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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

DIVESTMENT AND TRANSFER OF “THREE SUPPLIES AND PROPERTY MANAGEMENT BUSINESS”

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

According to the Notice on the Working Plan of Accelerating the State-owned Enterprises’ Divestment from Public Service Function and Solving Historical Issues (Guo Fa [2016] No.19) (《關於印發加快剝離國有企業辦社會職能和解決歷史遺留問題工作方案的通知》(國發[2016]19號)), the Notice on the Implementation Plan of Divestment and Transfer of “Three Supplies and Property Management Business” for Residential Properties of Employees of Central and Provincial State-owned Enterprises in Kunming issued by the State-owned Assets Supervision and Administration Commission of Kunming and Finance Bureau of Kunming and forwarded by the Office of Kunming Municipal People’s Government (Kun Zheng Ban [2017] No.113) (《昆明市人民政府辦公廳關於轉發市國資委市財政局關於駐昆中央及省屬企業職工家屬區“三供一業”分離移交工作實施方案的通知》(昆政辦[2017]113號)), the Notice on the Working Plan of Accelerating the State-owned Enterprises’ Divestment from Public Service Function and Solving Historical Issues in Kunming issued by the Leading Team for State-owned Enterprises’ Divestment from Public Service Function in Kunming (《昆明市剝離國有企業辦社會職能工作領導小組關於印發昆明市加快剝離國有企業辦社會職能和解決歷史遺留問題工作方案的通知》) and other relevant documents, relevant parties shall fully facilitate the divestment and transfer of “Three Supplies and Property Management Business” for residential properties of employees of state-owned enterprises, and carry out necessary maintenance and renovation for relevant equipment and facilities related to water supply, power supply, heat supply (gas supply) and property management in order to meet the general standard for municipal infrastructure. In addition, separate account shall be set up for each household and relevant fees shall be collected for corresponding accounts, and such business shall be managed by professional enterprises or institutions on a market-oriented basis (the “**Divestment and Transfer**”). As such, the Company will carry out Divestment and Transfer of “Three Supplies and Property Management Business” for relevant residential properties of employees (“**This Divestment and Transfer**”).

I. SCOPE OF THIS DIVESTMENT AND TRANSFER

The scope of This Divestment and Transfer includes the “Three Supplies and Property Management Business” for relevant residential properties of the Company’s employees, being the water supply, power supply and property management for relevant residential properties of employees, which covers a total of 176 households. Such businesses will be transferred to the state-owned enterprises designated by the government, which are independent third parties of the Company. The Company will enter into divestment and transfer agreements with relevant transferees in respect of the Divestment and Transfer, and jointly negotiate on the standard for maintenance and renovation, relevant implementation plan and other matters based on the current conditions of the equipment and facilities related to the “Three Supplies and Property Management Business”.

II. ASSETS AND COSTS OF THIS DIVESTMENT AND TRANSFER

According to the requirements of relevant documents, the Divestment and Transfer will be conducted based on the principle of “renovation after transfer”. At this stage, the water supply and power supply do not involve the transfer of the ownership of existing assets, only the management right of property management business will be transferred, and no ownership will be transferred. In order to meet the general standard for municipal infrastructure, after the transfer, the facilities and equipment within the scope of the Divestment and Transfer shall receive repair and maintenance, and the costs of renovation incurred therefrom shall be borne by the Company, which include design fee, purchase cost of facilities, equipment and materials, and cost of construction and supervision. The costs of renovation shall be subject to relevant standards issued by the government and are estimated to be approximately RMB3,074,200 (subject to the actual amount at the time of actual delivery and payment).

For the costs of renovation above, the Company may apply for government subsidies after entering into relevant agreements according to relevant policies and rules, and the actual amount of subsidies is subject to the final payment from the government.

III. EFFECT ON THE COMPANY FROM THIS DIVESTMENT AND TRANSFER

The costs of transfer and renovation incurred from This Divestment and Transfer will be included in the Company’s non-recurring profit or loss.

This Divestment and Transfer is an important part of the state-owned enterprises' divestment from public service function, which may help the Company reduce its burden, further focus on its main business and facilitate the long-term development of the Company. Upon completion of This Divestment and Transfer, market-oriented management will be implemented in the residential properties of the Company's employees, which is conducive to maintaining corporate and social stability.

This announcement is solely based on the preliminary assessment made by the Company based on information currently available, which have not been audited or reviewed by independent auditor of the Company. The actual financial data of the Group may be different from those disclosed in this announcement. As such, the Company may make further disclosure according to relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as and when appropriate.

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 Director.