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## **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 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 4 September 2020 in relation to the entrusted loan contract dated 4 September 2020 entered into with Xindu Investment and CCB, pursuant to which the Company entrusted CCB to provide a RMB350 million loan to Xindu Investment for a period from 8 September 2020 to 8 September 2021. 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 Business Entrusted Loan Contract with Xindu Investment and BOC on 24 September 2021, pursuant to which the Company entrusted BOC 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 BUSINESS ENTRUSTED LOAN CONTRACT

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

Date of the contract	24 September 2021
Parties	(i) Xindu Investment (as borrower) (ii) the Company (as trustor) (iii) BOC (as trustee)
Term of entrusted loan	154 days, i.e. from the drawdown date (27 September 2021) as provided under the Business Entrusted Loan Contract to 28 February 2022
Principal amount of the entrusted loan	RMB350 million
Interest rate	The interest rate is fixed at 7.5% per annum 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 within the term of entrusted loan above, and interest shall be paid on the 21st day.
Release of loan	The principal of entrusted loan under the Business Entrusted Loan Contract will be released to Xindu Investment in one lump sum. The Company will deposit the entrusted loan funds in full and in one lump sum into the special account for entrusted loan within 5 days from the effective date of the Business Entrusted Loan Contract. The conditions precedent for the release of the principal of entrusted loan include the Business Entrusted Loan Contract coming into effect and the Company having opened a special account and deposited the full amount of the entrusted funds pursuant to the requirements of the Business Entrusted Loan Contract; the borrower having opened a borrower account pursuant to the requirements of the Business Entrusted Loan Contract; the trustee having received the valid application for drawdown of entrusted loan from the borrower and the instruction or notice of release of entrusted loan from the Company, etc.
Repayment of loan	The principal is repayable in one lump sum at maturity.
Early repayment	Upon approval by the Company, Xindu Investment may repay part or all of the principal and interest of loan in advance.
Service charge	RMB10,000, which shall be borne by the Company and paid to the trustee in one lump sum within 90 days from the date of signing of the Business Entrusted Loan Contract.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, as of the date of this announcement, Xindu Investment is not a connected person as defined under the Listing Rules. BOC is a third party independent of the Company and its connected person(s).

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

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

The fixed annual interest rate of 7.5% under the Business Entrusted Loan Contract was negotiated on an arm's length basis between the Company and Xindu Investment 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 22 September 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 Xindu Investment.

## **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 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.

## **BOC**

BOC 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
“BOC”	Kunming Panlong Sub-branch of Bank of China Limited (中國銀行股份有限公司昆明市盤龍支行), a third party independent of the Company and its connected person(s)
“Business Entrusted Loan Contract”	the Business Entrusted Loan Contract entered into by the Company with Xindu Investment and BOC on 24 September 2021
“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)
“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 Transaction”	the transaction contemplated under the Business Entrusted Loan Contract, namely the provision of a RMB350 million loan by BOC 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
“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
“Xindu Investment”	Kunming Xindu Investment Co., Ltd.* (昆明新都投资有限公司), a wholly state-owned enterprise with limited liability incorporated in the PRC on 27 May 2005, and is not a connected person as defined under the Listing Rules as of the date of this announcement
“%”	per cent.

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

Kunming, the PRC, 24 September 2021

*As at the date of this announcement, the Board comprises Mr. Zeng Feng, 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, Ms. Zheng Dongyu and Mr. Johnson Wan, as independent non-executive Directors.*

\* *For identification purpose only*