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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)**

## **DISCLOSEABLE TRANSACTION ENTERING INTO THE CONCESSION TERMINATION AGREEMENT**

### **THE TERMINATION**

On 16 October 2015, the Company entered into the Concession Contracts with the Administrative Committee of Bokeo Special Economic Zone in Laos, pursuant to which the Company (through Dianchi Water (Laos)) invested in the construction of the running water plants and the wastewater treatment plants in the Golden Triangle of Laos under the BOT model. On 8 April 2024 (after trading hours), the Company, Dianchi International, Dianchi Water (Laos) (as the Project Company) and the Administrative Committee of Bokeo Special Economic Zone in Laos entered into the Concession Termination Agreement. Pursuant to which, the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos agreed to terminate the Concession Contracts signed by both parties. Given that the Company and Dianchi Water (Laos) have fulfilled part of their obligations and incurred expenses under the Concession Contracts, the Company is entitled to receive, and the Administrative Committee of Bokeo Special Economic Zone in Laos is obliged to pay the corresponding Consideration to the Company or the subsidiary designated by the Company in accordance with the relevant provisions of the Concession Termination Agreement, the total Consideration being RMB51,141,888.60, comprising (i) the preliminary investment and completion settlement audit fee of RMB3,389,790.74 for the construction of the running water plants; (ii) the construction investment and completion settlement audit fee of the wastewater treatment plants of RMB46,643,443.80; (iii) the basic fee for the operation and maintenance of the wastewater treatment plants during the period from 1 July 2023 to 31 December 2023 of RMB411,281.71; (iv) the operation and maintenance costs and relevant taxes of the wastewater treatment plants during the period from 1 January 2024 to 30 June 2024 of RMB348,000.00; and (v) the monitoring equipment of RMB349,372.35.

Upon Completion, the Company/Dianchi Water (Laos) no longer owns the concession rights of Laos Project.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Concession Termination Agreement and the Termination thereunder exceed 5% but are all less than 25%, the Termination constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

On 16 October 2015, the Company entered into the Concession Contracts with the Administrative Committee of Bokeo Special Economic Zone in Laos, pursuant to which the Company (through Dianchi Water (Laos)) invested in the construction of the running water plants and the wastewater treatment plants in the Golden Triangle of Laos under the BOT model. On 8 April 2024 (after trading hours), the Company, Dianchi International, Dianchi Water (Laos) (as the Project Company) and the Administrative Committee of Bokeo Special Economic Zone in Laos entered into the Concession Termination Agreement. Pursuant to which, the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos agreed to terminate the Concession Contracts signed by both parties. Given that the Company and Dianchi Water (Laos) have fulfilled part of their obligations and incurred expenses under the Concession Contracts, the Company is entitled to receive, and the Administrative Committee of Bokeo Special Economic Zone in Laos is obliged to pay the corresponding Consideration to the Company or the subsidiary designated by the Company in accordance with the relevant provisions of the Concession Termination Agreement, the total Consideration being RMB51,141,888.60, comprising (i) the preliminary investment and completion settlement audit fee of RMB3,389,790.74 for the construction of the running water plants; (ii) the construction investment and completion settlement audit fee of the wastewater treatment plants of RMB46,643,443.80; (iii) the basic fee for the operation and maintenance of the wastewater treatment plants during the period from 1 July 2023 to 31 December 2023 of RMB411,281.71; (iv) the operation and maintenance costs and relevant taxes of the wastewater treatment plants during the period from 1 January 2024 to 30 June 2024 of RMB348,000.00; and (v) the monitoring equipment of RMB349,372.35.

Upon Completion, the Company/Dianchi Water (Laos) no longer owns the concession rights of Laos Project.

**DETAILS OF THE CONCESSION TERMINATION AGREEMENT**

The principal terms of the Concession Termination Agreement are summarized below:

Date	8 April 2024 (after trading hours)
Parties	<ul style="list-style-type: none"> <li>(i) the Company;</li> <li>(ii) the Administrative Committee of Bokeo Special Economic Zone in Laos;</li> <li>(iii) Dianchi International; and</li> <li>(iv) Dianchi Water (Laos) (as the Project Company).</li> </ul>
Subject of the Termination	The concession right of the running water plants and the wastewater treatment plants

Consideration

The total Consideration is RMB51,141,888.60, comprising

- (i) the preliminary investment and completion settlement audit fee of RMB3,389,790.74 for the construction of the running water plants;
- (ii) the construction investment and completion settlement audit fee of the wastewater treatment plants of RMB46,643,443.80;
- (iii) the basic fee for the operation and maintenance of the wastewater treatment plants during the period from 1 July 2023 to 31 December 2023 of RMB411,281.71;
- (iv) the operation and maintenance costs and relevant taxes of the wastewater treatment plants during the period from 1 January 2024 to 30 June 2024 of RMB348,000.00; and
- (v) the monitoring equipment of RMB349,372.35.

