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## **Kunming Dianchi Water Treatment Co., Ltd.**

### **昆明滇池水务股份有限公司**

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

**(Stock Code: 3768)**

#### **VOLUNTARY ANNOUNCEMENT**

#### **(1) ACQUISITION OF 100% EQUITY INTEREST IN KUNMING DONGCHUAN GUOZHEN SEWAGE TREATMENT CO., LTD. AND (2) SIGNING CERTAIN AGREEMENTS WITH THE PEOPLE'S GOVERNMENT OF DONGCHUAN DISTRICT OF KUNMING**

This announcement is made by Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) on a voluntary basis.

#### **I. ACQUISITION OF 100% EQUITY INTEREST IN KUNMING DONGCHUAN GUOZHEN SEWAGE TREATMENT CO., LTD.**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 2 June 2020, the Company (as the purchaser) entered into the equity transfer agreement with Yunnan Guozhen Environmental Technology Company Limited (雲南國禎環保科技有限公司) (“**Yunnan Guozhen**”) (as the seller) and Kunming Dongchuan Guozhen Sewage Treatment Co., Ltd. (昆明市東川區國禎污水處理有限公司) (“**Dongchuan Guozhen**”) (as the target company), pursuant to which the Company has conditionally agreed to acquire 100% equity interest in Dongchuan Guozhen for a consideration of RMB14,783,700 (the “**Acquisition**”).

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, Yunnan Guozhen and Dongchuan Guozhen are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Upon completion of the Acquisition, Dongchuan Guozhen will become a wholly-owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the Group.

### **Information about Dongchuan Guozhen**

Dongchuan Guozhen, established on 13 May 2008, is a limited liability company incorporated in the PRC with a registered capital of RMB5 million. Its main business scope is environmental protection engineering, sewage treatment engineering as well as domestic and industrial sewage operation. Prior to the Acquisition, Yunnan Guozhen held 100% equity interest in Dongchuan Guozhen. Dongchuan Guozhen has obtained a concession for the Dongchuan District Sewage Treatment Plant Project in Kunming City, Yunnan Province.

### **Reasons for and benefits of the Acquisition**

The Acquisition can further expand the Company's business layout in the market of Yunnan Province and increase its market share which is in line with the investment direction and strategic layout of the Group's main business. Upon completion of the Acquisition, it is expected that new profit growth drivers can be created which will increase the Company's revenue and generate a stable cash flow.

Based on the above reasons, the Board considers that the terms of the equity transfer agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and shareholders of the Company as a whole.

## **II. SIGNING CERTAIN AGREEMENTS WITH THE PEOPLE'S GOVERNMENT OF DONGCHUAN DISTRICT**

On 2 June 2020, the Company entered into the Four-Party Agreement for the Concession of the Dongchuan District Sewage Treatment Plant Project (《東川區污水處理廠項目特許四方協議》) (the "**Four-Party Agreement**") with the People's Government of Dongchuan District of Kunming of Yunnan Province (雲南省昆明市東川區人民政府) (the "**People's Government of Dongchuan District**"), Yunnan Guozhen and Dongchuan Guozhen. The parties agreed that upon completion of the transfer of the equity interest in Dongchuan Guozhen to the Company, Dongchuan Guozhen still continues to enjoy the concession of Dongchuan District Sewage Treatment Plant in accordance with the Concession and Sewage Treatment Services Agreement of the Dongchuan District Sewage Treatment Plant Project (《東川區污水處理廠項目特許、污水處理服務協議》) (the "**Original Agreement**"). During the concession period, Dongchuan Guozhen will conduct sewage treatment and collect sewage treatment charges in accordance with the Original Agreement. Upon expiry of the concession, Dongchuan Guozhen will transfer all assets, interests and technology involved in the project to the People's Government of Dongchuan District at nil consideration.

On 2 June 2020, Dongchuan Guozhen and the People’s Government of Dongchuan District entered into the Supplemental Agreement on the Concession and Sewage Treatment Services Agreement of the Dongchuan District Sewage Treatment Plant Project (《東川區污水處理廠項目特許、污水處理服務協議補充協議》) (the “**Supplemental Agreement**”), pursuant to which Dongchuan Guozhen and the People’s Government of Dongchuan District reached an agreement on the cooperation under the Transfer-Operate-Transfer model (TOT) of the Advanced Treatment Unit Project (the “**Advanced Treatment Unit Project**”) of the Dongchuan District Sewage Treatment Plant in Kunming City. Pursuant to the Supplemental Agreement, the People’s Government of Dongchuan District will transfer the Advanced Treatment Unit Project to Dongchuan Guozhen for operation, for which Dongchuan Guozhen is required to pay a total transfer price of RMB19,922,600 to the People’s Government of Dongchuan District. At the same time, the People’s Government of Dongchuan District will grant Dongchuan Guozhen a 30-year concession commencing from the day after entering into the Supplemental Agreement and will extend the concession period of Dongchuan Guozhen’s right to operate the Dongchuan District Sewage Treatment Plant under the Original Agreement to the same length as the concession period of the Advanced Treatment Unit Project. Upon expiry of the concession period, Dongchuan Guozhen will transfer the Advanced Treatment Unit Project to the People’s Government of Dongchuan District at nil consideration.

The entering into of the Four-Party Agreement and the Supplemental Agreement is conducive to the expansion of the Company’s business and further reinforces the Company’s business competitiveness in the region.

#### **IMPLICATIONS OF THE LISTING RULES**

Given that all of the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition is less than 5%, the Acquisition does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Board confirms that the Four-Party Agreement and the Supplemental Agreement are entered into in the ordinary and usual course of business of the Company and/or Dongchuan Guozhen and are of revenue in nature. The entering into of the said agreements does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor does it constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, neither the Directors nor the substantial shareholders of the Company have any direct or indirect interest in the Acquisition, the Four-Party Agreement and the Supplemental Agreement.

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

Kunming, the PRC, 2 June 2020

*As of the date of this announcement, the Board comprises Ms. Guo Yumei and Mr. Luo Yun, as executive Directors; Ms. Song Hong and Ms. Zhao Zhu, as non-executive Directors; and Mr. Yin Xiaobing, Mr. He Xifeng and Mr. Sin Lik Man, as independent non-executive Directors.*