

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 FINANCE LEASE ARRANGEMENT**

#### **FINANCE LEASE ARRANGEMENT**

The Board is pleased to announce that on 24 March 2022 (after the trading hours), the Company and CCB Financial Leasing entered into the Transfer Agreements and the Lease Agreements. Under the Transfer Agreement I and the Lease Agreement I, CCB Financial Leasing agreed to (i) purchase the Leased Assets from the Company for a transfer price not exceeding RMB100,000,000; and (ii) lease back the Leased Assets to the Company for a term of four years. Under the Transfer Agreement II and the Lease Agreement II, CCB Financial Leasing agreed to (i) purchase the Leased Assets from the Company for a transfer price not exceeding RMB100,000,000; and (ii) lease back the Leased Assets to the Company for a term of five years.

#### **LISTING RULES IMPLICATIONS**

As the purchaser of the Transfer Agreements and the lessor of the Lease Agreements are the same party, the transactions under the Transfer Agreements and the Lease Agreements shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Transfer Agreements and the Lease Agreements, on an aggregate basis, are more than 5% but less than 25%, it constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and the Company is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 24 March 2022 (after the trading hours), the Company and CCB Financial Leasing entered into the Transfer Agreements and the Lease Agreements. Under the Transfer Agreement I and the Lease Agreement I, CCB Financial Leasing agreed to (i) purchase the Leased Assets from the Company for a transfer price not exceeding RMB100,000,000; and (ii) lease back the Leased Assets to the Company for a term of four years. Under the Transfer Agreement II and the Lease Agreement II, CCB Financial Leasing agreed to (i) purchase the Leased Assets from the Company for a transfer price not exceeding RMB100,000,000; and (ii) lease back the Leased Assets to the Company for a term of five years.

## I. TRANSFER CONTRACTS AND LEASE AGREEMENTS

The principal terms of the Transfer Agreement I, Lease Agreement I, Transfer Agreement II and Lease Agreement II are set out below.

- Date: 24 March 2022
- Parties: (i) CCB Financial Leasing, as the lessor and purchaser; and  
(ii) the Company, as the lessee and vendor.
- Leased Assets: Certain sewage treatment and disposal equipment and facilities with independent ownership and disposal rights under the Company will first be purchased by CCB Financial Leasing from the Company and will then be leased back to the Company.
- Transfer price and delivery: (i) The transfer price under the Transfer Agreement I shall not exceed RMB100,000,000, and the actual amount depends on the transfer price actually paid by CCB Financial Leasing to the Company;  
(ii) The transfer price under the Transfer Agreement II shall not exceed RMB100,000,000, and the actual amount depends on the transfer price actually paid by CCB Financial Leasing to the Company.

The amount of transfer price of the Transfer Agreements was determined after arm's length negotiation between the Company and CCB Financial Leasing with reference to the carrying amount of the Leased Assets and the facility amount required by the Company under the Finance Lease Arrangement.

The transfer price under the Transfer Agreements shall be paid to the Company in one lump sum or by instalments upon fulfilling the conditions precedent on payment stipulated in the contracts, but the latest payment date of the entire transfer price shall be no later than 22 March 2023. Such conditions precedent on payment include (i) CCB Financial Leasing has received a written application from the Company requiring it to pay the transfer price, a valid resolution agreeing to sign the relevant contract documents, the Lease Acceptance Certificate (《租賃物接受證書》) and other relevant materials; (ii) CCB Financial Leasing has received the deposit paid by the Company in accordance with the Lease Agreements; and (iii) the Transfer Contracts and the Lease Agreements were signed and executed.

- Lease term:
- (i) The lease term under the Lease Agreement I shall be commenced from the lease inception date and ended on the date of the fourth anniversary (48 months) of the payment of the last transfer price of the Leased Assets under the Transfer Agreement I.
  - (ii) The lease term under the Lease Agreement II shall be commenced from the lease inception date and ended on the date of the fifth anniversary (60 months) of the payment of the last transfer price of the Leased Assets under the Transfer Agreement II.

The lease inception date refers to the date when CCB Financial Leasing pays the first transfer price under the corresponding transfer contracts to the Company in accordance with the provisions of the Transfer Agreements.

Lease payment: The lease payment under the Lease Agreements is calculated on the basis of the transfer price (each shall not exceed RMB100,000,000, and the actual amount depends on the transfer price actually paid by CCB Financial Leasing to the Company) and the lease interest rate, and consists of transfer price and the lease interest.

Lease interest rate: The lease interest rate under the Lease Agreements is the applicable loan prime rate for loans with a maturity of above 5 years as promulgated by the National Interbank Funding Centre under the authority of the People's Bank of China on the date of payment of each transfer price minus 30 basis points (tax included).

From the year following the year in which the lease commences, the lease interest rate shall be adjusted in that year and every subsequent year based on the latest applicable loan prime rate for loans with a maturity of above 5 years as promulgated by the National Interbank Funding Centre under the authority of the People's Bank of China on the first lease payment calculation day of the year minus 30 basis points (tax included).

