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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 DEVELOPMENT**

### **PROVISION OF ENTRUSTED LOAN**

Reference is made to the Company's announcement dated 2 June 2020 which disclosed that the Company entered into the entrusted loan contract with Kunming Development and Bank of Communications on 2 June 2020, pursuant to which the Company entrusts Bank of Communications to provide a RMB350 million loan to Kunming Development. As at the date of this announcement, all loans under the aforesaid entrusted loan contract have been repaid in accordance with the contract. The Board announces that the Company entered into the Entrusted Loan Contract with Kunming Development and Bank of Communications on 17 June 2021, pursuant to which the Company entrusts Bank of Communications to provide a RMB200 million loan to Kunming Development.

### **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	17 June 2021
Parties	(i) Kunming Development (as borrower) (ii) The Company (as trustor) (iii) Bank of Communications (as trustee)
Term of the entrusted loan	from 18 June 2021 to 24 December 2021
Principal amount of the entrusted loan	RMB200 million
Interest rate	The interest rate is fixed at 7.5%/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 and the interest is paid off with the principal when the loan falls due.
Release of loan	The principal of entrusted loan under the Entrusted Loan Contract will be released to Kunming Development in one lump sum. The Company must open a special settlement account for the entrusted loan with Bank of Communications and deposit the full amount of the entrusted funds equivalent to the amount of the entrusted loan to be released into the special settlement account before the entrusted loan is released. Upon satisfaction of the conditions precedent stipulated in the Entrusted Loan Contract, Kunming Development can withdraw the loan. The conditions precedent for withdrawal include, but not limited to, the Entrusted Loan Contract coming into effect, 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 Bank of Communications, etc.
Repayment	The principal of the loan is repayable in one lump sum on 24 December 2021.
Early repayment	Kunming Development may repay the loan in full or part in advance with the Company's written consent.
Service charge	The Company is not required to pay any service charge for the entrusted loan to Bank of Communications.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, as of the date of this announcement, Kunming Development holds 20,959,760 Domestic Shares of the Company, representing 2.04% of the total share capital of the Company, and is not a connected person as defined under the Listing Rules. Bank of Communications is a third party 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.

#### **Basis of the Interest Rate**

The fixed annual interest rate of 7.5% under the Entrusted Loan Contract was negotiated on an arm's length basis between the Company and Kunming Development based on (1) the fact that the interest rate under the Entrusted Loan Contract was up by 3.65% as compared to the prime rate of 3.85% for 1-year loans denominated in RMB promulgated by the National Interbank Funding Center as at 20 May 2021; (2) prevailing market interest rate and practices; (3) the average interest rate 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 Development.

## **II. REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN TRANSACTION**

As far as the Company is aware, Kunming Development borrows a short-term loan from the Company for the purpose of working capital turnover. By making the entrusted loan available to Kunming Development, the Company is expected to increase its capital turnover rate and reduce capital precipitation, and may also increase the chance to cooperate with Kunming Development 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 Development**

Kunming Development is a wholly state-owned company directly managed by the Kunming Municipal Government and supervised by the Kunming SASAC and is a key industrial entity for deepening the government's investment and financing system reform and operating urban public economic resources in Kunming. The main business of Kunming Development includes: investment and financing of major infrastructure, various industries and major projects within the scope of Kunming; land acquisition, storage and development, and investment and financing business under the authorization of the Kunming Municipal Government; state-owned assets operation, real estate development, land development business under the authorization of the Kunming Municipal Government; investment, operation and management of agricultural and water conservancy projects.

## **Bank of Communications**

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 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.

## **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
“Domestic Share(s)”	ordinary share(s) of RMB1.00 each in the share capital of the Company, which are subscribed for and paid up in RMB by PRC citizens and/or entities incorporated in the PRC

“Entrusted Loan Contract”	the Entrusted Loan Contract entered into between the Company, Kunming Development and Bank of Communications
“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract that the Company entrusts Bank of Communications to provide RMB200 million to Kunming Development
“H Share(s)”	overseas listed foreign share(s) 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 Development”	Kunming Development and Investment Group Co., Ltd.* (昆明發展投資集團有限公司), a wholly state-owned limited liability company incorporated in the PRC on 27 January 2010, which holds 20,959,760 Domestic Shares as of the date of this announcement, representing 2.04% of the total share capital of the Company, and is not a connected person as defined under the Listing Rules
“Kunming SASAC”	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
“PRC” or “China”	the People’s Republic of China
“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, 17 June 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