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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 ENTERING INTO THE ENTRUSTED LOAN EXTENSION AGREEMENT AND SECURITY CONTRACT

ENTRUSTED LOAN EXTENSION AGREEMENT AND SECURITY CONTRACT

Reference is made to the Company's announcement dated 28 February 2022 which disclosed that on 28 February 2022, the Company (as trustor) entered into the Entrusted Loan Contract with Xindu Investment (as borrower) and Chenggong District Rural Credit Cooperative (as trustee) for the Entrusted Loan Transaction. Pursuant to the Entrusted Loan Contract, the Company entrusted Chenggong District Rural Credit Cooperative to provide a RMB250 million loan to Xindu Investment for a term from 28 February 2022 to 28 March 2022.

The Board announces that, after arm's length negotiation, the Company (as trustor) entered into the Entrusted Loan Extension Agreement for the Entrusted Loan Contract with Xindu Investment (as borrower) and Chenggong District Rural Credit Cooperative (as trustee) on 28 March 2022 (after trading hours) to extend the term of the Entrusted Loan Contract and the Entrusted Loan Transaction thereunder to 28 July 2022 and adjust the interest rate to 9.0% per annum for the Extension Period. Save for the amendments agreed in the Entrusted Loan Extension Agreement, other terms of the Entrusted Loan Contract remain unchanged.

The Board also announces that on 28 March 2022 (after trading hours), the Company (as mortgagee) entered into the Security Contract with Xindu Investment (as mortgagor). Pursuant to the Security Contract, Xindu Investment agreed to mortgage the Mortgaged Asset as security for the Entrusted Loan Extension Agreement and the transactions thereunder.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Entrusted Loan Extension Agreement are more than 5% but less than 25%, the entering into of the Entrusted Loan Extension Agreement and the transactions contemplated thereunder constitute a discloseable transaction and shall be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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The Board also announces that on 28 March 2022 (after trading hours), the Company (as mortgagee) entered into the Security Contract with Xindu Investment (as mortgagor). Pursuant to the Security Contract, Xindu Investment agreed to mortgage the Mortgaged Asset as security for the Entrusted Loan Extension Agreement and the transactions thereunder.

I. ENTRUSTED LOAN EXTENSION AGREEMENT AND SECURITY CONTRACT

(i) Salient terms of the Entrusted Loan Extension Agreement are set out below:

- Date: 28 March 2022
- Term: The maturity date of the Entrusted Loan Contract and the Entrusted Loan Transaction thereunder is extended from 28 March 2022 to 28 July 2022
- Parties:
 - (i) Xindu Investment (as borrower)
 - (ii) the Company (as trustor)
 - (iii) Chenggong District Rural Credit Cooperative (as trustee)
- Interest rate: A fixed interest rate of 9.0% per annum is applied for the Extension Period. Interest is payable by the borrower in one lump sum upon repayment of the principal amount of the entrusted loan.

Save for the amendments in the Entrusted Loan Extension Agreement, all other terms and conditions of the Entrusted Loan Contract remain unchanged.

Basis of the Interest Rate

The fixed annual interest rate of 9.0% for the Entrusted Loan Extension Agreement during the Extension Period was negotiated on an arm’s length basis between the Company and Xindu Investment based on (1) the fact that the interest rate for the Entrusted Loan Extension Agreement during the Extension Period was up by 5.3% as compared to the prime rate of 3.7% for 1-year loans denominated in RMB promulgated by the National Interbank Funding Center as at 21 March 2022; (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) Salient terms of the Security Contract are set out below:

