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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)

CONNECTED TRANSACTIONS SUBCONTRACTING AGREEMENTS

BACKGROUND

On 25 February 2021, after trading hours, Electricity Engineering Construction, a wholly owned subsidiary of the Company, entered into the Subcontracting Agreement I and Subcontracting Agreement II with Sichuan Energy Construction, a connected person, pursuant to which Sichuan Energy Construction agreed to subcontract to Electricity Engineering Construction the construction of the distribution lines and the installation and testing of the relevant power equipment for the Project I and the Project II, respectively (the “**Current Transactions**”).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sichuan Energy Construction, is a subsidiary of Energy Investment Group, which is one of the Controlling Shareholders. Accordingly, Sichuan Energy Construction is an associate of Energy Investment Group and therefore a connected person of the Company under Rule 14A.07 and the transactions contemplated under the Subcontracting Agreements constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 17 June 2020 in relation to two subcontracting agreements entered into by Electricity Engineering Construction and the Sichuan Energy Construction in respect of the construction of certain distribution lines and the installation and testing of the relevant power equipment thereof (the “**Previous Transactions**”). As the Current Transactions are extensions to the Previous Transactions, they should be aggregated together, pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio of the Current Transactions is less than 5% when aggregated with the Previous Transactions but the contractual sums exceed HK\$3 million, the Subcontracting Agreements are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

THE SUBCONTRACTING AGREEMENT I

- Date:** 25 February 2021 (after trading hours)
- Parties:** (1) Electricity Engineering Construction (subcontractor);
and
(2) Sichuan Energy Construction (contractor)
- Project:** the enhancement and upgrading of rural power grids of 10kV and below in Junlian County, phase two 2020
- Construction period:** commencing from the date of work commencement notice given by the supervisor of Project I till 30 June 2021
- Scope of services:** Construction distribution lines that are 10 kV/0.4 kV and below, installation and testing of distribution transformer substations, provision of power meters engineering and the relevant power equipment

Consideration:

The contract price of RMB6,508,700 is determined based on the estimated quantities of the works subcontracted to Electricity Engineering Construction for the Project I under the Subcontracting Agreement I (the “**Subcontracted Works I**”). Under the Subcontracting Agreement I, the contract price shall be subject to an audit with reference to the Budget Quota for 20 kV and below Power Grid Projects (2016) 《(20kV 及以下配電網工程預算定額》(2016 版)) and Standards for Compilation and Calculation of the Budget of 20 kV and below Power Grid Construction Budgets 《(20kV 及以下配電網工程建設預算編製與計算規定》), upon which the final settlement amount shall be finalized.

Payment terms:

Sichuan Energy Construction shall pay consideration to Electricity Engineering Construction in the following manner:

- (1) 80% of each of the relevant completed phases shall be paid based on the actual progress of Subcontracted Works I;
- (2) up to 90% of the contract price shall be paid after the completion, acceptance and delivery of Subcontracted Works I;
- (3) up to 97% of the final settlement amount shall be paid after the project completion settlement audit of Subcontracted Works I is completed. Based on the Company’s past experience and estimation, the final settlement amount shall not be more than 20% above the initial contract price; and
- (4) the remaining 3% of the final settlement amount will serve as the quality warranty money and shall be paid without interest to Electricity Engineering Construction within one month after the expiry of a one-year quality warranty period, the period of which shall commence after the occurrence of (3) above.

THE SUBCONTRACTING AGREEMENT II

- Date:** 25 February 2021 (after trading hours)
- Parties:** (1) Electricity Engineering Construction (subcontractor);
and
(2) Sichuan Energy Construction (contractor)
- Project:** the enhancement and upgrading of rural power grids of 10kV and below in Gao County, phase two 2020
- Construction period:** commencing from the date of work commencement notice given by the supervisor of Project II till 30 June 2021
- Scope of services:** Construction of distribution lines that are 10 kV/0.4 kV and below, installation and testing of distribution transformer substations, provision of power meters engineering and the relevant power equipment
- Consideration:** The contract price of RMB6,295,600 is based on the estimated quantities of works subcontracted to Electricity Engineering Construction for the Project II under the Subcontracting Agreement II (the “**Subcontracted Works II**”). Under the Subcontracting Agreement II, the contract price shall be subject to an audit with reference to the Budget Quota for 20 kV and below Power Grid Projects (2016) 《(20kV 及 以下 配 電 網 工 程 預 算 定 額 》(2016 版)) and Standards for Compilation and Calculation of the Budget of 20 kV and below Power Grid Construction Budgets 《(20kV 及 以下 配 電 網 工 程 建 設 預 算 編 製 與 計 算 規 定 》), upon which the final settlement amount shall be finalized
- Payment terms:** Sichuan Energy Construction shall pay consideration to Electricity Engineering Construction in the following manner:
- (1) 80% of each of the relevant completed phases shall be paid based on the actual progress of Subcontracted Works II;

- (2) up to 90% of the contract price shall be paid after the completion, acceptance and delivery of Subcontracted Works II;
- (3) up to 97% of the final settlement amount shall be paid after the project completion settlement audit of Subcontracted Works II is completed. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 20% above the contract price; and
- (4) the remaining 3% of the final settlement amount will serve as the quality warranty money and shall be paid without interest to Electricity Engineering Construction within one month after the expiry of a one-year quality warranty period, the period of which shall commence after the occurrence of (3) above.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBCONTRACTING AGREEMENTS

