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 TRANSACTION
TECHNICAL SERVICE AGREEMENT

THE TECHNICAL SERVICE AGREEMENT

On 29 December 2023, after trading hours, the Company entered into the Technical Service Agreement with TEMC, a connected person of the Company, pursuant to which TEMC agreed to provide certain technical services to the Company at the consideration of RMB3,590,000 (tax inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, TEMC is indirectly held as to more than 30% by Energy Investment Group, who are the Controlling Shareholders. Accordingly, TEMC is an associate of Energy Investment Group, and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules, and the Technical Service Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio with respect to the Technical Service Agreement and the transactions contemplated thereunder is less than 5% but the consideration exceeds HK$3 million, the Technical Service Agreement and the transactions contemplated thereunder is 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.

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The principal terms of the Technical Service Agreement are set out below:

Date: 29 December 2023

Parties:

(i) The Company

(ii) TEMC

Scope of service: TEMC shall provide technical services to the Company with respect to the research on the green transformation blueprint and evolution method of source-grid collaborative regional power grid (源網協同區域電網綠色轉型藍圖與演化方法研究), which shall encompass the following four areas:

(i) Research on the green transformation blueprint of source-grid collaborative regional power grid, which shall include analysis of the industry trend and challenge, analysis of the issues with power grid, and formulation of the ideas, directions and measures of solutions to strengthen power;

(ii) Research on the green transformation evolution method of source-grid collaborative regional power grid, which shall comprise (a) measurement of balance of power generation and supply in each base year and demand for new substations and arrangement for their deployment based on various parameters set out in the Technical Service Agreement; (b) research on the formulation plan and transition plan for 220 kv power grid under various scenarios as set out in the Technical Service Agreement; and (c) research on application scenarios of energy storage technology and flexible direct current technology in the regional power grid, and development of application examples;

(iii) Research on the technology and the relevant government policies to enhance the reliability of the power grid in Yibin, the PRC; and

(iv) Based on various aspects such as the national energy development strategy, "dual carbon goals", distributed energy, active local area network, and local economic and social development needs, and together with the Yibin local power grid development plan and associated issues, to carry out empirical research on breakthroughs in local power grids in the national policy level.

On top of the above, as part of the technical services to be rendered by TEMC, TEMC shall (i) publish on behalf of the Company three papers on core journals or top three journal search index; (ii) apply on behalf of the Company five patents; and (iii) to arrange for the submission of the achievement of research works for application of scientific and technological progress award or other awards (at provincial level or above) and any associated preparation works in this regards.

Term: The Technical Service Agreement shall have a term commencing from the effective date of the agreement and up to 31 December 2024.

Service fee and payment terms: The total service fee for the services to be rendered under the Technical Service Agreement shall be RMB3,590,000 (tax inclusive), which shall be settled as follows:

(i) 30% of the service fee shall be paid within 30 days after the Technical Service Agreement has become effective;

(ii) 30% of the service fee shall be paid within 30 days after the delivery of the works regarding the research on the green transformation blueprint of source-grid collaborative regional power grid;

(iii) 20% of the service fee shall be paid within 30 days after the delivery of the works regarding the research on the green transformation evolution method of source-grid collaborative regional power grid and the researches on the technology and the relevant government policies to enhance the reliability of the power grid in Yibin;

(iv) 15% of the service fee shall be paid within 30 days after the Company has inspected and accepted all results of technology services delivered by TEMC; and

(v) 5% of the service fee shall be paid within 30 days upon receiving relevant scientific and technological progress awards.

Default:

In the event the Company does not settle the payment in accordance with the terms of the Technical Service Agreement, TEMC shall be entitled to (i) require the Company to pay an overdue penalty equivalent to 0.01% of the total service fee under the Technical Service Agreement for each day of late payment (subject to the limit that the accumulated sum of late penalty paid shall not exceed 30% of the total service fee); and (ii) delay the time schedule to deliver the works of technical service under the Technical Service Agreement. In the event the payment is overdue for more than 30 days, in addition to the obligation of the Company to pay the agreed service fee and the overdue penalty, TEMC shall also be entitled to terminate the Technical Service Agreement.

In the event TEMC fails to deliver the works required in accordance with the Technical Service Agreement due to its own reasons, the Company shall be entitled to require TEMC to pay an overdue penalty equivalent to 0.01% of the total service fee under the Technical Service Agreement for each day of late delivery (subject to the limit that the accumulated sum of late penalty paid shall not exceed 30% of the total service fee). In the event the delivery is overdue for more than 30 days, the Company shall be entitled to terminate the Technical Service Agreement, and require TEMC to return the portion of service fee already paid by the Company in relation to works of technical services that have not yet been delivered by TEMC.

