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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 IMPLEMENTATION OF THE EXPANSION AND RENOVATION PROJECT AND ENTERING INTO OF THE EPC CONTRACT

IMPLEMENTATION OF THE EXPANSION AND RENOVATION PROJECT AND ENTERING INTO OF THE EPC CONTRACT

The Board announces that, the Company intends to invest RMB69.3059 million to implement the Expansion and Renovation Project of Kunming No. 7 and No. 8 Water Purification Plants. To ensure the smooth implementation of the Expansion and Renovation Project, the Company entered into the EPC Contract with the joint contractors (i.e. China Railway No.10 Engineering and Beijing General Municipal Engineering Design & Research Institute) on 6 July 2025 in accordance with the tender results. Pursuant to which, the Company agreed to entrust and the joint contractors agreed to provide engineering services, procurement, and construction work for the Company's Expansion and Renovation Project.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the implementation of the Expansion and Renovation Project, the entering into of the EPC Contract and the transactions thereunder are more than 5% and less than 25%, the implementation of the Expansion and Renovation Project, the entering into of the EPC Contract and the transactions thereunder constitute a discloseable transaction of the Company and shall be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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I. EXPANSION AND RENOVATION PROJECT AND EPC CONTRACT

The principal terms of the EPC Contract are set out below:

Date: 6 July 2025

Parties:

- (i) the Company (as the principal);
- (ii) China Railway No.10 Engineering; and
- (iii) Beijing General Municipal Engineering Design & Research Institute (jointly with China Railway No.10 Engineering, as joint contractors)

Project content: The Expansion and Renovation Project of Kunming No. 7 and No. 8 Water Purification Plants, which involves the expansion and renovation of the plant area, will increase the biological ponds' treatment capacity from a designed 300,000 cubic meters/day to 350,000 cubic meters/day after expansion. Meanwhile, to meet the expansion demand, corresponding phosphorus and sludge removal facilities, as well as connecting pipelines, will be constructed, and the overall effluent indicators will maintain the original effluent standards. The main construction content includes the renovation of biological ponds, the expansion of advanced treatment facilities, the expansion of sludge treatment facilities, and the supporting of pipeline projects.

Scope of service: Transactions under the EPC Contract include engagements of engineering service and procurement and construction. The engagements of engineering service include the preparation and optimization of preliminary engineering documents (including preparation of budget estimate), the preparation of construction drawing engineering documents, and the deepening of engineering and optimization of engineering during the process of construction for the Expansion and Renovation Project, ultimately providing the complete set of engineering achievements and technical specifications required for the Expansion and Renovation Project. It also covers cooperation in carrying out approval procedures, on-site guidance and supervision, engineering follow-up services during the defect liability period for engineering quality, and other related follow-up services. The specific engineering services shall be subject to the actual engagement by the Company.

The engagements of procurement and construction include all engagements such as construction, and procurement, installation, commissioning and trial operation of supporting equipment involved in the construction drawings for the Expansion and Renovation Project, ensuring seamless integration of the procured equipment and the existing equipment and relevant automatic operation control systems, and guaranteeing the production, operation, and use of the equipment. The engagements also include being responsible for completing the completion acceptance of the project, handover, delivery for use, filing of the project, handling administrative approvals related to project construction, defect repair and warranty work during the warranty period of the project. Subsequent project settlement, final accounts, property registration, asset and data handover shall be implemented in accordance with the document requirements of the relevant functional authorities at the location of the Expansion and Renovation Project. The specific content shall be subject to the final audited construction drawings and the scope, content and requirements specified by the Company.

Construction period:

The arrangement for the overall construction period is that all engagements of engineering, civil works and equipment installation for the main process sections of the Expansion and Renovation Project shall be completed by 31 August 2025, with conditions for water supply; and the construction and commissioning of the Expansion and Renovation Project shall be completed and delivered to the Company after passing acceptance by 31 October 2025 (the specific commencement date shall be subject to the written notice from the Company or the supervisory entity).

