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**Kunming Dianchi Water Treatment Co., Ltd.**  
**昆明滇池水務股份有限公司**

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

**(Stock Code: 3768)**

**FURTHER ANNOUNCEMENT ON THE ACQUISITION OF  
100% EQUITY INTEREST IN HONGYU WATER**

Reference is made to the announcement (the “**Announcement**”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) dated 18 September 2017 and titled “Discloseable Transaction in Relation to the Acquisition of 100% Equity Interest in Hongyu Water”. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the Announcement.

**COMPLIANCE WITH THE LISTING RULES**

As disclosed in the Announcement, the Consideration for the Acquisition of RMB126,900,000 is determined on arm’s length basis between the Company and Liuyang Hongyu Thermal Power Co., Ltd., with reference to valuation of the 100% equity interest in Liuyang Hongyu Water Treatment Co., Ltd. (“**Hongyu Water**”) as at 30 April 2017 of RMB156,900,000, by ZhongHe Appraisal Co., Ltd. (“**Zhonghe**”), an independent third-party valuation institution, and after deducting the estimated rectification costs of RMB30,000,000 (subject to final determination) incurred by the rectification of the sewage treatment techniques of Hongyu Water. The valuation of the 100% equity interest in Hongyu Water by Zhonghe is prepared under the income based approach, which involves the calculation of discounted future estimated cash flows, therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is made in compliance with Rules 14.60A and Rule 14.62 of the Listing Rules.

Pursuant to Rule 14.62(1) of the Listing Rules, the principal assumptions upon which the valuation report issued by Zhonghe in respect of the Acquisition (the “**Valuation Report**”) was based are set out below:

**1. Basic Assumptions**

*(a) Transaction assumption*

Transaction assumption assumes all assets to be valued are in the course of transaction and the valuation of valuer is based on simulated market including terms of transaction of the target assets. Transaction assumption is the most basic precondition for the implementation of asset valuation.

**(b) *Open market assumption***

Open market assumption assumes that both parties to the assets transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain sufficient market information in order to make rational judgments on the assets including their functions, purposes and transaction prices. The basis of open market assumption is that the assets can be traded openly in the market.

**(c) *Continuous use of assets assumption***

Continuous use of assets assumption assumes that the methods, parameters and basis of valuation are determined based on the assumption that the valuated assets would continue to be utilized with the present purpose, mode, size, frequency and environment or with modifications.

**(d) *Going concern assumption***

Going concern assumption assumes that Hongyu Water operates as a going concern and in the current manner.

**2. General Assumptions**

- (a) There will be no material changes in the state and local laws, regulations, rules and social political and economic policies currently in force and applicable to Hongyu Water.
- (b) There will be no material changes in PRC's existing tax basis and rates, preferential tax policies, bank lending rates and other policy-based charges.
- (c) There will be no other material adverse impact caused by force majeure or unforeseeable circumstances.

**3. Specific Assumptions**

- (a) Assuming the technical personnel and senior management of Hongyu Water would remain relatively stable and there would be no significant outflow of core professional personnel in the following years.
- (b) The present and future management of Hongyu Water are responsible and its management would be able to steadily proceed with the development plan of the company to maintain a good operating position.
- (c) The future management of Hongyu Water would comply with relevant PRC laws and regulations, and there would be no major non-compliance that might affect the development and earnings of the company.
- (d) There would be no material adverse change in pre-determined tariff rates.

PricewaterhouseCoopers (“PwC”), the auditor of the Company, has reported on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the valuation is based, which does not involve the adoption of accounting policies. The Directors confirm that the valuation, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiries. A letter from the Board and a report from PwC have been submitted to the Stock Exchange according to Rule 14.62 of the Listing Rules, and are set out as Appendix I and Appendix II to this announcement, respectively.

## EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions and advice contained in this announcement:

| <b>Name</b> | <b>Qualification</b>                    |
|-------------|---|
| Zhonghe     | Certified Public Valuer, the PRC        |
| PwC         | Certified Public Accountants, Hong Kong |

As at the date of this announcement, neither Zhonghe nor PwC had any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of knowledge, information and belief of the Board, each of Zhonghe and PwC is an independent third party who is not connected with the Group or its connected persons.

The date of the Valuation Report issued by Zhonghe is 10 July 2017.

Each of Zhonghe and PwC has given and has not withdrawn its respective written consent to the publication of this announcement with the inclusion of its respective report and references to its name in the form and context in which it respectively appears.

By order of the Board  
**Kunming Dianchi Water Treatment Co., Ltd.**  
**Guo Yumei**  
*Chairperson*

Kunming, the PRC, 11 October 2017

*As at the date of this announcement, the Board comprises Ms. Guo Yumei and Mr. Luo Yun, as executive Directors; Mr. Zeng Feng and Ms. Song Hong, as non-executive Directors; and Mr. Wong Man Chung Francis, Mr. Yin Xiaobing and Mr. He Xifeng, as independent non-executive Directors.*

## APPENDIX I LETTER FROM THE BOARD

11 October 2017

The Listing Division  
The Stock Exchange of Hong Kong Limited  
12th Floor, One International Finance Centre,  
1 Harbour View Street,  
Central, Hong Kong

Dear Sirs or Madams,

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN HONGYU WATER**

Reference is made to the valuation report dated 10 July 2017 prepared by ZhongHe Appraisal Co., Ltd. (“**Zhonghe**”) in relation to the valuation (the “**Valuation**”) of 100% equity interest in Liuyang Hongyu Water Treatment Co., Ltd. (瀏陽市宏宇水務有限公司) as at 30 April 2017. The Valuation is prepared under the income based approach, which involves the calculations of discounted future estimated cash flows, therefore constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have reviewed the bases and assumptions based on which the Valuation has been prepared, and reviewed the Valuation for which Zhonghe is responsible. We have also considered the report from auditor of our Company, PricewaterhouseCoopers, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

We hereby confirm that the calculations of the discounted future estimated cash flows in the Valuation have been made after due and careful enquiry.

On behalf of the Board  
**Kunming Dianchi Water Treatment Co., Ltd.**  
**Guo Yumei**  
*Chairperson*

## APPENDIX II REPORT FROM PRICEWATERHOUSECOOPERS

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.*



羅兵咸永道

### INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF LIUYANG HONGYU WATER TREATMENT CO., LTD.

TO THE BOARD OF DIRECTORS OF KUNMING DIANCHI WATER TREATMENT CO., LTD.  
(THE "COMPANY")

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") dated 10 July 2017 prepared by ZhongHe Appraisal Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in Liuyang Hongyu Water Treatment Co., Ltd. (the "**Target Company**") is based. The Valuation is in connection with the acquisition of the 100% equity interest in the Target Company by Kunming Dianchi Water Treatment Co., Ltd. (the "**Company**") as set out in the Company's announcement dated 18 September 2017 and the further announcement dated 11 October 2017 (the "**Further Announcement**"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

#### Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set in items 1 to 3 of the Further Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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## **Auditor's Responsibilities**

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in items 1 to 3 of the Further Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

## **Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in items 1 to 3 of the Further Announcement.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 11 October 2017