If (i) for reasons of the defaulting party, the complying party is rendered incapable of performing the Technical Agreement, and such default is not rectified within 30 days upon notice; or (ii) there is any breach of contract by the defaulting party (other than as stated in (i)), the complying party shall be entitled to terminate the Technical Service Agreement, and the defaulting party shall be obligated to pay a penalty in accordance with the terms of the Technical Service Agreement.

Others:

Pursuant to the Technical Service Agreement, the intellectual property rights of any technology results arising from the performance of the Technical Service Agreement shall be jointly enjoyed by the Company and TEMC.

The Technical Service Agreement shall become effective upon execution by all parties to the Technical Service Agreement.

BASIS OF DETERMINATION OF THE SERVICE FEE UNDER THE TECHNICAL SERVICE AGREEMENT

The service fee under the Technical Service Agreement was arrived after arm's length negotiation between the Company and TEMC with reference to (i) the credential of TEMC, being a research and development institution in the PRC with experience in planning the whole chain of "sources, networks, loads and storage" ("源網荷儲") for new type of power systems, which is backed by Tsinghua University and possess a team of high quality international talents, and with new science and technology innovation system and complete set of facilities for academic research and engineering services; (ii) the scope of works and requisite high level of specific industry knowledge necessary for rendering the relevant technical services; and (iii) the quotations offered by TEMC to other third parties for rendering similar services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TECHNICAL SERVICE AGREEMENT

Since 2020, General Secretary Xi Jinping has successively put forward the goals of "Carbon Peaking" and "Carbon Neutrality" as well as the goal of constructing a new type of power system, which has provided a scientific direction for the development of energy and power in the new era. In June 2023, the National Energy Administration coordinated and organized 11 research institutions to jointly prepare and release the "Blue Book on the Development of New Power Systems". It proposed that the functional positioning of the power system will shift from serving the economic and social development to ensuring the economic and social development and leading industrial upgrading, the form of the power system will transition from the three elements of "sources, networks and loads" to the four elements of "sources, networks, loads and storage", the power grid will steadily transform towards flexible, intelligent and digital operation, and various new forms of power grid technologies such as the large-scale power grid and distributed intelligent power grid will integrate and develop together.

In July and August 2022, Sichuan experienced a severe imbalance between power supply and demand due to high temperatures and drought, resulting in a "dual shortage" of power generation and supply for the first time in history during the same period, causing a significant impact on economic and social development. From March to December, the provincial government successively issued three key documents related to power development, namely the "Energy Development Plan of Sichuan Province during the 14th Five-Year Period", the "Power Development Plan of Sichuan Province during the 14th Five-Year Period" and the "Development Plan for Power Generation and Power Grid in Sichuan Province (2022-2025)", which not only encompassed the expectations for future power development in Sichuan Province but also involved timely adjustments to ensure stable power supply.

The local power grid in Sichuan is currently the only remaining large-scale local power grid. Similar to other local power grids in China, it gradually developed from scattered power supply units to address the issue of power shortages in unelectrified areas. To compensate for insufficient power generation capacity, each area generally needs to obtain electricity and system stability support by connecting to the State Grid or China Southern Power Grid. In recent years, the supply area operated by Sichuan Energy Investment Development is located in Yibin, which experienced rapid economic development and significant growth in power supply load. Meanwhile, the users in the supply area have increasingly demanded higher reliability and quality of power supply, which has led to the Company being forced to abandon users multiple times due to the inability to meet their electricity demands.

Specifically, in terms of power supply capacity, the inadequate local power generation capacity, lack of an integrated backbone power grid with sufficient transmission capacity of 220 kV and above, and the inability of the fragmented power grid to realize the centralized distribution of regional power grid have resulted in the inability to meet the needs of the rapid economic development of the supply areas in terms of both capacity and reliability of power supply. In terms of power supply reliability, the regional power grid of the Company is currently operating in a multi-point grid connection with the State Grid and China Southern Power Grid. When the loads in the supply area switch between different power sources, there are two methods used: one is switching through power outages, and the other is switching power sources by relying on power stations capable of operating in isolated grid to support the local power grid. These practices have an impact on power supply reliability and the short-term operational stability of local power grid. In terms of informatization, there is an urgent need for systematic improvement to enhance the management capability of the power grid. These issues make it difficult to resolve the growing imbalance between supply and demand and pose challenges in ensuring the fulfillment of users' electricity demand, thus impeding the development of the supply area of the Company.

