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四川能投發展股份有限公司

Sichuan Energy Investment Development Co., Ltd.*

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

(Stock code: 01713)

**CONTINUING CONNECTED TRANSACTIONS
EPC CONTRACT FOR WANGCHANG 220 KV TRANSFORMER
SUBSTATION CONSTRUCTION PROJECT IN PINGSHAN COUNTY**

BACKGROUND

On 27 June 2019, Pingshan Electricity, a wholly owned subsidiary of the Company, entered into the EPC Contract with Sichuan Energy Construction, a connected person, and Chengdu Engineering, an independent third party, pursuant to which, the Contractors agreed to provide engineering, procurement and construction service to the Company for the Project.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sichuan Energy Construction, one of the Contractors, is a direct subsidiary of Energy Investment Group, which is one of the Controlling Shareholders of the Company. Accordingly, Sichuan Energy Construction is a connected person of the Company under Rule 14A.07 and the transactions contemplated under the EPC Contract constitute continuing connected transactions for the Company pursuant to Rule 14A of the Listing Rules.

As the applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the proposed annual cap for the EPC Contract, on an annual basis, exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the EPC Contract are subject to reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EPC CONTRACT

On 27 June 2019, Pingshan Electricity entered into the EPC Contract with the Contractors, pursuant to which Sichuan Energy Construction and Chengdu Engineering will provide engineering, procurement and construction service to Pingshan Electricity. The principal terms of the EPC Contract are set out below:

- Date:** 27 June 2019
- Parties:**
- (1) Pingshan Electricity;
 - (2) Sichuan Energy Construction; and
 - (3) Chengdu Engineering.
- Project:** Wangchang 220 kV transformer substation construction project in Pingshan County (the “**Project**”)
- Construction Area:** Wangchang, Pingshan County, Yibin City, Sichuan Province, the PRC
- Scope of Service:**
- (1) All the contractors’ works in relation to the Project, including survey, design, construction, equipment and materials procurement, labor, installation, commissioning, trial operation, performance quality assurance and follow-up services covering the quality warranty period of the entire Project;
 - (2) All ancillary works including the safety of engineering construction and personnel, maintenance of the environment in the surrounding area, drafting and approval of the thematic reports of the Project required by the relevant laws and regulations, and maintenance and management of the Project before handover.
- Construction period:** 200 calendar days, commencing from the date of the work commencement notice issued by Pingshan Electricity to the Contractors.
- Period of warranty:** One year (commencing from the issue of the project handover certificate after examination and handover of the Project)
- Contract price:** The final consideration comprising of construction and installation fee, equipment and materials procurement fee, survey and design fee and other fees related to the Project, shall be determined after the completion of construction, but in any event not exceed RMB58,719,732.

Pricing:

The contract price was the bid price offered by the successful bidder after assessment by the bid evaluation committee (評標委員會), through public tender. The procedures for tender and bidding were subject to the Tender and Bidding Law (《招標投標法》) and other relevant laws and regulations.

The maximum tender price for the Project was set by the Group and the third-party professional institution engaged by the Group. The maximum tender price was fixed according to the calculation mechanism of price determination and formula for each category of service in accordance with the documents issued by the governmental authorities, including but not limited to Provisions for Compilation and Calculation of Budgets for Power Grid Construction (2013 version) (《電網工程建設預算編製與計算規定》(2013年版)), Estimated Norm of Electric Power Construction Projects (2013 version) (《電力建設工程概算定額》(2013年版)), Budget Quota for Electricity Power Construction Projects (2013 version) (《電力建設工程預算定額》(2013年版)), Notice on the Publication of the Adjustment of the Price of the Budget for the Power Construction Projects in 2013 for the 2018 (Ding'e [2019] No.7) (《關於發佈2013版電力建設工程概預算定額價格2018年度水平調整的通知》(定額[2019]7號文)), and feasibility study report of the Project, which also taking into account the construction period, the construction quantity, the complexity of the Project, the market price and type of the materials and equipment, the cost and amount of labor, and other actual situations of the Project.

Payment terms:

Pingshan Electricity shall pay the contract price to the Contractors in the following manner:

- (1) an interest-free prepayment to the Contractors equivalent to 10% of the total contract price within 14 days after receiving the surety bond and payment request submitted by the Contractors;
- (2) 30% of the equipment and materials fee requested by the Contractors within one month after the completion of review of preliminary design for the Project;
- (3) up to 90% of final contract price requested by the Contractors monthly based on the actual amount of the construction work completed each month;
- (4) up to 97% of the final contract price upon the completion of acceptance and handover of the Project; and
- (5) the remaining 3% of the final contract price will serve as the quality warranty money and shall be paid to the Contractors after receiving payment request submitted by the Contractors within one month after the expiry of a one-year quality warranty period, and then confirming the completion of performance of quality assurance responsibility of the Contractors within 14 days.

HISTORICAL FIGURES

The table below sets out the actual transaction amounts, being the construction service fees paid by the Group to Sichuan Energy Construction for the three years ended 31 December 2018.

