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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 URBAN INVESTMENT**

### **PROVISION OF ENTRUSTED LOAN**

The Board announces that the Company entered into the Entrusted Loan Contract with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2022, pursuant to which the Company entrusted Panlong District Rural Credit Cooperative to provide a RMB310 million loan to Kunming Urban Investment. Kunming Dianchi Investment provided a full and joint liability guarantee for the Entrusted Loan Transaction under the Entrusted Loan Contract.

### **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 ENTRUSTED LOAN CONTRACT

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

Date of the Entrusted Loan Contract	9 June 2022
Parties	(i) Kunming Urban Investment (as borrower)  (ii) the Company (as trustor)  (iii) Panlong District Rural Credit Cooperative (as trustee)
Term of entrusted loan	12 months, i.e. from 9 June 2022 to 8 June 2023, and if there is an early maturity of the entrusted loan declared in accordance with the Entrusted Loan Contract, the loan shall be deemed to become due at an earlier date accordingly and the interest shall be calculated based on the actual number of days and amount used.
Principal amount of the entrusted loan	RMB310 million
Interest rate	The interest rate is fixed at 8.5% per annum calculated by adding 480 basis points to the prime rate for a one-year loan for the most recent period prior to the date of the Entrusted Loan Contract. Interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter. Compound interest shall be charged on any interest that cannot be paid on time in accordance with the terms of the Entrusted Loan Contract. Interest on each individual entrusted loan is calculated from the actual drawdown date and is based on the actual number of days used.
Release of loan	The principal of entrusted loan under the Entrusted Loan Contract will be released to Kunming Urban Investment in one lump sum. The conditions precedent for the release of the principal of entrusted loan include the relevant guarantee clause or guarantee contract under the Entrusted Loan Contract having been established and taking effect in accordance with relevant laws; the guarantor having provided the guarantee materials and completed relevant procedures in accordance with relevant requirements; Kunming Urban Investment having opened an account with Panlong District Rural Credit Cooperative and voluntarily accepting credit supervision and payment and settlement supervision; Kunming Urban Investment having submitted an application for drawdown in advance in accordance with the provisions of the Entrusted Loan Contract, etc.

Repayment of loan	Interest is payable quarterly in arrears and principal is repaid irregularly. All principal, interest, etc. are required to be settled by the date of expiry of the term of entrusted loan.
Early repayment and extension of loan	<p>With the consent of the Company, Kunming Urban Investment may repay part or all of the loan within the term of the entrusted loan after completing the formalities in accordance with the relevant provisions of the Entrusted Loan Contract.</p> <p>If Kunming Urban Investment needs to extend the entrusted loan, Kunming Urban Investment shall submit a written application for extension to the Company at least 30 days prior to the maturity date of the Entrusted Loan Contract or an individual loan, together with a written opinion from Kunming Dianchi Investment agreeing to continue to provide guarantee, which shall be reviewed and approved by the Company, and the extension agreement shall be signed in accordance with relevant terms before the loan can be extended accordingly. If the Company does not agree with the extension, Kunming Urban Investment shall repay the principal and interest of the entrusted loan in accordance with the terms of the Entrusted Loan Contract.</p>
Guarantee	Kunming Dianchi Investment provided a full and joint liability guarantee for the Entrusted Loan Transaction under the Entrusted Loan Contract.
Service charge	The service charge for the entrusted loan under the Entrusted Loan Contract shall be calculated at the rate of 0.1% per annum, i.e. the service charge shall be RMB310,000, which shall be paid by the Company to Panlong District Rural Credit Cooperative in one lump sum upon release of the first batch of loan.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, as of the date of this announcement, Kunming Urban Investment is not a connected person as defined under the Listing Rules. Panlong District Rural Credit Cooperative 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 Entrusted Loan Contract.

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

The fixed annual interest rate of 8.5% under the Entrusted Loan Contract was negotiated on an arm's length basis between the Company and Kunming Urban Investment based on (1) the fact that the interest rate under the Entrusted Loan Contract was up by 4.8% 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 20 May 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 Kunming Urban Investment.

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

To the knowledge of the Company, Kunming Urban Investment will be utilising the funds from the Company for replenishment of daily working capital. By providing entrusted loans to Kunming Urban Investment, the Company can effectively improve its capital turnover rate and reduce the capital precipitation.

In respect of the Entrusted Loan Transaction under the Entrusted Loan Contract, Kunming Dianchi Investment has provided a full and joint liability guarantee and the Company has received a letter of undertaking for guarantee from Kunming Dianchi Investment.

For the above reasons, the Directors (other than Ms. Ren Na, Mr. Yin Xiaobing and Mr. Ong King Keung) 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 Urban Investment**

Kunming Urban Investment, which is directly owned as to 84.42% by Kunming SASAC, is an urban infrastructure construction and regional urban comprehensive operator in Kunming.

### **Panlong District Rural Credit Cooperative**

Panlong 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 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.

## V. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“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
“Entrusted Loan Contract”	the Entrusted Loan Contract entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2022
“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB310 million loan by Panlong District Rural Credit Cooperative to Kunming Urban 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
“Kunming Urban Investment”	Kunming Urban Construction and Investment Development Co., Ltd.* (昆明市城建投資開發有限責任公司), a company with limited liability incorporated in the PRC, which is directly owned as to 84.42% by Kunming SASAC and is not a connected person as defined under the Listing Rules as of the date of this announcement

“Kunming Dianchi Investment”	Kunming Dianchi Investment Co., Ltd.* (昆明滇池投資有限責任公司), a company established in Yunnan Province, the PRC with limited liability on 13 October 2004, which is the controlling shareholder of the Company
“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
“Panlong District Rural Credit Cooperative”	Kunming Panlong District Rural Credit Cooperative* (昆明市盤龍區農村信用合作聯社), a third party independent of the Company and its connected person(s)
“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.**  
**Zeng Feng**  
*Chairperson and executive Director*

Kunming, the PRC, 9 June 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