In response to the aforementioned government policies and to address the above issues, the Company entered into the Technical Service Agreement with TEMC to engage TEMC to analyze the power grid problems currently faced by the Company in the light of the national strategies of green transformation of energy such as the construction of a new energy system and the development of a new power system, as well as the requirements of the provincial government on the development of energy and power systems, and to conduct research on green transformation evolution method of source-grid collaborative regional power grid, technologies to enhance the reliability of local power grid in Yibin, and related policies. The research results will be used to reconstruct the power grid in the Company's supply area, with the goal of constructing a new regional power system, so as to make full use of the existing power grid assets, maximize the utilization of power sources within and adjacent to the region to enhance power generating capacity, make full use of the policies and resources of local government to deploy a high proportion of green energy and energy storage, achieve stable control and optimal operation of the regional power system, and carry out the construction of distribution network automation system and improvement of information system based on local conditions. The Company believes that the completion of the regional power system will solve the existing problems faced by the supply area of the Company, significantly reduce the dependence on the State Grid/China Southern Power Grid, and lay a solid foundation for the long-term development of local power grid in Sichuan. In addition, it will also demonstrate strong exemplary value for other regional power grids in China.

In addition to the above, the Directors have considered the credential of TEMC, being a research and development institution in the PRC with experience in planning the whole chain of "sources, networks, loads and storage" ("源網荷儲") for new type of power systems, and is backed by Tsinghua University and possess a team of high quality international talents, and with new science and technology innovation system and complete set of facilities for academic research and engineering services. The Directors therefore believe TEMC has the necessary qualifications for providing the relevant technical services under the Technical Service Agreement and assisting the Company to achieve its goals as discussed in the previous paragraphs.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Technical Service Agreement are fair and reasonable, and the transactions contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

As Mr, He Jing, Mr. Li Hui and Ms. Xie Peixi are the Directors nominated by Hydropower Group (the subsidiary of Energy Investment Group, which in turn held indirectly 33.3% of equity interests in TEMC), they have abstained from voting on the Board resolutions to approve the Technical Service Agreement voluntarily. Save and except for the aforesaid, none of the Directors has any material interest in the Technical Service Agreement and was required to abstain from voting on the Board resolutions in relation to the Technical Service Agreement.

INFORMATION ABOUT THE PARTIES

The Company 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.

TEMC is a limited liability company established in the PRC which mainly engaged in research and development, design, manufacture, sales, engineering services and general contracting of technologies and products related to power automation and relay protection, industrial automation and informatization, power distribution automation, new energy power generation and comprehensive energy utilization. It is wholly-owned by Beijing Qingneng Jikong Technology Group Co., Ltd.* (北京清能繼控科技集團有限公司), which is in turn owned as to 34.5% by Mr. Hu Jiawei (胡家為), 33.3% by Qingkong Venture Capital Co., Ltd.* (清控創業投資有限公司) ("**Qingkong Venture Capital**"), 18.3% by Beijing Dikaipu Technology Co., Ltd.* (北京迪開普科技有限公司) ("**Dikaipu Technology**") and 13.9% by Mr. Yan wenjiao (嚴文交). Qingkong Venture Capital is wholly-owned by Energy Investment Group, which is the controlling shareholder of the Company. Dikaipu Technology is owned by 13 natural person shareholders (with none of them holding 20% or more of the equity interests in the company).

LISTING RULES IMPLICATIONS

As at the date of this announcement, TEMC is indirectly held as to more than 30% by Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, TEMC is an associate of Energy Investment Group, and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules, and the Technical Service Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

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DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

"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 joint stock company established in the PRC with limited liability on 29 September 2011
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"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 and one of the controlling shareholders of the Company
"Group"	the Company and its subsidiaries
"H Share(s)"	the 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 and one of the controlling shareholders of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"PRC"	the People's Republic of China, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"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
"Technical Service Agreement"	the technical service agreement dated 29 December 2023 entered into between the Company and TEMC, pursuant to which TEMC agreed to provide certain technical services to the Company at the consideration of RMB3,590,000 (tax inclusive)
"TEMC"	TsingEnergy M&C Co., Ltd.* (清能華控科技有限公司), a limited liability company established in the PRC and an associate of Energy Investment Group

By order of the Board
Sichuan Energy Investment Development Co., Ltd.*
He Jing
Chairman

Chengdu, Sichuan Province, the PRC, 29 December 2023

As at the date of this announcement, the executive Directors are Mr. He Jing, Mr. Li Hui and Ms. Xie Peixi; the non-executive Directors are Ms. Han Chunhong, Mr. Tao Xueqing, Ms. Liang Hong, Ms. Lv Yan and Mr. Kong Ce; and the independent non-executive Directors are Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng, Prof. Li Jian and Ms. He Yin.

* *For identification purposes only*