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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 THE SECOND ENTRUSTED LOAN
TO KUNMING DEVELOPMENT**

Reference is made to the Company's announcement dated 17 June 2021 which disclosed 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. As at the date of this announcement, the aforementioned entrusted loan of RMB200 million has not yet fallen due. The Board announces that the Company entered into the Second Corporate Entrusted Loan Contract with Kunming Development and Bank of China on 11 October 2021, pursuant to which the Company entrusts Bank of China to provide a RMB100 million loan to Kunming Development.

As the borrower under the First Corporate Entrusted Loan Contract and the Second Corporate Entrusted Loan Contract are the same, the transactions contemplated under the First Corporate Entrusted Loan Contract and the Second Corporate Entrusted Loan Contract shall be aggregated according to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio of the First Corporate Entrusted Loan Contract and the Second Corporate Entrusted Loan Contract exceeds 5% but all of the applicable percentage ratios are lower than 25% when calculated on an aggregated basis under Rule 14.07 of the Listing Rules, 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 SECOND CORPORATE ENTRUSTED LOAN CONTRACT

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

Date:	11 October 2021
Parties:	(i) Kunming Development (as borrower) (ii) The Company (as trustor) (iii) Bank of China (as trustee)
Term of the entrusted loan:	From the actual loan release date agreed in the Second Corporate Entrusted Loan Contract (being 12 October 2021) to 1 December 2021.
Principal amount of the entrusted loan:	RMB100 million
Interest rate:	The interest rate is fixed at 7.5%/year during the term of the loan. Interest is paid quarterly and shall be settled on the 20th day and paid off on the 21st day of the last month of each quarter during the aforementioned term of the entrusted loan.
Release of loan:	The principal of entrusted loan under the Second Entrusted Loan Contract will be released to Kunming Development in one lump sum. The Company will deposit in full the entrusted loan amount into the special account for entrusted loan in one lump sum within 5 days from the effective date of the Second Corporate Entrusted Loan Contract. The conditions precedent for releasing the entrusted loan include: the Second Corporate Entrusted Loan Contract has come into effect and the Company has opened a special account and deposited the entrusted loan amount in full according to the requirements of the Second Corporate Entrusted Loan Contract; the borrower has opened the borrower's account according to the requirements of the Second Corporate Entrusted Loan Contract; and the trustee has received the valid application for withdrawal of the entrusted loan submitted by the borrower and the written instruction or notice submitted by the Company for release of the entrusted loan.
Repayment:	The principal of the loan and the unsettled and unpaid interest accrued thereon is repayable in one lump sum when falling due.
Early repayment:	Kunming Development may repay the loan in full or part in advance with the Company's consent.
Service charge:	RMB10,000, which shall be borne by the Company and payable to the trustee in one lump sum within 5 days from the effective date of the Second Corporate 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, 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 China 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 Second Corporate 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 Second Corporate 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 Kunming Development.

II. REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN TRANSACTION

As far as the Company is aware, Kunming Development borrows a loan from the Company for the purpose of purchase of charging and replacement infrastructure. 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, 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 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 China

Bank of China 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 the borrower under the First Entrusted Loan Contract and the Second Corporate Entrusted Loan Contract are the same, the transactions contemplated under the First Entrusted Loan Contract and the Second Corporate Entrusted Loan Contract shall be aggregated according to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio of the First Entrusted Loan Contract and the Second Corporate Entrusted Loan Contract exceeds 5% but all of the applicable percentage ratios are lower than 25% when calculated on an aggregated basis under Rule 14.07 of the Listing Rules, 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

“Bank of China”	Kunming Guandu Branch of Bank of China Limited, a third party independent of the Company and its connected person(s)
“Bank of Communications”	Yunnan Branch of Bank of Communications Co., Ltd., a third party independent of the Company and its connected person(s)
“Board”	the board of Directors
“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 Transaction”	the transaction contemplated under the Second Corporate Entrusted Loan Contract that the Company entrusts Bank of China to provide RMB100 million to Kunming Development
“First Corporate Entrusted Loan Contract”	the Entrusted Loan Contract entered into between the Company, Kunming Development and Bank of Communications on 17 June 2021

“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
“Second Corporate Entrusted Loan Contract”	the Corporate Entrusted Loan Contract entered into between the Company, Kunming Development and Bank of China on 11 October 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Kunming, the PRC, 11 October 2021

As of 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