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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)

POTENTIAL DISCLOSEABLE TRANSACTION THROUGH PUBLIC TENDER

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 POTENTIAL DISPOSAL

The Company has resolved to dispose of the Disposal Interest. Since the Company is a state-owned enterprise, the Disposal Interest constitutes a state-owned asset and the disposal of which is required to undergo the process of Public Tender through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of state-controlled assets. The Potential Disposal will be carried out through KUEX and the successful bidder will enter into the Equity Transfer Agreement with the Company according to the relevant rules and regulations of KUEX.

The Minimum Consideration for the Disposal Interest will be no less than the appraised value of the shareholders’ equity of Hongyu Thermal Power as at the Base Date as determined by a third party independent valuer, and the final Consideration will depend on the final bid price of the Public Tender.

Upon completion of the Potential Disposal, the Company will no longer hold any equity interest in Hongyu Thermal Power, Hongyu Thermal Power will cease to be a subsidiary of the Company, and its financial results will cease to be consolidated into the consolidated financial statements of the Group.

POTENTIAL IMPLICATIONS OF THE LISTING RULES

In view of the fact that the final Consideration for the Disposal Interest has not yet been determined, temporarily using the appraised value of shareholders' equity of Hongyu Thermal Power as at the Base Date of RMB43,578,700 as determined by a third party independent valuer (the final Consideration for the Disposal Interest shall be the amount determined based on the bidding results and the finalized Equity Transfer Agreement) as the basis for calculation, one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Potential Disposal is more than 5% but all of them are less than 25%, therefore, the Potential Disposal, if materialized, will constitute a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Potential Disposal may or may not proceed, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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THE POTENTIAL DISPOSAL THROUGH THE PUBLIC TENDER

1. The Disposal Interest

Hongyu Thermal Power is a company incorporated in the PRC with limited liability on 12 March 2008 with a registered capital of RMB30 million and is principally engaged in power supply, heat generation and sales. As at the date of this announcement, Hongyu Thermal Power is a wholly-owned subsidiary of the Company. The summarized financial information of Hongyu Thermal Power for the two years ended 31 December 2021 and 2022 is set out below:

	For the year ended 31 December	
	2021	2022
	RMB'0000	RMB'0000
	(audited)	(audited)
Operating revenue	13,775.61	14,409.75
Net profit before tax	-100.79	-701.78
Net profit after tax	-108.46	-703.22
Total assets	19,239.45	16,973.18
Net assets	2,844.34	2,144.47

2. Major Terms of the Potential Disposal

(i) *Date and Procedures of the Public Tender*

The Company will have to submit to KUEX the tender notice setting out, inter alia, (i) the Minimum Consideration; (ii) the principal terms of the bidding; and (iii) the descriptions and qualifications of the potential bidders and other information. The Company will submit the tender notice to KUEX as soon as practicable.

The Publication Period will be 20 Working Days after the date of the tender notice. During the Publication Period, qualified bidders may indicate their intention to purchase the Disposal Interest and register themselves as interested bidders. Upon the expiry of the Publication Period, KUEX will notify the Company of the identity of the successful bidder. Upon the notification of the successful bidder (being the highest bidder) by KUEX, the Company is required to enter into the Equity Transfer Agreement with such successful bidder.

As at the date of this announcement, material information of the Equity Transfer Agreement including the bidder(s), final Consideration, payment, delivery and transfer time has not been determined. The Company will enter into the Equity Transfer Agreement upon confirmation of the successful bidder and perform its relevant approval procedures and information disclosure obligations. As at the date of this announcement, no agreement has been entered into between the Group and any other party in relation to the Potential Disposal.

(ii) Consideration

The Minimum Consideration for the Disposal Interest will be no less than the appraised value of the shareholders' equity of Hongyu Thermal Power as at the Base Date of RMB43,578,700 as determined by a third party independent valuer, and the final Consideration will depend on the final bid price of the Public Tender.

The payment of the Consideration shall be made in accordance with the time and method agreed in the Equity Transfer Agreement in the manner determined by the Company and transferee of the Disposal Interest.

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL

The Potential Disposal will facilitate the Company to put more focus on its advantageous main business, and enable the Company to recover its investment and realize investment gains earlier, giving the Company greater flexibility in identifying and participating in other suitable investment opportunities.

Based on the above reasons, all Directors are of the view that the Potential Disposal will be conducted on normal commercial terms, which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY

The Company is a leading municipal wastewater treatment and reclaimed water supply services provider in Yunnan Province, the PRC, an integrated water-related services (including running water supply service) provider and a core enterprise implementing the PRC's strategic goal to treat pollutants at Dianchi Lake.

POTENTIAL IMPLICATIONS OF THE LISTING RULES

In view of the fact that the final Consideration for the Disposal Interest has not yet been determined, temporarily using the appraised value of shareholders' equity of Hongyu Thermal Power as at the Base Date of RMB43,578,700 as determined by a third party independent valuer (the final Consideration for the Disposal Interest shall be the amount determined based on the bidding results and the finalized Equity Transfer Agreement) as the basis for calculation, one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Potential Disposal is more than 5% but all of them are less than 25%, therefore, the Potential Disposal, if materialized, will constitute a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Potential Disposal may or may not proceed, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Base Date”	the base date for audit and valuation of the Potential Disposal, being 28 February 2023
“Board”	the board of Directors
“Company”	Kunming Dianchi Water Treatment Co., Ltd. (昆明滇池水務股份有限公司), a joint stock company established in the PRC with limited liability on 23 December 2010, and its H Shares are listed on the Stock Exchange (stock code: 3768)
“Consideration”	the consideration for the Disposal Interest payable by the transferee under the Equity Transfer Agreement
“Director(s)”	director(s) of the Company
“Disposal Interest”	100% equity interest in Hongyu Thermal Power held by the Company
“Equity Transfer Agreement”	an equity transfer agreement to be entered into between the Company and the successful bidder of the Public Tender in respect of the Disposal Interest according to the rules and regulations of KUEX
“Group”	the Company and its subsidiaries
“Hongyu Thermal Power”	Liuyang Hongyu Thermal Power Co., Ltd.* (瀏陽市宏宇熱電有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“KUEX”	Kunming United Equity Exchange Co., Ltd.* (昆明聯合產權交易所有限公司), a wholly state-owned company established with capital from the State-owned Assets Supervision and Administration Commission of the Kunming People’s Government (昆明市人民政府國有資產監督管理委員會)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Minimum Consideration”	the minimum consideration for the Disposal Interest, being the appraised value of the shareholders’ equity of Hongyu Thermal Power as at the Base Date of RMB43,578,700 as determined by a third party independent valuer
“Potential Disposal”	the potential disposal of the Disposal Interest by the Company

“PRC”	the People’s Republic of China
“Public Tender”	the public tender for the Potential Disposal through KUEX
“Publication Period”	the publication period for the Public Tender as determined according to the relevant requirements of KUEX, during which qualified bidders may indicate their intention to purchase the Disposal Interest and register themselves as interested bidders
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Working Day(s)”	a day other than Saturday, Sunday and statutory holiday in the PRC, on which commercial banks in the PRC are open for normal business
“%”	per cent.

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

Kunming, the PRC, 10 November 2023

As at the date of this announcement, the Board comprises Mr. Zeng Feng and Mr. Chen Changyong, as executive Directors; Mr. Xu Jingdong, Mr. Zhou Jianbo and Mr. Zhang Yang, as non-executive Directors; and Ms. Zheng Dongyu and Mr. Ong King Keung, as independent non-executive Directors.

* *for identification purpose only*