The Current Transactions are an extension of the Previous Transactions. Sichuan Energy Construction has undertaken Project I and Project II as the general contractor. Considering Electricity Engineering Construction has the necessary qualification, capability and experience required to carry out the subcontracted works under the Subcontracting Agreements and is familiar with the specific requirements of the construction and maintenance of power transmission lines and equipment, Sichuan Energy Construction awarded the Subcontracting Agreements to Electricity Engineering Construction. The Directors also consider that the opportunity to engage in the subcontracted works under the Subcontracting Agreements can contribute to the financial and operational performance of the Group.

The Subcontracting Agreements have been approved by the Board. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Subcontracting Agreements which were arrived at after arm's length negotiation, are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and are therefore in the interest of the Group and its Shareholders as a whole.

As Mr. Xiong Lin, 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 Subcontracting Agreements voluntarily. Saved and except for the aforesaid, none of the Directors has any material interest in the Subcontracting Agreements and was required to abstain from voting on the Board resolutions in relation to the Subcontracting Agreements.

IMPLICATION UNDER THE LISTING RULES

As at the date of this announcement, Sichuan Energy Construction, is a subsidiary of Energy Investment Group, which is one of the Controlling Shareholders. Accordingly, Sichuan Energy Construction is an associate of Energy Investment Group and therefore a connected person of the Company under Rule 14A.07 and the transactions contemplated under the Subcontracting Agreements constitute connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 17 June 2020 in relation to two subcontracting agreements entered into by Electricity Engineering Construction and the Sichuan Energy Construction in respect of the Previous Transactions. As the Current Transactions are extensions to the Previous Transactions, they should be aggregated together, pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio of the Current Transactions is less than 5% when aggregated with the Previous Transactions but the contractual sums exceed HK\$3 million, the transactions contemplated under the Subcontracting Agreements are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES

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.

Electricity Engineering Construction

Electricity Engineering Construction is a limited liability company established in the PRC on 5 November 1996 and a wholly-owned subsidiary of the Company. It is primarily engaged in electrical engineering construction subcontracting, consultation, surveying design, overhaul, maintenance, testing and installation of transformer substations, hydropower stations, thermal power stations, electric power supply lines and power distribution engineering at various voltage levels; testing and inspection of electrical energy measuring devices; electrical engineering consultation services and engineering supervision businesses, etc.

Sichuan Energy Construction

Sichuan Energy Construction is a limited liability company established in the PRC on 3 March 2006 and a 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.

Energy Investment Group

Energy Investment Group is principally engaged in investment covering various industries including power, chemical, tourism, natural gas, coalbed gas and shale gas, and new technology and materials. Energy Investment Group is in turn held by Sichuan Development Co. as to 67.8%. Sichuan Development Co. is a wholly stateowned enterprise incorporated in the PRC principally engaged in the investment, financing, operation and management of assets and its investment covers various industries including transportation, energy, water, tourism, agriculture, development of predominant resources and environment and other areas authorized by the People's Government of Sichuan Province.

DEFINITIONS

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
“Company”	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 1713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholder of the Company, namely, Energy Investment Group
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	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

“Electricity Engineering Construction”	Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司), previously known as Yibin County Changyuan Power Development Co., Ltd* (宜賓縣長源電力開發有限公司), a limited liability company established in the PRC on 5 November 1996 and a wholly-owned subsidiary of the Company
“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
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign 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
“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, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project I”	the enhancement and upgrading of rural power grids of 10kV and below in Junlian County phase two 2020 (筠連縣2020年第二批農網改造升級項目10kV及以下)
“Project II”	the enhancement and upgrading of rural power grids of 10kV and below in Gao County phase two 2020 (高縣2020年第二批農網改造升級項目10kV及以下)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company, including H shares, Domestic Shares and Unlisted Foreign Shares

“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 wholly-owned subsidiary of Energy Investment Group, an associate of our Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subcontracting Agreements”	Subcontracting Agreement I and Subcontracting Agreement II
“Subcontracting Agreement I”	subcontracting agreement for Project I entered into between Sichuan Energy Construction as contractor and Electricity Engineering Construction as subcontractor on 25 February 2021
“Subcontracting Agreement II”	subcontracting agreement for Project II entered into between Sichuan Energy Construction as contractor and Electricity Engineering Construction as subcontractor on 25 February 2021
“Unlisted Foreign Shares”	foreign ordinary share(s) in the capital of the Company that are not listed on any overseas stock exchange, with a nominal value of RMB1.00 each, and held by China Power International Development (a company incorporated in Hong Kong)

By order of the Board
Sichuan Energy Investment Development Co., Ltd.
Xiong Lin
Chairman

Chengdu, Sichuan Province, the PRC
25 February 2021

As at the date of this announcement, the executive Directors are Mr. Xiong Lin Mr. Li Hui and Ms. Xie Peixi; the non-executive Directors are Ms. Han Chunhong, Ms. Li Yu, Mr. Zhou Yanbin and Mr. Xu Zhenhua; 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*