Liability period for quality defects:

2 years from the date of completion and acceptance (including the equipment warranty period)

Consideration:

The estimated total investment for the Expansion and Renovation Project is approximately RMB69.3059 million, while the total consideration for engineering work, procurement and construction work under the EPC contract is approximately RMB57.7199 million, including: (i) estimated engineering service fee of approximately RMB1.4542 million; and (ii) tentatively estimated procurement and construction engineering fee of approximately RMB56.2657 million. The consideration under the EPC Contract is an estimated amount and shall not be used as the basis for settlement of the Expansion and Renovation Project. The final amount shall be subject to the amount approved by a third-party audit entity entrusted by the Company or a government department.

The consideration for the EPC Contract was determined through a tendering selection process. In particular, the Company has considered the following factors during the tender process: (i) the track records of the candidate contractors in carrying out projects of similar scale; (ii) the size of operation, manpower, financial performance, specialized technical know-how and professional qualifications of the candidate contractors; and (iii) quotations submitted by the candidate contractors and the prevailing market price for the provision of similar services. Having comprehensively considered product quality, proposed consideration, commercial terms and business reputation, the joint contractors ultimately won the bid and were thus awarded the EPC Contract.

The service providers corresponding to other construction management fees such as project supervision service fee and engineering cost service fee included in the estimated total investment of the Expansion and Renovation Project shall be separately selected and appointed by the Company in accordance with relevant laws and regulations and other requirements.

Payment:

- (i) There is no advance payment for the engineering service fee. After the preliminary engineering plan is reviewed and approved by the Company, and the construction drawing engineering, technical specifications are completed, delivered and reviewed by the Company, the Company shall pay to the joint contractors 50% of the total amount of the estimated engineering service fee; upon completion and acceptance of the construction, the Company shall pay up to 80% of the total amount of the estimated engineering service fee; within 12 months after the completion of the final audit, the Company shall pay up to 97% of the total amount of the engineering service fee in accordance with the final amount determined by the audit report; upon expiry of the defect liability period and if there is no quality problem caused by the engineering defects, the Company shall pay a lump sum of 3% of the total consideration as a quality guarantee deposit to the joint contractors.

- (ii) The advance payment for the procurement and construction engineering fee shall be 20% of the tentatively estimated procurement and construction engineering fee, and shall be paid to the joint contractors after they have entered into the contract and fully paid the performance guarantee and advance payment guarantee amounts. Construction progress payment (including changes) shall be paid according to the progress, with the payment ratio being 60% of the approved value of the completed works for the current period; advance payments shall be proportionately deducted when construction progress payments are made, with 34% of the price of the quantity of works audited for the period as determined by the tracking audit entity deducted at each payment, until the entire advance payment has been deducted. Progress payment after full deduction of the advance payment shall be made at 60% of the price of the quantity of works audited for the period as determined by the tracking audit entity, less any other deductible amount. After the completion of the preliminary audit of the construction settlement, 70% of the tentatively estimated procurement and construction engineering fee shall be paid; upon completion and acceptance of the project, submission of all completion documents, and completion of the final project settlement audit, 97% of the total completion settlement price as determined by the final account audit shall be paid, and 3% of the total completion settlement price as determined by the final account audit shall be withheld as the engineering quality guarantee deposit. The remaining balance shall be paid in a lump sum upon the expiry of the defect liability period, provided that there are no quality issues with the works, or if there were quality issues, they have been rectified to a satisfactory standard.

**Guarantee of joint
contractors:**

After the EPC Contract becomes effective, the joint contractors shall provide an advance payment guarantee in the form of cash, cheque or letter of guarantee, and shall ensure that the advance payment guarantee remains valid until the advance payment is fully recovered. In addition, the joint contractors shall provide the Company with a performance guarantee in the form of cash, cheque or letter of guarantee, with a guaranteed amount of approximately RMB5.6266 million. The Company shall return it to the joint contractors within 28 calendar days from the date of satisfactory completion and acceptance of the project. If the joint contractors fail to submit the performance guarantee as required, they shall be deemed to have forfeited the winning bid for the EPC Contract.

The total investment amount for the Expansion and Renovation Project (including the consideration under the EPC Contract) will be funded by the Group's internal resources. Upon completion of the construction, the Expansion and Renovation Project will be owned and operated by the Company.