Payment of Consideration

- (i) within 5 working days from the date of completion of the transfer of the information list and asset list (as described below), the Administrative Committee of Bokeo Special Economic Zone in Laos or a third party designated by it shall pay the aforesaid Consideration (i), (ii), (iii) and (v) in the total amount of RMB50,793,888.60 to Dianchi International, a subsidiary designated by the Company, or the Project Company; and
- (ii) the aforesaid Consideration (iv) shall be paid by the Administrative Committee of Bokeo Special Economic Zone in Laos or a third party designated by it to Dianchi International, a subsidiary designated by the Company, or the Project Company, before 30 June 2024.

- Transfer Arrangement
- (i) within 15 days from the date of signing of the Concession Termination Agreement, the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos shall complete the confirmation procedures for the project information and asset list of the running water plants and wastewater treatment plants, and transfer the information list and asset list; and
  - (ii) within 10 working days from the date of receipt by Dianchi International/the Project Company of the aforesaid Consideration (i), (ii), (iii) and (v) in the total amount of RMB50,793,888.60 made by the Administrative Committee of Bokeo Special Economic Zone in Laos or its designated third party, the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos shall complete the transfer procedures for the ownership of all the Laos Project Assets and sign the transfer confirmation letter. Thereafter, the ownership of all the Laos Project Assets shall have been transferred to the Administrative Committee of Bokeo Special Economic Zone in Laos.
- Completion
- Since the signing of the Concession Termination Agreement, the Concession Contract was terminated and the Company/Dianchi Water (Laos) shall cease to have the concession rights of the running water plants and the wastewater treatment plants. The Termination was completed upon the transfer of the ownership of all the Laos Project Assets to the Administrative Committee of Bokeo Special Economic Zone in Laos.

## **INFORMATION ON THE PARTIES INVOLVED**

### **Information on the Group**

The Company is a joint stock company incorporated in the PRC with limited liability, and 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.

### **Information on the Administrative Committee of Bokeo Special Economic Zone in Laos**

The Administrative Committee of Bokeo Special Economic Zone in Laos is a government authority of the Lao People's Democratic Republic. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Administrative Committee of Bokeo Special Economic Zone in Laos and its ultimate beneficial owners are independent third parties.

### Information on Dianchi International

Dianchi International is a private company limited by shares established in the Hong Kong Special Administrative Region of the PRC, a wholly-owned subsidiary of the Company and the sole shareholder of the Project Company.

### Information on the Project Company

The Project Company is a single-shareholder company established in the Lao People's Democratic Republic with limited liability. It is principally engaged in wastewater treatment, is responsible for the operation and management of the Laos Project, and is a wholly-owned subsidiary of Dianchi International (a wholly-owned subsidiary of the Company).

The Laos Project Assets mainly comprise receivables and the monitoring equipment under the Concession Contracts. Set out below is a summary of the financial information of the Laos Project Assets for the two years ended 31 December 2022 and 2023:

	For the year ended 31 December	
	2022	2023
	<i>RMB0' 000</i>	<i>RMB0' 000</i>
	(audited)	(audited)
Net (loss) before tax	(229.54)	<b>(113.78)</b>
Net (loss) after tax	(229.54)	<b>(113.78)</b>

The audited carrying value of the Laos Project Assets as at 31 December 2023 was approximately RMB52,638,100.

### DETERMINATION OF CONSIDERATION FOR THE TERMINATION

The Consideration is determined on normal commercial terms after arm's length negotiations between the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos with reference to (i) the investment amount paid by the Company for the construction of the running water plants and the wastewater treatment plants and the completion settlement audit fee as audited and confirmed by a third party engineering management consulting company and an accounting firm (approximately RMB50,168,200); (ii) the working capital invested and to be invested by the Company for the Laos Project (approximately RMB2,468,500); and (iii) the funds invested in monitoring equipment by the Company for the Laos Project (approximately RMB349,400) .

