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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)

**SUPPLEMENTAL ANNOUNCEMENT ON THE DISCLOSEABLE
TRANSACTION IN RELATION TO THE PROVISION OF ENTRUSTED LOAN
TO KUNMING URBAN INVESTMENT**

Reference is made to the announcement of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) dated 9 June 2022 in relation to the discloseable transaction in relation to the provision of entrusted loan to Kunming Urban Investment (the “**Announcement**”). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board of the Company would like to provide the following additional information in relation to the Announcement:

As stated in the Announcement, all Directors of the Board other than Ms. Ren Na, Mr. Yin Xiaobing and Mr. Ong King Keung (the “**Dissenting Directors**”) believe that the Entrusted Loan Transaction under the Entrusted Loan Contract 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. In particular, Ms. Ren Na and Mr. Yin Xiaobing voted against the Entrusted Loan Transaction at the Board meeting mainly because they considered that given the current general conditions, there was uncertainty as to the solvency of the borrower of the Entrusted Loan Transaction, which may pose a potential risk to the Company’s capital security. In addition, Mr. Ong King Keung abstained from voting mainly because he considered that the entrusted loan was not within the scope of the principal business of the Company.

All Directors of the Board have given due and careful consideration to the Entrusted Loan Transaction and the opinions of the Dissenting Directors.

All Directors of the Board other than the Dissenting Directors were of the unanimous view that:

- (i) prior to entering into the Entrusted Loan Transaction, the Company made enquiries and conducted investigations into the financial statements, debt position (including whether there is any default) for the last three years, future development and other publicly available information of Kunming Urban Investment (as borrower) and Kunming Dianchi Investment (as guarantor) respectively. Based on the assessment of the cash flow, short-term solvency and operating status of Kunming Urban Investment in the last three years, Kunming Urban Investment is considered to be solvent. In addition, Kunming Urban Investment has provided credit enhancement measures in relation to the Entrusted Loan Transaction, and the full and joint liability guarantee provided by Kunming Dianchi Investment, the controlling shareholder of the Company, can effectively control the potential capital risk of the Company under the Entrusted Loan Transaction. Moreover, pursuant to the terms of the Entrusted Loan Contract, Kunming Urban Investment is obliged to notify the Company of any changes in its financial position or its material asset transfers and other matters that may affect the realisation of the Company's claims. The Board will continue to monitor the relevant information of Kunming Urban Investment and Kunming Dianchi Investment and continuously assess their creditworthiness, and will take appropriate measures in a timely manner in the event of any material adverse changes to safeguard the Company's capital under the Entrusted Loan Transaction. The Company's exposure to credit risk under the Entrusted Loan Transaction is generally controllable.
- (ii) Although the Entrusted Loan Transaction is not the principal business of the Company, based on the Company's business plan and use of funds, the Entrusted Loan Transaction can effectively use the Company's temporarily idle funds to generate revenue for the Company, effectively utilize the capital reserve of the Company and reduce the potential wastage of resources arising from capital precipitation. At the time of entering into the Entrusted Loan Contract, the Company recorded net current assets.
- (iii) In determining the interest rate for the Entrusted Loan Transaction, the Company has made reference to the prime rate for a one-year RMB loan published by the National Interbank Funding Center on 20 May 2022, and the interest rate for this transaction is 480 basis points higher than such loan prime rate. The Entrusted Loan Transaction is fair and reasonable and the relevant terms are in the interests of the Company as a whole.

In view of the above, all Directors other than the Dissenting Directors voted in favour of the Board's resolution to approve the Entrusted Loan Transaction.

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

Kunming, the PRC, 16 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.