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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)

CHANGES OF USE OF PROCEEDS FROM H SHARE OFFERING

The board of directors (the “**Board**”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Board considered and passed a resolution to change the use of net proceeds from the global offering of the Company (the “**Proceeds from H Share Offering**” or the “**Proceeds**”) at the Board meeting held on 5 July 2022.

BASIC INFORMATION OF PROCEEDS FROM H SHARE OFFERING

Reference is made to the section headed “Future Plans and Use of Proceeds” in the prospectus for the H Shares of the Company dated 24 March 2017 (the “**Prospectus**”) in relation to each of the intended uses of the Proceeds from H Share Offering and, unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The Company’s H Shares were listed on the Hong Kong Stock Exchange on 6 April 2017 and the total net proceeds from the Global Offering, after deduction of various Share issuance expenses, amounted to approximately RMB1,072.3 million. As disclosed in the Prospectus, the Company intended to use the net Proceeds from H Share Offering for the following purposes:

- (I) Approximately 35%, or HK\$375.3 million calculated based on the final amount of Proceeds, will be used to finance BOT/BOO wastewater treatment and running water supply projects with approximately:
 - (i) 35% to be used to finance the construction of wastewater treatment and running water supply projects for which the Company has signed the concession agreements as at the date of the Prospectus, namely Laos Golden Triangle Wastewater Treatment Plant, Yiliang County No. 2 Wastewater Treatment Plant and Pipeline Network, Laos Golden Triangle Running Water Supply Plant and Malong No. 2 Running Water Supply Plant.
 - (ii) 65% to be used to fund future wastewater treatment construction projects of which the Company would be granted the concession rights after competitive negotiations or tenders process with local governments.

- (II) Approximately 35%, or HK\$375.3 million calculated based on the final amount of Proceeds, will be used to expand the operations of the Company through purchasing future TOT/TOO wastewater treatment and running water supply projects.
- (III) Approximately 20%, or HK\$214.5 million calculated based on the final amount of Proceeds, will be used to repay certain bank borrowings of the Company.
- (IV) Approximately 10%, or HK\$107.2 million calculated based on the final amount of Proceeds, will be used to fund the working capital of the Company and for general corporate purposes.

As of 31 December 2021, a total of approximately RMB927.4 million of the audited Proceeds from H Share Offering had been utilised and the remaining available Proceeds amounted to approximately RMB144.9 million. After taking into account the foreign exchange and interest income, the total unutilised amount was approximately RMB151.9 million (the “**Unutilised Proceeds**”). From 1 January 2022 to the date of this announcement, the Company has not used the Unutilised Proceeds. The use of Proceeds from H Share Offering as of the date of this announcement is as follows:

Use	Proportion	Amount of Proceeds from H Share Offering <i>RMB million</i>	Usage by items	Proportion	Amount of usage by items <i>RMB million</i>	Utilised amount <i>RMB million</i>	Unutilised amount <i>RMB million</i>
Investments in BOT/BOO wastewater treatment and running water supply projects	35%	375.3	Laos Golden Triangle Wastewater Treatment Plant, Yiliang County No. 2 Wastewater Treatment Plant and Pipeline Network, Laos Golden Triangle Running Water Supply Plant and Malong No. 2 Running Water Supply Plant	35%	131.4	101.7	29.7
			Future wastewater treatment and running water plants construction projects of which the Company would be granted the concession rights after competitive negotiations or tenders process with local governments	65%	243.9	215.9	28.0

Use	Proportion	Amount of	Usage by items	Proportion	Amount of	Utilised	Unutilised
		Proceeds from H Share Offering <i>RMB million</i>			usage by items <i>RMB million</i>	amount <i>RMB million</i>	amount <i>RMB million</i>
To acquire TOT/TOO wastewater treatment plants and running water supply projects	35%	375.3	-	-	-	289.7	85.6
Repayment of bank borrowings	20%	214.5	-	-	-	212.9	1.6
To supplement working capital and for general corporate purposes	10%	107.2	-	-	-	107.2	-
Effect of foreign exchange	-	-	-	-	-	-	6.6
Effect of interest income	-	-	-	-	-	-	0.4
Total	100%	1,072.3				927.4	151.9

The Company confirms that the above Proceeds from H Share Offering have been utilised in accordance with the purposes as set out in the paragraph headed “Future Plans and Use of Proceeds” in the Prospectus.

