the Company during the Reporting Period, please refer to Note 3 to the financial statements in this announcement.

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, August 28, 2026

As at the date of this announcement, the board of directors of the Company comprises: (i) Mr. Ren Rui, Mr. Wang Jianjun and Mr. Zhang Yan as executive directors; (ii) Mr. Zhang Hongjie, Mr. Mu Jianwei, Mr. Feng Cheng and Mr. Li Bin 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.