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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 IN RELATION TO THE PROVISION OF ENTRUSTED LOAN TO XINDU INVESTMENT

PROVISION OF ENTRUSTED LOAN

Reference is made to the announcement of the Company dated 17 January 2019 in relation to the entrusted loan contract dated 17 January 2019 entered into with Xindu Investment and Evergrowing Bank, pursuant to which the Company entrusted Evergrowing Bank to provide a RMB400 million loan to Xindu Investment for a period from 17 January 2019 to 17 January 2020. As of the date of this announcement, all loans under the entrusted loan contract have been repaid as scheduled. The Board announces that the Company entered into the Entrusted Loan Contract with Xindu Investment and CCB on 4 September 2020, pursuant to which the Company entrusted CCB to provide a RMB350 million loan to Xindu Investment.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Entrusted Loan Transaction are more than 5% and less than 25%, the transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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I. THE ENTRUSTED LOAN CONTRACT

Salient terms of the Entrusted Loan Contract are set out below:

Date of the Entrusted Loan Contract	4 September 2020
Parties	(i) Xindu Investment (as borrower) (ii) the Company (as trustor) (iii) CCB (as trustee)
Term of entrusted loan	12 months, i.e. from 8 September 2020 to 8 September 2021 (in the event that the starting date of the loan is inconsistent with the date of the loan transfer voucher, the actual loan release date contained in the loan transfer voucher for the first loan released shall prevail, and the loan maturity date shall be adjusted accordingly.)
Principal amount of entrusted loan	RMB350 million
Interest rate	The interest rate of loan is fixed at 7% per annum. Interest shall be paid on a quarterly basis, and the interest settlement date shall be 20 March, 20 June, 20 September and 20 December within the aforementioned entrusted loan period.
Release of loan	The principal of the entrusted loan under the Entrusted Loan Contract will be released to Xindu Investment in one lump sum. The conditions precedent for the release of the principal of entrusted loan include the Company having delivered to CCB the entrusted funds whose sources are in compliance with the law and regulations and are at its own discretion and CCB having received the notice of release of entrusted loans issued by the Company.
Repayment of loan	Xindu Investment shall repay interest before repaying all the principal, and all corresponding outstanding interest shall be repaid upon repayment of all the principal. The first interest payment date shall be the first interest settlement date after the loan is released. When the loan is repaid, all corresponding outstanding interest shall also be repaid. The principal of the loan will be repaid in one lump sum when the entrusted loan period lapses.
Early repayment	Upon approval by the Company and Xindu Investment and with written notice to CCB, Xindu Investment may repay part or all of the principal and interest of loan in advance.
Service charge	The Company is not obliged to pay any handling fees.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as of the date of this announcement, Xindu Investment and CCB are third parties independent of the Company and its connected person(s).

The Company shall use its own funds to fund the loan under the Entrusted Loan Contract.

Basis for the interest rate

The Company and Xindu Investment negotiated and determined the fixed annual interest rate of 7% in the Entrusted Loan Contract on an arm's length basis and with reference to: (1) the interest rate in the Entrusted Loan Contract is 3.15% higher than 3.85%, the quoted interest rate of the one-year RMB loan issued by the National Interbank Funding Center on 20 August 2020; (2) prevailing market rates and practices; (3) the Company's average financing interest rate and return within a reasonable range; and (4) the assessment on the business status and credit status of Xindu Investment by the Company.

II. REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN TRANSACTION

To the knowledge of the Company, Xindu Investment will be utilising the funds from the Company for its daily operations use. By providing entrusted loans to Xindu Investment, the Company can effectively improve its capital turnover rate and reduce the capital precipitation, and as one of the major investment entities in Kunming, Xindu Investment has a relatively large asset scale and abundant market resources, which can increase cooperation opportunities for both parties in aspects of innovative financing mode cooperation, project investment and resource sharing in the future.

For the above reasons, the Directors (including the independent non-executive Directors) believe that the Entrusted Loan Transaction is entered into on normal commercial terms, and is 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 the running water supply service) provider and a core enterprise implementing the PRC's strategic goal to treat pollutants at Dianchi Lake.

Xindu Investment

Xindu Investment is a wholly state-owned company directly managed by the Kunming Municipal Government and supervised by the State-owned Assets Supervision and Administration Commission of Kunming. The main business of Xindu Investment includes: infrastructure investment and financing and capital operating, infrastructure construction of new district schools, parks, hospitals, municipal roads and administrative offices. Xindu Investment specializes in the primary land development of the three core areas of Wujiaying, Yuhua and Wulong in Chenggong New District of Kunming city. It is gradually transforming from an investment and financing platform based on infrastructure construction and public facilities construction to an industrial entity focusing on the construction and operation of Chenggong New District. At this stage, the businesses of Xindu Investment have been steadily advanced and are in good condition.

CCB

CCB is a China-based commercial bank that is mainly engaged in taking public deposits and providing loans and other activities.

IV. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction are more than 5% and less than 25%, the transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

V. DEFINITIONS

“Board”	the board of Directors of the Company
“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 meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Evergrowing Bank”	Kunming Branch of Evergrowing Bank Co., Ltd. * (恒豐銀行股份有限公司昆明分行), a third party independent of the Company and its connected person(s)
“CCB”	Kunming Dianlong Sub-branch of China Construction Bank Corporation* (中國建設銀行股份有限公司昆明滇龍支行), a third party independent of the Company and its connected person(s)
“Entrusted Loan Contract”	the Entrusted Loan Contract entered into by the Company with Xindu Investment and CCB on 4 September 2020

“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB350 million loan by CCB to Xindu Investment as entrusted by the Company
“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
“Xindu Investment”	Kunming Xindu Investment Co., Ltd.* (昆明新都投資有限公司), a wholly state-owned enterprise with limited liability incorporated in the PRC on 27 May 2005, and a third party independent of the Company and its connected person(s) as of the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“%”	per cent.

By order of the Board
Kunming Dianchi Water Treatment Co., Ltd.
Guo Yumei
Chairperson

Kunming, the PRC, 4 September 2020

As of the date of this announcement, the Board comprises Ms. Guo Yumei, Mr. Chen Changyong and Mr. Luo Yun, as executive Directors; Ms. Song Hong, Ms. Zhao Zhu and Ms. Yu Yanbo, as non-executive Directors; and Mr. Yin Xiaobing, Mr. He Xifeng and Mr. Sin Lik Man, as independent non-executive Directors.

* For identification purpose only