CHANGES OF USE OF PROCEEDS FROM H SHARE OFFERING

In order to improve the efficiency of the use of Proceeds from H Share Offering and reduce the finance costs, the Company intends to adjust the planning and proportion of the use of unutilised Proceeds from H Share Offering as follows:

(I) Investments in BOT/BOO wastewater treatment and running water supply projects as set out in the Prospectus

In view of the impact of the COVID-19 pandemic and the adjustment of the Laos Government’s needs for construction of running water supply plants, the investment in construction of Laos Golden Triangle Running Water Supply Plant will be cancelled and the Company will use the unutilised amount of RMB29.7 million originally planned for the Laos Golden Triangle Wastewater Treatment Plant for construction of future BOT/BOO wastewater treatment plants and running water supply projects of which the Company would be granted the concession rights after competitive negotiations or tenders process with local governments.

(II) Acquisition of TOT/TOO wastewater treatment plants and running water supply projects as set out in the Prospectus

In view of the relatively small number of TOT/TOO projects contracted by the Company, and based on the status of the projects contracted and the recent capital utilisation plan, the Company will change the use of unutilised amounts originally planned for the acquisition of TOT/TOO wastewater treatment plants and running water supply projects as follows: (i) RMB3.06 million will be allocated to the investments in BOT/BOO wastewater treatment and running water supply projects to finance the Project of Comprehensive Improvement of Water Environment and Ecological Recharge with Reclaimed Water for Baiyu River in Jinning District, the Project of Comprehensive Improvement of Water Environment and Ecological Recharge with Reclaimed Water for Dongda River – Zhong River in Jinning District and other projects; (ii) RMB43.97 million will be allocated to repayment of bank borrowings; and (iii) RMB38.57 million will be allocated to supplementing working capital and for general corporate purposes.

The Company's latest audited gain of approximately RMB7.0 million recognised as a result of exchange rate changes and interest income will also be used to supplement working capital and for general corporate purposes, and if the actual gains from changes in exchange rates and interest income change at the time the funds are used, the amount used to supplement working capital and for general corporate purposes will be adjusted accordingly. After the changes, the unutilised amount available for supplementing working capital and for general corporate purposes was approximately RMB45.57 million, of which RMB30.0 million will be used to cover production costs and expenses (including medicament expenses, utilities, etc.) and the remaining amount will be used to cover daily administrative expenses.

Upon completion of the above changes of use of Proceeds from H Share Offering, the specific use of Proceeds from H Share Offering of the Company is as follows:

Use	Proportion	Amount of Proceeds from H Share Offering <i>RMB million</i>	Unutilised amount as of the date of this announcement <i>RMB million</i>	Expected time of use of unutilised amount
Investments in BOT/BOO wastewater treatment and running water supply projects	35%	378.36	60.76	By 30 June 2023
To acquire TOT/TOO wastewater treatment plants and running water supply projects	27%	289.70	–	
Repayment of bank borrowings	24%	258.47	45.57	
To supplement working capital and for general corporate purposes	14%	152.77	45.57	
Total	100%	1,079.30⁽¹⁾	151.9	

Note (1): Such amount has included audited foreign exchange gains and interest income recognised as of 31 December 2021

Save as disclosed above, there is no other change of use of net proceeds of the Company.

REASONS FOR AND BENEFITS OF CHANGES OF USE OF PROCEEDS FROM H SHARE OFFERING

The above proposed changes can enhance the efficiency of use of Proceeds from H Share Offering by the Company and reduce the finance costs.

The Board (including the independent non-executive Directors) confirms that the above proposed changes are in line with the actual situation and needs of operation and development of the Company, without any misappropriation of the Proceeds or unauthorised change of use of the Proceeds, and are not prejudicial to the interests of the Shareholders, in particular the minority Shareholders, and are in the interests of the Company and the Shareholders of the Company as a whole.

In accordance with the provisions of the Articles of Association of the Company, the above resolution on changes of use of Proceeds from H Share Offering is not subject to consideration and approval at a general meeting of the Company and shall take effect from the date of consideration and approval by the Board.

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

Kunming, the PRC, 5 July 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.