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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)

VOLUNTARY ANNOUNCEMENT IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST IN PUTIAN HUAKE ENVIRONMENTAL PROTECTION ENGINEERING CO. LTD.

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

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 24 September 2020, the Company entered into an agreement on transfer of 100% equity interest in Putian Huake Environmental Protection Engineering Co. Ltd. (《關於莆田市華科環保工程有限公司100%股權轉讓協議》) (the “**Equity Transfer Agreement**”) with Xiamen Songhu Environmental Protection Co., Ltd. (廈門嵩湖環保股份有限公司) (“**Xiamen Songhu Environmental**”) and Putian Huake Environmental Protection Engineering Co. Ltd. (莆田市華科環保工程有限公司) (“**Huake Environmental**”). Pursuant to the Equity Transfer Agreement, the Company conditionally agreed to acquire a 100% equity interest in Huake Environmental at a consideration of RMB81,300,000 (the “**Acquisition**”). Upon completion of the Acquisition, Huake Environmental will become a wholly-owned subsidiary of the Company, and its financial results, assets and liabilities will be consolidated into the Group.

Given that 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 notifiable transaction under Chapter 14 of the Listing Rules.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, Xiamen Songhu Environmental and Huake Environmental 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**”)).

INFORMATION ABOUT HUAKE ENVIRONMENTAL

Huake Environmental, established on 15 July 2009, is a limited liability company incorporated in the PRC with a registered capital of RMB50 million. Its main business scope is wastewater treatment. Prior to the Acquisition, Xiamen Songhu Environmental held 100% equity interest in Huake Environmental. As the company that invests, constructs and operates the wastewater treatment plant in Fujian Xianyou Economic Development Zone, Huake Environmental possesses the concession right of the wastewater treatment plant in Fujian Xianyou Economic Development Zone. At present, the designed wastewater treatment capacity of the wastewater treatment plant operated by Huake Environmental is 40,000 m³ per day.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition can widen the Company's presence to the water service market in Fujian Province of the PRC and expand the business scope and market share of the Company, and is in line with the investment direction and strategic positioning of the Group's main business.

The Board considers that the terms of the Equity Transfer Agreement and the Acquisition are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

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

Kunming, the PRC, 24 September 2020

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