

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
ENGINEERING SUPERVISION CONTRACT FOR WANGCHANG 220 KV
TRANSFORMER SUBSTATION CONSTRUCTION PROJECT
IN PINGSHAN COUNTY**

BACKGROUND

On 15 July 2019, Pingshan Electricity, a wholly-owned subsidiary of the Company, entered into the Engineering Supervision Contract with Sichuan Yilian, a connected person, pursuant to which, Sichuan Yilian agreed to provide engineering supervision service to Pingshan Electricity for the Project.

LISTING RULES IMPLICATIONS

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

Also, as disclosed in the announcement of the Company dated 27 June 2019, the Group entered into the EPC Contract with Sichuan Energy Construction and Chengdu Engineering for the maximum contract price of RMB58,719,732 on 27 June 2019. As (1) the Engineering Supervision Contract was signed within 12 months from the date of signing of the EPC Contract, (2) Sichuan Energy Construction, one of the Contractors under the EPC Contract, and Sichuan Yilian are both subsidiaries of Energy Investment Group, and (3) both of the EPC Contract and Engineering Supervision Contract served the Project, the transactions under the Engineering Supervision Contract shall be aggregated with those under the EPC Contract pursuant to Rule 14A.81 of the Listing Rules.

As the applicable percentage ratio calculated according to Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the Engineering Supervision Contract and the EPC Contract, on an annual basis, as aggregated, exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Engineering Supervision 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 ENGINEERING SUPERVISION CONTRACT

On 15 July 2019, Pingshan Electricity entered into the Engineering Supervision Contract with Sichuan Yilian. The principal terms of the Engineering Supervision Contract are set out below:

- Date:** 15 July 2019
- Parties:** (1) Pingshan Electricity; and
(2) Sichuan Yilian.
- Project:** Wangchang 220 kV transformer substation construction project in Pingshan County (the “**Project**”)
- Scope of service:** The supervision service in relation to the Project, including supervision of the design, process, quality, and cost of the construction, the management of the contracts and information, safety, environmental protection and other related matters.
- Construction supervision period:** 220 calendar days, commencing from the date of the work commencement notice issued by Pingshan Electricity.
- Period of Warranty:** One year (commencing from the issue of the project handover certificate to the Contractors after examination and hand over of the Project).
- Contract price:** RMB630,000.
- Pricing:** The contract price was the successful tender price offered by Sichuan Yilian in the public tender and is accepted by the bid evaluation committee (評標委員會) for the Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC.

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 making reference to the estimated amount of the supervision works of the Project and the price of the comparable works available in the market.

Payment terms: Pingshan Electricity shall pay the contract price to Sichuan Yilian in the following manner:

- (1) a prepayment to Sichuan Yilian equivalent to 30% of the contract price after signing of the Engineering Supervision Contract;
- (2) up to 95% of contract price shall be paid to Sichua Yilian based on the actual progress of the construction work completed;
- (3) the remaining 5% of the contract price shall be paid to Sichuan Yilian after the end of the Period of Warranty.

HISTORICAL FIGURES

The Group confirms that there was no historical transactions between the Group and Sichuan Yilian in relation to engineering construction or supervision services during the three preceding financial years.

ANNUAL CAPS

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

| | For the year ending 31 December 2019 (RMB) | For the year ending 31 December 2020 (RMB) |
|-------------|---|---|
| Annual caps | <u>504,000</u> | <u>126,000</u> |

The annual caps of the Engineering Supervision Contract were determined based on the following factors:

- (1) the estimated construction schedule of the Project, the major portion of which will be completed before the end of the year 2019; and
- (2) the maximum contract price in the amount of RMB630,000 of the Engineering Supervision Contract.

REASONS FOR ENTERING INTO THE ENGINEERING SUPERVISION CONTRACT

Sichuan Yilian is a professional engineering supervision company with the relevant qualifications. Moreover, the terms of the Engineering Supervision Contracts are on normal commercial terms or better and were negotiated on an arm's length basis between the parties with reference to the prevailing market conditions. The Directors are of the view that the appointment of Sichuan Yilian is beneficial to the safety and quality of the Project, which is significant to the Group in developing the power supply business.

The Engineering Supervision 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 Engineering Supervision 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 Engineering Supervision Contract voluntarily. Saved and except for the aforesaid, none of the Directors has any material interest in the Engineering Supervision Contract and was required to abstain from voting on the Board resolutions in relation to the Engineering Supervision Contract.

INFORMATION OF SICHUAN YILIAN 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 Yilian is a limited liability company established in the PRC on 3 June 2002 and an indirect subsidiary owned by Energy Investment Group, one of the Controlling Shareholders of the Company, which is primarily engaged in engineering supervision service and management of construction projects.

LISTING RULES IMPLICATIONS

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

Also, as disclosed in the announcement of the Company dated 27 June 2019, the Group entered into the EPC Contract with Sichuan Energy Construction and Chengdu Engineering for the maximum contract price of RMB58,719,732 on 27 June 2019. As (1) the Engineering Supervision Contract was signed within 12 months from the date of signing of the EPC Contract, (2) Sichuan Energy Construction, one of the Contractors under the EPC Contract, and Sichuan Yilian are both subsidiaries of Energy Investment Group, and (3) both of the EPC Contract and Engineering Supervision Contract served the Project, the transactions under the Engineering Supervision Contract shall be aggregated with those under the EPC Contract pursuant to Rule 14A.81 of the Listing Rules.

As the applicable percentage ratio calculated according to Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the Engineering Supervision Contract and the EPC Contract, on an annual basis, as aggregated, exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Engineering Supervision 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.

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 |
| “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. |
| “Contractors” | Sichuan Energy Construction and Chengdu Engineering |
| “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 Pingshan Electricity, Sichuan Energy Construction and Chengdu Engineering on 27 June 2019 |
| “Group” | the Company and its subsidiaries |

| | |
|------------------------------------|---|
| “Engineering Supervision Contract” | Engineering Supervision Contract contract for Wangchang 220 kV transformer substation construction project in Pingshan County entered into between the Pingshan Electricity and Sichuan Yilian on 15 July 2019 |
| “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, a connected person of the Group

“Sichuan Yilian”

Sichuan Yilian Construction Project Management Co., Ltd.* (四川億聯建設工程項目管理有限公司) is a limited liability company established in the PRC on 3 June 2003 and an indirect subsidiary of Energy Investment Group

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

Chengdu, Sichuan Province, the PRC
15 July 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