II. REASONS FOR AND BENEFITS OF IMPLEMENTATION OF THE EXPANSION AND RENOVATION PROJECT AND ENTERING INTO OF THE EPC CONTRACT

The implementation of the Expansion and Renovation Project aligns with the Company's principal business development direction. Upon completion of the Expansion and Renovation Project, the wastewater treatment capacity will be increased by 50,000 m³ per day, which will effectively enhance the wastewater collection and treatment capacity of Kunming No. 7 and No. 8 Water Purification Plants, and bring new revenue to the Company. The entering into of the EPC Contract is conducive to the smooth implementation of the Expansion and Renovation Project, and the terms of the EPC Contract are determined after arm's length negotiations between the parties based on the results of the public tender.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the implementation of the Expansion and Renovation Project, the entering into of the EPC Contract and the Transactions under the EPC Contract are conducted in the ordinary and usual course of business of the Group, and on normal commercial terms after arm's length negotiations, and the terms of the EPC Contract are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

III. GENERAL INFORMATION

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.

China Railway No.10 Engineering

China Railway No.10 Engineering is a company incorporated in the PRC with limited liability, principally engaged in general contracting of architectural engineering. It is 100% owned by China Railway Group Limited (中國中鐵股份有限公司), a company listed on the Shanghai Stock Exchange and the Stock Exchange, and its actual controller is the State-owned Assets Supervision and Administration Commission of the State Council.

Beijing General Municipal Engineering Design & Research Institute

Beijing General Municipal Engineering Design & Research Institute is a company incorporated in the PRC with limited liability, principally engaged in construction engineering design and consulting services, and is owned as to 100% by Beijing Enterprises Group Company Limited (北京控股集團有限公司), which in turn is owned as to 100% by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the date of this announcement, both China Railway No.10 Engineering and Beijing General Municipal Engineering Design & Research Institute are third parties independent from the Company and its connected person(s).

IV. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the implementation of the Expansion and Renovation Project, the entering into of the EPC Contract and the transactions thereunder are more than 5% and less than 25%, the implementation of the Expansion and Renovation Project, the entering into of the EPC Contract and the transactions thereunder constitute a discloseable transaction of the Company and shall be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

V. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Beijing General Municipal Engineering Design & Research Institute”	Beijing General Municipal Engineering Design & Research Institute Co., Ltd. (北京市市政工程设计研究總院有限公司), a company incorporated in the PRC with limited liability on 2 December 1987, a third party independent of the Company and its connected person(s)
“Board”	the board of Directors
“China Railway No.10 Engineering”	China Railway No.10 Engineering Group Co., Ltd. (中鐵十局集團有限公司), a company incorporated in the PRC with limited liability on 21 February 1993, a third party independent of the Company and its connected person(s)
“Company”	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 PRC with limited liability on 23 December 2010, and its H Shares are listed on the Stock Exchange (stock code: 3768)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“EPC Contract”	the Engineering, Procurement and Construction General Contracting (EPC) Contract for the Expansion and Renovation Project of Kunming No.7 and No.8 Water Purification Plants (《昆明市第七、八水質淨化廠擴容改造項目設計、採購及施工總承包(EPC)合同》) entered into by the Company with China Railway No.10 Engineering and Beijing General Municipal Engineering Design & Research Institute on 6 July 2025

“Expansion and Renovation Project”	the amount of approximately RMB69.3059 million was invested by the Company to implement the Expansion and Renovation Project of Kunming No.7 and No.8 Water Purification Plants
“H Shares”	overseas listed foreign shares of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions under the EPC Contract”	the entrustment of Beijing General Municipal Engineering Design & Research Institute and China Railway No.10 Engineering by the Company to implement engineering services, procurement, and construction work in the Expansion and Renovation Project under the EPC Contract
“%”	per cent.

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

Kunming, the PRC, 8 July 2025

As at the date of this announcement, the Board comprises Mr. Zeng Feng and Mr. Chen Changyong, as executive Directors; Mr. Xu Jingdong, Ms. Cheng Yijing 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.