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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 KUNMING BUS

PROVISION OF ENTRUSTED LOAN

Reference is made to the Company's announcement dated 13 February 2020 which disclosed that the Company entered into two entrusted loan contracts with Kunming Bus and the Bank of Communications on 23 January 2020 and 13 February 2020 respectively, pursuant to which the Company entrusts the Bank of Communications to provide loans of RMB60 million and RMB240 million to Kunming Bus respectively. As at the date of this announcement, all loans under the aforesaid entrusted loan contracts have been repaid in accordance with the relevant entrusted loan contracts. The Board announces that the Company entered into the Entrusted Loan Contract with Kunming Bus and the Bank of Communications on 22 February 2021, pursuant to which the Company entrusts the Bank of Communications to provide a loan of RMB300 million to Kunming Bus.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios are more than 5% and less than 25%, the Entrusted Loan 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	22 February 2021
Parties	(i) Kunming Bus (as borrower) (ii) The Company (as trustor) (iii) The Bank of Communications (as trustee)
Term of the entrusted loan	one year, i.e. from 24 February 2021 to 24 February 2022
Principal amount of the entrusted loan	RMB300 million
Interest rate	The interest rate is fixed at 8.5%/year during the term of the loan. Interest is paid quarterly and the interest settlement date is the 20th day of the last month of each quarter.
Release of loan	The principal of the entrusted loan under the Entrusted Loan Contract will be released to Kunming Bus in one lump sum. The prerequisites for the release of the principal of the entrusted loan include that the Company must open a special settlement account for the entrusted loan with the Bank of Communications and, before the entrusted loan is released, deposit the full amount of the entrusted funds into the special settlement account equivalent to the amount of the entrusted loan to be released. Upon satisfaction of the conditions precedent stipulated in the Entrusted Loan Contract, Kunming Bus can withdraw the loan. The conditions precedent for withdrawal include, but not limited to completing relevant procedures for withdrawal three working days in advance by Kunming Bus, the deposit of full amount of the entrusted loan by the Company and the issue of the notice by the Company authorising the release of the entrusted loan in the form required by the Bank of Communications.
Repayment	Interest will be paid quarterly and principal will be repaid upon maturity.
Early repayment	Kunming Bus may repay the loan in full or part in advance with the Company's written consent.
Service charge	The Company needs not to pay any service charge for the entrusted loan to the Bank of Communications.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as of the date of this announcement, both Kunming Bus and the Bank of Communications are third parties independent from the Company and its connected person(s).

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

Benchmark of the Interest Rate

The fixed interest rate of 8.5% under the Entrusted Loan Contract was negotiated on an arm's length basis between the Company and Kunming Bus based on, including, (1) the interest rate under the Entrusted Loan Contract was higher by 4.65% than the loan prime rate of 3.85% promulgated by the National Interbank Funding Center as at 20 February 2021 for 1 year RMB loans; (2) prevailing market interest rate and practices; (3) average interest rates of the Company's financing and returns within a reasonable range; and (4) the Company's assessment on the business conditions and creditworthiness of Kunming Bus.

II. REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN TRANSACTION

As far as the Company is aware, Kunming Bus borrows a short-term loan from the Company for working capital turnover's purposes.

By making the entrusted loan available to Kunming Bus, the Company is expected to increase its capital turnover rate and reduce capital precipitation, and may also increase the chance to cooperate with Kunming Bus in the future in the aspects such as the cooperation in the form of innovative financing and project investment.

For the above reasons, except for Mr. He Xifeng who could not be contacted, 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 running water supply service) provider and a core enterprise implementing the PRC's strategic goal to treat pollutants at Dianchi Lake.

Kunming Bus

Kunming Bus is a wholly state-owned limited liability company controlled by Kunming SASAC and also the largest state-owned public-welfare enterprise in Yunnan that mainly engages in urban public transportation services and closely combines social benefits with economic benefits.

The Bank of Communications

The Bank of Communications is a China-based financial institution that is mainly engaged in taking public deposits and providing loans and other activities.

IV. LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios 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

In this announcement, unless context otherwise requires, the terms listed below have the following meanings:

“Board”	the board of Directors
“Bank of Communications”	Yunnan Branch of Bank of Communications Co., Ltd., 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 meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Entrusted Loan Contract”	the Entrusted Loan Contract entered into between the Company, Kunming Bus and the Bank of Communications
“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract that the Company entrusts the Bank of Communications to provide a loan of RMB300 million to Kunming Bus
“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
“Kunming Bus”	Kunming Bus Group Co., Ltd.* (昆明公交集團有限責任公司), formerly known as Kunming Bus Corporation, a wholly state-owned limited liability company incorporated in China, and a third party independent from the Company and its connected person(s) as at the date of this announcement

Kunming SASAC	the State-owned Assets Supervision and Administration Commission of the Kunming People’s Government
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and otherwise modified from time to time
“PRC” or “China”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Kunming, the PRC, 22 February 2021

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. Ren Na and Ms. Yu Yanbo, as non-executive Directors; and Mr. Yin Xiaobing, Mr. He Xifeng and Mr. Johnson Wan, as independent non-executive Directors.

* *For identification purpose only*