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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

SIGNING OF THE CONCESSION AGREEMENT IN RELATION TO THE KUNMING DOMESTIC WASTE SANITARY LANDFILL PROJECT

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 10 December 2020, the Company entered into the Concession Agreement for the Project of Construction of Kunming Domestic Waste Sanitary Landfill (《昆明市生活垃圾衛生填埋場建設項目特許經營協議》) (the “**Agreement**”) with the Urban Management Bureau of Kunming* (昆明市城市管理局) (the “**Kunming Bureau**”). Pursuant to the Agreement, the Kunming Bureau will implement the Kunming domestic waste sanitary landfill project (the “**Project**”) under the BOT (Build-Operate-Transfer) concession model, and grant the concession rights to the Company/the project company established by the Company for the Project (the “**Project Company**”). The Company/the Project Company shall be responsible for the investment, construction, operation and maintenance of the domestic waste landfill project within the administrative districts of Kunming. The concession period shall be 30 years from the date when the Project commences commercial operation. Upon expiry of the concession period, the Company/the Project Company shall have the right of first refusal to renew the concession of the Project under the same terms.

The Project will be implemented in two phases under the BOT model and includes the construction of solidified fly ash landfill, domestic waste emergency landfill and access road with an estimated total investment of RMB598,112,600 (subject to the audited amount of final settlement). The amount of estimated total investment does not include the cost for closure of landfill after the Project reaches its designed capacity after expiry of the concession period. The closure of landfill shall be conducted under a separate supplemental cooperation agreement to be entered into between the Kunming Bureau and the Company/the Project Company or constructed by a third party engaged by the Kunming Bureau.

The scope of concession of the Project covers the fly ash generated from waste incineration for power generation by the waste incineration power plants within the administrative districts of Kunming in accordance with the relevant policies of China, Yunnan Province and Kunming on waste collection, transportation, storage, treatment and disposal, and such fly ash shall be handled by the Company/the Project Company with sole and exclusive concession rights. The scope of concession of the Project does not cover the operation of domestic waste emergency landfill, which may be conducted by the Company/the Project Company under market-oriented principle.

During the concession period, the Company/the Project Company shall, according to the provisions of the Agreement, provide solid waste treatment and disposal services that meet relevant standards and the requirements of the customers, and receive treatment and disposal fees as agreed in the Agreement and separate agreements for specific services. Under the guidance of the Kunming Bureau, the waste incineration enterprises and the Company/the Project Company will enter into market collection and disposal agreements and establish relevant payment mechanism. The Kunming Bureau will also include the treatment and disposal of fly ash generated from waste incineration into the scope of operation supervision and assessment of the waste incineration enterprises to ensure smooth operation of the payment mechanism of the Project. In the event of default of the Agreement such as underpayment of solid waste disposal service fees payable by the waste incineration enterprises or the amount of waste disposed being less than the amount of waste generated, which causes loss to the Company/the Project Company, the Kunming Bureau will invoke relevant protection mechanism to protect the legal rights and interests of the Company/the Project Company. If there is any changes to the methods and processes of treatment and disposal of fly ash generated from waste incineration due to relevant policies or industry development, leading to decrease in the amount of landfill disposal of fly ash and thereby adversely affecting the normal operation and investment returns of the Company/the Project Company, the Kunming Bureau will negotiate with the Company/the Project Company and enter into supplemental agreements to adjust the type of waste for collection and disposal based on the then remaining capacity and relevant environmental and regulatory requirements, in order to ensure normal operation and investment return of the Company/the Project Company during the concession period. When the Project's capacity is exhausted, the Company/the Project Company shall transfer the Project to the Kunming Bureau or its designated entities according to the provisions of the Agreement.

The Board confirmed that the Agreement was entered into in the ordinary and usual course of business of the Company and is of revenue nature, which does not constitute a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and also does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. The signing of the Agreement is in line with the Company's business development direction of "prioritizing core business while promoting diversified development", and will facilitate the further development of the Company's business in the solid waste sector.

To the best of the Directors' knowledge, information and belief and having made all reasonable inquiries, the Directors or the substantial shareholders of the Company have no direct or indirect interest in the Agreement.

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

Kunming, the PRC, 10 December 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. Ren Na and Ms. Yu Yanbo, as non-executive Directors; and Mr. Yin Xiaobing, Mr. He Xifeng and Mr. Johnson Wan, as independent non-executive Director.

* *For identification purpose only.*