Date:	28 March 2022
Parties:	(i) Xindu Investment (as mortgagor) (ii) the Company (as mortgagee)
Mortgaged Asset:	The right-of-use of a piece of land located in Chenggong District, Kunming, acquired by the mortgagor in April 2021 for a consideration of approximately RMB418 million for a term of 50 years (from 1 June 2020 to 31 May 2070).
Scope of security:	The principal amount of the debt, interest, overdue interest, fines, costs of effecting the creditor's right and mortgage right etc. under the Entrusted Loan Transaction. In the event of a change in the terms or other matters of the Entrusted Loan Transaction, the mortgagor agrees to assume the responsibility of security of the Entrusted Loan Transaction after the change.
Possession and custody of Mortgaged Asset:	The Mortgaged Asset shall be properly possessed and kept by the mortgagor, reasonably used and maintained in good condition, and the relevant taxes shall be paid on time. The original certificate of rights of the Mortgaged Asset shall be kept by the Company. If the Mortgaged Asset is expropriated, requisitioned, demolished, forfeited or repossessed without compensation by the State or seized, frozen or impounded by a third party, the remaining portion of the Mortgaged Asset shall remain as security for the Company's claims while the mortgagor shall provide a new guarantee as required by the Company.
Registration of security:	Within 30 working days after the signing of the Security Contract, the mortgagor shall apply for registration of the security at the appropriate registration authority in accordance with the provisions of the Security Contract and the certificate of the security right shall be kept by the Company.

Enforcement of security:

If the Entrusted Loan Transaction expires or the debt is declared to be prematurely due in accordance with relevant agreement or legal requirements and Xindu Investment fails to perform in full and on time, or if Xindu Investment breaches other provisions of the Entrusted Loan Extension Agreement, the Company is entitled to exercise the security right immediately. In addition, the Company may apply for enforcement against property other than the Mortgaged Asset of Xindu Investment without any precondition of waiver of the security right or prior disposal of the Mortgaged Asset.

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

II. REASONS FOR AND BENEFITS OF THE TRANSACTION

By entering into the Entrusted Loan Extension Agreement to extend the Entrusted Loan Contract and the duration of the Entrusted Loan Transaction thereunder, the Company's return on cash and cash equivalents will continue to be enhanced, thereby continuously improving the Company's income and earnings. The entering into of the Security Contract has further strengthened the credit enhancement measures for the Entrusted Loan Transaction and is conducive to the protecting Company's claims.

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 directly owned as to 83.68% by Kunming SASAC. 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.

Chenggong District Rural Credit Cooperative

Chenggong District Rural Credit Cooperative 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 of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Entrusted Loan Extension Agreement are more than 5% but less than 25%, the entering into of the Entrusted Loan Extension Agreement and the transactions contemplated thereunder constitute a discloseable transaction and shall be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

V. DEFINITIONS

“Board”	the board of Directors of the Company
“Chenggong District Rural Credit Cooperative”	Kunming Chenggong District Rural Credit Cooperative* (昆明市呈貢區農村信用合作聯社), 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 by the Company with Xindu Investment and Chenggong District Rural Credit Cooperative on 28 February 2022
“Entrusted Loan Extension Agreement”	the Entrusted Loan Extension Agreement entered into by the Company with Xindu Investment and Chenggong District Rural Credit Cooperative on 28 March 2022
“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract and the Entrusted Loan Extension Agreement, namely the provision of a RMB250 million loan by Chenggong District Rural Credit Cooperative to Xindu Investment as entrusted by the Company

“Extension Period”	the extension period (i.e. from 28 March 2022 to 28 July 2022) of the Entrusted Loan Transaction as agreed in the Entrusted Loan Extension Agreement
“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 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
“Mortgaged Asset”	the asset mortgaged under the Security Contract entered into by the Company and Xindu Investment on 28 March 2022
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Security Contract”	the Security Contract entered into by the Company and Xindu Investment on 28 March 2022
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xindu Investment”	Kunming Xindu Investment Co., Ltd.* (昆明新都投資有限公司), an enterprise with limited liability incorporated in the PRC on 27 May 2005, which is directly owned as to 83.68% by Kunming SASAC 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 and executive Director

Kunming, the PRC, 28 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.

* For identification purpose only