## **REASONS FOR AND BENEFITS OF THE TERMINATION**

In order to promote local economic development and actively implement the Belt and Road initiative, the Company entered into the Concession Contracts with the Administrative Committee of Bokeo Special Economic Zone in Laos. The Company invested in the construction of water supply plants and wastewater treatment plants in the Golden Triangle Special Economic Zone in Laos with the BOT investment model. However, (i) due to the change in the actual demand of the Administrative Committee of Bokeo Special Economic Zone in Laos, it decided not to continue to implement the running water plants project, while the Company only invested a small amount of funds in the early stage of the running water plants project and the completion settlement audit fee (approximately RMB3,398,000 in total), and the relevant funds (after deduction of the completion settlement audit fee of approximately RMB8,200 to be borne by the Company) have been agreed to be borne by the Administrative Committee of Bokeo Special Economic Zone in Laos; and (ii) since the wastewater treatment plants were put into operation, due to factors such as the epidemic and the economic environment where the project is located, the wastewater treatment fees have not been properly collected. As the wastewater treatment plants are environmental facilities, the Company/Dianchi Water (Laos) is also required to pay for the maintenance of its daily operation. Due to the impact of the local climate, the equipment and buildings of wastewater treatment plants are subject to increased costs of maintenance as a result of the frequency of activities such as sunlight exposure and rainstorms. Taking into account the above reasons, in order to minimize the Company's investment loss and risk in the Laos Project, both parties agreed to terminate the Concession Contracts after negotiation with the Administrative Committee of Bokeo Special Economic Zone in Laos.

The Directors consider that the terms of the Termination and the Concession Termination Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **FINANCIAL IMPACT OF THE TERMINATION AND USE OF PROCEEDS**

Upon Completion, the Company/Dianchi Water (Laos) no longer has the concession to operate the running water plants and the wastewater treatment plants under the Concession Contracts. With reference to the carrying value of the receivables and the monitoring equipment under the Concession Contracts as of 31 December 2023, arisen in respect of the investment in the construction of the running water plants and the wastewater treatment plants by the Company/Dianchi Water (Laos) together with the estimated amount of operation and maintenance funds to be invested, amounted to approximately RMB52,986,100 in total, the estimated net loss before taxation of the Termination is approximately RMB1,844,200. The aforesaid calculation is an estimate for illustrative purpose only and does not represent the financial position of the Group upon Completion. The actual financial impact of the Termination will be determined with reference to the financial position of the Group as at the Completion Date.

The net proceeds from the Termination will be used as general working capital of the Group.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Concession Termination Agreement and the Termination thereunder exceed 5% but are all less than 25%, the Termination constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

“Administrative Committee of Bokeo Special Economic Zone in Laos”	Administrative Committee of Bokeo Special Economic Zone in Laos (formerly known as the Administrative Committee of the Golden Triangle Special Economic Zone in Laos), a government authority in Laos and a third party independent of the Company and its connected persons
“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)
“Completion”	completion of the Termination
“Concession Contracts”	“Investment, Construction, Concession and Handover Contract on Running Water Plants in the Golden Triangle Special Economic Zone in Laos” and “Investment, Construction, Concession and Handover Contract on Wastewater Treatment Plants in the Golden Triangle Special Economic Zone in Laos” entered into between the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos on 16 October 2015
“Concession Termination Agreement”	the “Termination Agreement on the Investment, Construction, Concession and Handover Contract on Running Water Plants Project and Wastewater Treatment Plants Project in the Golden Triangle Special Economic Zone in Laos” entered into between the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos on 8 April 2024
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Termination recognised under the Concession Termination Agreement
“Dianchi International”	Dianchi International Holdings Limited, a private company limited by shares established in the Hong Kong Special Administrative Region of the PRC and a wholly-owned subsidiary of the Company, as well as the sole shareholder of the Project Company

“Dianchi Water (Laos)” or “Project Company”	Dianchi Water (Laos) Wholly-owned Limited Company, a single-shareholder company established in the Lao People’s Democratic Republic with limited liability and a subsidiary of Dianchi International (a wholly-owned subsidiary of the Company)
“Director(s)”	director(s) of the Company
“independent third party”	a third party independent of the Company and its connected person(s)
“Laos Project”	the running water plants project and the wastewater treatment plants project under the “Investment, Construction, Concession and Handover Contract on Running Water Plants in the Golden Triangle Special Economic Zone in Laos” and the “Investment, Construction, Concession and Handover Contract on Wastewater Treatment Plants in the Golden Triangle Special Economic Zone in Laos” entered into between the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos on 16 October 2015
“Laos Project Assets”	assets under the Laos Project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“running water plants”	the running water plants agreed to be invested and constructed under the “Investment, Construction, Concession and Handover Contract on Running Water Plants in the Golden Triangle Special Economic Zone in Laos” entered into between the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos on 16 October 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Termination”	The Company and the Administrative Committee of Bokeo Special Economic Zone in Laos terminated the Concession Contracts pursuant to the Concession Termination Agreement, and the Company transferred the ownership of all the Laos Project Assets to the Administrative Committee of Bokeo Special Economic Zone in Laos



“wastewater treatment plants” the wastewater treatment plants agreed to be invested and constructed under the “Investment, Construction, Concession and Handover Contract on Wastewater Treatment Plants in the Golden Triangle Special Economic Zone in Laos” entered into between the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos on 16 October 2015

“%” per cent.

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

Kunming, the PRC, 8 April 2024

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