	Actual Transaction Amount (RMB)
For the year ending 31 December 2016	800,000
For the year ending 31 December 2017	3,525,015
For the year ending 31 December 2018	1,521,417

ANNUAL CAPS

The proposed annual caps of the transactions contemplated under the EPC Contract for the two years ending 31 December 2020 are set below:

	Annual cap (RMB)
For the year ending 31 December 2019	46,975,786
For the year ending 31 December 2020	11,743,946

The annual caps were determined based on the following factors:

- (1) the estimated construction schedule of the Project under the EPC Contract, the major portion of which will be completed before the end of the year 2019; and
- (2) the maximum contract price, RMB58,719,732, of the EPC Contract.

REASONS FOR ENTERING INTO THE EPC CONTRACT

Sichuan Energy Construction, a connected person of the Group, and Chengdu Engineering, an independent third party of the Group, possess the relevant experience, expertise and qualifications as contractors in the transformer substation construction. Pingshan Electricity awarded the EPC Contract to the Contractors following a stringent competitive tendering process through a thorough assessment of the contract price and terms, the relevant qualifications, experience and expertise, and financial and operation status of the Contractors. Due to Sichuan Energy Construction and the Group's long-term business relationship, the Directors believe that Sichuan Energy Construction's familiarity with the specific requirements of the power construction projects of the Group gained from previous cooperations will help ensure the Project completed with high standard and on time.

The EPC Contract has been approved by the Board. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the EPC Contract were arrived at after arm's length negotiation, are fair and reasonable, on normal commercial terms, and are in the interest of the Group and its Shareholders as a whole.

As Mr. Zeng Yong held position in Energy Investment Group, and Mr. Li Hui and Ms. Xie Peixi were the Directors nominated by Energy Investment Group, they have abstained from voting on the Board resolutions to approve the EPC Contract voluntarily. Saved and except for the aforesaid, none of the Directors has any material interest in the EPC Contract and was required to abstain from voting on the Board resolutions in relation to the EPC Contract.

INFORMATION OF THE CONTRACTORS AND THE GROUP

The Group is a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. Pingshan Electricity is primarily engaged in power generation and supply in Pingshan County, Yibin City, Sichuan Province.

Sichuan Energy Construction is a limited liability company established in the PRC on 3 March 2006 and a direct subsidiary owned by Energy Investment Group, one of the Controlling Shareholders of the Company, which is primarily engaged in project planning, project investment, design and consulting, construction, operation in engineering construction.

Chengdu Engineering is a limited liability company established in the PRC on 13 January 2005 and an independent third party of the Group, which is primarily engaged in engineering surveying, consulting, designing, construction and maintenance.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sichuan Energy Construction, one of the Contractors, is a direct subsidiary of Energy Investment Group, which is one of the Controlling Shareholders of the Company. Accordingly, Sichuan Energy Construction is a connected person of the Company under Rule 14A.07 and the transactions contemplated under the EPC Contract constitute continuing connected transactions for the Company pursuant to Rule 14A of the Listing Rules.

As the applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the proposed annual cap for the EPC Contract on an annual basis exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Electricity Purchases and Sales Agreement are subject to reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“Board”	the board of Directors
“Chairman”	the chairman of the Board
“Chengdu Engineering”	PowerChina Construction Group Chengdu Engineering Corporation Limited* (中國電建集團成都勘測設計研究院有限公司) is a limited liability company established in the PRC on 13 January 2005 and an independent third party.
“Company”	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 01713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011.
“Contractors”	Chengdu Engineering and Sichuan Energy Construction
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Energy Investment Group, Hydropower Group and Sichuan Development Co.
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB by PRC nationals and/or PRC corporate entities
“Energy Investment Group”	Sichuan Province Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司), a limited liability company established in the PRC on 21 February 2011 and one of our Controlling Shareholders
“EPC Contract”	EPC contract for Wangchang 220 kV transformer substation construction project in Pingshan County entered into among the Company, Sichuan Energy Construction and Chengdu Engineering on 27 June 2019.
“Group”	the Company and its subsidiaries

“H Share(s)”	overseas listed foreign invested ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hydropower Group”	Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司), a limited liability company established in the PRC on 17 December 2004 and one of the Controlling Shareholders
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pingshan Electricity”	Sichuan Energy Power Investment Pingshan Electricity Co., Ltd.* (四川能投屏山電力有限公司), a limited liability company established in the PRC on 30 July 2008 and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Sichuan Development Co.”	Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限公司), a wholly State-owned enterprise with limited liability established under the laws of the PRC on 24 December 2008 and one of the Controlling Shareholders
“Sichuan Energy Construction”	Sichuan Energy Construction Engineering Group Co., Ltd.* (四川能投建工集團有限公司) is a limited liability company established in the PRC on 3 March 2006 and a direct subsidiary of Energy Investment Group.

By order of the Board
Sichuan Energy Investment Development Co., Ltd.
Zeng Yong
Chairman

Chengdu, Sichuan Province, the PRC
27 June 2019

As at the date of this announcement, the executive Directors are Mr. Zeng Yong, Mr. Li Hui and Ms. Xie Peixi; the non-executive Directors are Ms. Han Chunhong, Ms. Li Yu, Mr. Wang Chengke and Mr. Zhou Yanbin; and the independent non-executive Directors are Mr. Kin Kwong Kwok Gary, Mr. Fan Wei, Ms. He Zhen and Mr. Wang Peng.

* For identification purposes only