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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)

INSIDE INFORMATION

ANNOUNCEMENT ON INVOLVEMENT OF A SUBSIDIARY IN LITIGATION

This announcement is made by Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Directors**”) of the Company (the “**Board**”) has been informed that Liuyang Hongyu Thermal Power Co., Ltd.* (瀏陽市宏宇熱電有限公司) (“**Hongyu Thermal Power**”), a wholly-owned subsidiary of the Company, has received a Notice of Response to Action ((2022) Zhe 06 Min Chu No. 67) (《應訴通知書》((2022)浙06民初67號)) from Shaoxing Municipal Intermediate People’s Court, Zhejiang Province (浙江省紹興市中級人民法院). As stated in the Notice of Response to Action and the accompanying Civil Complaint (the “**Civil Complaint**”), Zhejiang Yueyang Holdings Group Limited* (浙江越陽控股集團有限公司) (the “**Plaintiff**”) claimed that it signed an equity transfer agreement (the “**Equity Transfer Agreement**”) with the defendants Huang Weifei (黃偉飛), Zhuji Hongyu Environmental Protection Equipment Co., Ltd.* (諸暨宏宇環保設備有限公司) (“**Hongyu Environmental Equipment**”), Zhuji Shi Hongyu Environmental Development Co., Ltd.* (諸暨市宏宇環境發展有限公司) (“**Hongyu Environmental Development**”) and Hongyu Thermal Power on 7 March 2015 and filed a lawsuit with the people’s court in respect of the dispute related to the Equity Transfer Agreement. As stated in the Civil Complaint, the Plaintiff claimed that pursuant to the Equity Transfer Agreement, the Plaintiff transferred its 55% equity interest in Hongyu Environmental Equipment to Huang Weifei at a consideration of RMB120 million (the “**Equity Transfer Consideration**”), of which RMB30 million shall be paid within 2 months after the signing of the Equity Transfer Agreement, RMB30 million shall be paid within 6 months after the signing of the Equity Transfer Agreement and the remaining RMB60 million shall be paid within 1 year after the signing of the Equity Transfer Agreement, and it was also agreed that if Huang Weifei failed to pay the Equity Transfer Consideration as agreed, he shall pay a late payment fee (the “**Late Payment Fee**”) calculated at 0.05% per day of the unpaid amount and shall also bear the costs incurred by the Plaintiff in enforcing its creditor’s rights. The Equity Transfer Agreement also provided that if Huang Weifei failed to perform his obligations under the Equity Transfer Agreement, Hongyu Environmental Equipment, Hongyu Environmental Development and Hongyu Thermal Power shall be jointly and severally liable for the Equity Transfer Consideration, the Late Payment Fee and the costs incurred by the Plaintiff in enforcing its creditor’s rights. The Plaintiff claimed that after signing the Equity Transfer Agreement with Huang Weifei, it completed the registration procedures for the change of equity interest with relevant market supervision administration on 21 April 2015, but Huang Weifei failed to pay the Equity Transfer Consideration as agreed (outstanding amount of RMB68 million as of now).

According to the Civil Complaint, the Plaintiff requested that (i) Huang Weifei be ordered to pay the Plaintiff the outstanding amount of RMB68 million of the Equity Transfer Consideration and the Late Payment Fee calculated at 0.05% per day of the unpaid consideration from 7 March 2016 to the date of payment (provisionally approximately RMB72 million as of 28 December 2021, totaling approximately RMB140 million); (ii) Huang Weifei be ordered to bear the Plaintiff's attorney fees of RMB200,000 and property preservation guarantee of RMB100,000 arising from enforcing its creditor's rights; (iii) each of Hongyu Environmental Equipment, Hongyu Environmental Development and Hongyu Thermal Power be ordered to be jointly and severally liable for payment of the liabilities mentioned in (i) and (ii) above; and (iv) the costs of the litigation be borne by Huang Weifei, Hongyu Environmental Equipment, Hongyu Environmental Development and Hongyu Thermal Power.

Hongyu Thermal Power is a wholly-owned subsidiary of the Company acquired in October 2018 and the Equity Transfer Agreement as claimed by the Plaintiff was signed prior to the acquisition of Hongyu Thermal Power by the Company. The Company and Hongyu Thermal Power have been seeking legal advice on the abovementioned litigation on an ongoing basis. The Company will reserve the right to take legal action against parties that cause prejudice to the interests of the Company and will use its best endeavours to protect the interests of the Company and all shareholders as a whole. Based on the current assessment, as at the date of this announcement, the abovementioned litigation had no material impact on the overall daily operations of the Group. The Group will take appropriate measures to minimise the possible impact of the litigation on the operations of Hongyu Thermal Power.

Although Hongyu Thermal Power will make meticulous reply to the litigation, it is difficult to predict with certainty the final outcome of the litigation as it is still at an early stage. Further announcements will be made by the Company in due course in accordance with relevant regulations.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Kunming Dianchi Water Treatment Co., Ltd.
Zeng Feng
Chairperson and executive Director

Kunming, the PRC, 9 May 2022

As of the date of this announcement, the Board comprises Mr. Zeng Feng, 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, Ms. Zheng Dongyu and Mr. Ong King Keung, as independent non-executive Directors.

* *For identification purpose*