Payment methods of lease payment:	<p>(i) The lease payment under the Lease Agreement I shall be the principal amount calculated based on the accumulated interest method from the lease inception date and shall be calculated and paid on a half yearly basis. CCB Financial Leasing will calculate the lease payment according to the payment method of each transfer price agreed in the Transfer Agreement I and the lease interest rate of the Transfer Agreement I. The payment term for lease payment shall be 4 years, and the payment term for lease payment corresponding to each transfer price shall be divided into 8 instalments.</p> <p>(ii) The lease payment under the Lease Agreement II shall be the principal amount calculated based on the accumulated interest method from the lease inception date and shall be calculated and paid on a half yearly basis. CCB Financial Leasing will calculate the lease payment according to the payment method of each transfer price agreed in the Transfer Agreement II and the lease interest rate of the Transfer Agreement II. The payment term for lease payment shall be 5 years, and the payment term for lease payment corresponding to each transfer price shall be divided into 10 instalments.</p>
Lease handling fee and its payment method:	Nil
Lease deposit:	The deposit under the Lease Agreements shall be 5% of each transfer price. Before CCB Financial Leasing pays the transfer price to the Company, the Company shall pay the corresponding deposit to CCB Financial Leasing in one lump sum. The deposit is interest free and shall be returned by the CCB Financial Leasing to the Company in a lump sum within 2 working days from the date of confirming that the Company has fulfilled all responsibilities and obligations under the relevant agreement or shall be used to offset the last or several instalments of the lease payment upon the written application of the Company, upon the expiration of the lease term.
Guarantee:	Nil
Buyback rights and price:	Upon the expiration of the lease term and after CCB Financial Leasing confirms that the Company has fulfilled all responsibilities and obligations under the relevant agreements, the ownership of the Leased Assets will be automatically transferred to the Company and without any guarantee from CCB Financial Leasing.

## **II. REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE ARRANGEMENT**

The Finance Lease Arrangement is entered into in the ordinary and usual course of business of the Company for the purpose of allowing the Company to obtain the financial resources and certain assets required for its operations. Under the Finance Lease Arrangement, a proceed of RMB200,000,000 will be generated from the disposal of the Leased Assets, which will be used by the Group to replace the bank loan for sewage treatment facility operation and other aspects. The Directors believe that the terms of the Finance Lease Arrangement are entered into on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **III. INFORMATION ON THE PARTIES**

### **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.

### **CCB Financial Leasing**

CCB Financial Leasing is a company with limited liability incorporated in the PRC and is principally engaged in financial leasing business. To the best of the Company's knowledge, as at the date of this announcement, CCB Financial Leasing is 100% owned by China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (stock code: 601939) and the Stock Exchange (stock code: 0939). To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, CCB Financial Leasing and its ultimate beneficial owners (if applicable) are third parties independent of the Company and its connected persons.

## **IV. LISTING RULES IMPLICATIONS**

As the purchaser of the Transfer Agreements and the lessor of the Lease Agreements are the same party, the transactions under the Transfer Agreements and the Lease Agreements shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Transfer Agreements and the Lease Agreements, on an aggregate basis, are more than 5% but less than 25%, it constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and the Company is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

## V. DEFINITIONS

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

“Board”	the board of Directors
“CCB Financial Leasing”	CCB Financial Leasing Corporation Limited, a company with limited liability incorporated in the PRC, and is a third party independent of the Company and its connected persons
“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
“Finance Lease Arrangement”	the Company proposes to dispose to CCB Financial Leasing the Leased Assets, which will then be leased back to the Company by CCB Financial Leasing under the terms of the Transfer Agreements and the Lease Agreements
“Group”	the Company and its subsidiaries
“Directors”	the director(s) of the Company
“Lease Agreements”	the Lease Agreement I and the Lease Agreement II entered into by the Company with CCB Financial Leasing
“Lease Agreement I”	the lease agreement entered into by the Company with CCB Financial Leasing on 24 March 2022, in relation to the transfer of assets under the Transfer Agreement I
“Lease Agreement II”	the lease agreement entered into by the Company with CCB Financial Leasing on 24 March 2022, in relation to the transfer of assets under the Transfer Agreement II
“Leased Assets”	certain sewage treatment and disposal equipment and facilities of the Company agreed under the Lease Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transfer Agreement I”	the transfer contract entered into by the Company with CCB Financial Leasing on 24 March 2022, in relation to the transfer of assets with a carrying amount of approximately RMB100.69 million
“Transfer Agreement II”	the transfer contract entered into by the Company with CCB Financial Leasing on 24 March 2022, in relation to the transfer of assets with a carrying amount of approximately RMB101.57 million
“Transfer Agreements”	the Transfer Agreement I and the Transfer Agreement II entered into by the Company with CCB Financial Leasing
“%”	per cent.

By Order of the Board  
**Kunming Dianchi Water Treatment Co., Ltd.**  
**Zeng Feng**  
*Chairperson and executive Director*

Kunming, the PRC, 24 March 2022

*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. Ong King Keung, as independent non-executive Directors.*