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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

SIGNING OF THE INVESTMENT AGREEMENT ON THE RURAL HABITAT ENVIRONMENT TREATMENT PPP PROJECT IN YINGJIANG COUNTY, DEHONG PREFECTURE, YUNNAN PROVINCE

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 the Company entered into the “Investment Agreement on the Rural Habitat Environment Treatment PPP Project in Yingjiang County, Dehong Prefecture, Yunnan Province” (《雲南省德宏州盈江縣農村人居環境治理PPP項目投資協議》) (the “**Agreement**”) with the Housing and Urban-Rural Construction Bureau of Yingjiang County, Dehong Prefecture, Yunnan Province (雲南省德宏州盈江縣住房和城鄉建設局) (the “**Yingjiang County Housing and Urban-Rural Construction Bureau**”) on 31 December 2020. Pursuant to the Agreement, the Company will establish a project company (the “**Project Company**”), which will be held by the Company, jointly with an authorized government-funded representative enterprise of the Yingjiang County People’s Government. Upon the establishment of the Project Company, the Project Company will be granted concessions by the Yingjiang County People’s Government to carry out the investment, financing, construction, operation and transfer of the Yingjiang County Rural Habitat Environment Treatment PPP Project (the “**Project**”). The Project will be carried out under the BOT model with a term of cooperation of 17 years, of which the construction period is 2 years and the operation period is 15 years. During the cooperation period, the Project Company will provide services and collect service fees and government feasibility gap grants for the towns within the agreed scope of the Agreement which are paid by the government to the Project Company as agreed in the Agreement after the government includes such grants into its fiscal budget. Upon expiry of the cooperation period, the project assets and related rights will be transferred to the government or its designated organization in accordance with the Agreement.

The estimated total investment of the Project is RMB557,214,700 (the final investment amount is subject to the results of the audited final accounts of the Project). The capital ratio of the Project is 25% of the total investment, of which the Company will bear approximately RMB125,370,000. If the capital ratio or the amount of the Project increases due to the requirements of financial institutions, the Company will invest in the Project Company in the form of project capital and the capital ratio of the Project will be adjusted in proportion to the Company's actual capital contribution.

The Project includes four sub-projects: water supply project, wastewater project, garbage project and public toilets project, of which the water supply project covers 12 towns, including water intake project, raw water distribution project, water purification plant project and water distribution network project; the wastewater project covers 14 towns and 8 natural villages, including township wastewater treatment project and rural wastewater treatment project; the garbage project covers 15 towns, including collection, transportation and treatment of garbage; the public toilets project covers 15 towns. The public toilets project will be handed over immediately upon completion and will not be included in the operating scope of the Project Company.

The Board confirms that the signing of the Agreement is in the ordinary and usual course of business of the Company and is revenue in nature, and the transactions contemplated under the Agreement do not constitute notifiable transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), nor do they constitute connected transactions under Chapter 14A of the Listing Rules. The implementation of the Yingjiang County Rural Habitat Environment Treatment PPP Project is conducive to the improvement of the rural habitat environment in Yingjiang County and is in line with the Company's business development direction, which is beneficial to the further development of the Company's integrated township and rural environment comprehensive treatment business. Moreover, Dehong Prefecture is bordered by Myanmar. The implementation of the Project will be favorable to the continuous expansion and intensive development of the Company's domestic and overseas businesses, laying a foundation for further development of the Company's businesses in Southeast Asia.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the Directors or the substantial shareholders of the Company has any direct or indirect interest in the concession agreement.

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

Kunming, the PRC, 31 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 Directors.