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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 ANJU GROUP

PROVISION OF ENTRUSTED LOAN

The Board announces that the Company entered into the Entrusted Loan Contract with Kunming Anju Group and Jinma Branch of Guandu Rural Cooperative Bank on 16 June 2023, pursuant to which the Company entrusted Jinma Branch of Guandu Rural Cooperative Bank to provide a RMB80 million loan to Kunming Anju Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Entrusted Loan Contract and the Entrusted Loan Transaction thereunder are more than 5% and less than 25%, entering into of the Entrusted Loan Contract and the Entrusted Loan Transaction thereunder constitute a discloseable transaction of the Company and shall be 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	16 June 2023
Parties	(i) Kunming Anju Group (as borrower) (ii) the Company (as trustor) (iii) Jinma Branch of Guandu Rural Cooperative Bank (as trustee)
Term of entrusted loan	12 months, i.e. from 16 June 2023 to 16 June 2024, 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	RMB80 million
Interest rate	The interest rate is fixed at 8.5% per annum calculated by adding 485 basis points to the prime rate for a one-year loan for the day prior to the date of entering into 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 Anju Group in one lump sum. The conditions precedent for the release of the principal of entrusted loan include the Kunming Anju Group having opened an account with Jinma Branch of Guandu Rural Cooperative Bank and voluntarily accepting credit supervision and payment and settlement supervision; Kunming Anju Group 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 of the entrusted loan shall be repaid in one lump sum upon maturity together with interest payable. 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

With the consent of the Company, Kunming Anju Group 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.

If Kunming Anju Group needs to extend the entrusted loan, Kunming Anju Group 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 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 Anju Group shall repay the principal and interest of the entrusted loan in accordance with the terms of 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 0.15% per annum, i.e. the service charge shall be RMB120,000, which shall be paid by the Company to Jinma Branch of Guandu Rural Cooperative Bank 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 Anju Group is not a connected person as defined under the Listing Rules. Jinma Branch of Guandu Rural Cooperative Bank 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 Anju Group based on (1) the fact that the interest rate under the Entrusted Loan Contract was up by 4.85% as compared to the prime rate of 3.65% for 1-year loans denominated in RMB promulgated by the National Interbank Funding Center as at 22 May 2023; (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 Anju Group.

II. REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN TRANSACTION

By providing entrusted loans to Kunming Anju Group, the Company can increase its interest income and, at the same time, can increase its future cooperation opportunities with Kunming Anju Group in innovative financing model and project investment.

For the above reasons, all Directors of the Board other than Ms. Wang Dongfang 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. Wang Dongfang and Mr. Ong King Keung abstained from voting at the Board meeting mainly because Ms. Wang Dongfang considered that the entrusted loan was not within the scope of the principal business of the Company and did not recommend excessive engagement in such business, and Mr. Ong King Keung 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 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 generate revenue for the Company. At the time of entering into the Entrusted Loan Contract, the Company recorded net current assets.

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 Anju Group

Kunming Anju Group (formerly known as Kunming Public Rental Housing Development and Construction Management Co., Ltd.) is directly owned as to 65.05% by Kunming SASAC, while the remaining 34.95% is held as to 7.23% by Yunnan Provincial Department of Finance and 27.72% by Kunming Land Development Investment and Operation Co., Ltd.* (昆明市土地開發投資經營有限責任公司), respectively. Kunming Land Development Investment and Operation Co., Ltd. is controlled by Kunming SASAC. Kunming Anju Group is the main body of construction and operation of subsidised housing projects in Kunming and is responsible for the investment, financing, construction and management of subsidised housing projects at the municipal level.

Jinma Branch of Guandu Rural Cooperative Bank

Jinma Branch of Guandu Rural Cooperative Bank 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) in respect of the Entrusted Loan Contract and the Entrusted Loan Transaction thereunder are more than 5% and less than 25%, entering into of the Entrusted Loan Contract and the Entrusted Loan Transaction thereunder constitute a discloseable transaction of the Company and shall be 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 Anju Group and Jinma Branch of Guandu Rural Cooperative Bank on 16 June 2023
“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB80 million loan by Jinma Branch of Guandu Rural Cooperative Bank to Kunming Anju Group 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

“Jinma Branch of Guandu Rural Cooperative Bank”	Jinma Branch of Kunming Guandu Rural Cooperative Bank * (昆明官渡農村合作銀行金馬支行), a third party independent of the Company and its connected person(s)
“Kunming Anju Group”	Kunming Anju Group Co., Ltd.* (昆明市安居集團有限公司) (formerly known as Kunming Public Rental Housing Development and Construction Management Co., Ltd. * (昆明市公共租賃住房開發建設管理有限公司)), a limited liability company incorporated in the PRC in February 2011, which is directly owned as to 65.05% by Kunming SASAC, 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
“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, 16 June 2023

As of the date of this announcement, the Board comprises Mr. Zeng Feng and Mr. Chen Changyong, as executive Directors; Mr. Zhou Jianbo and Mr. Zhang Yang, as non-executive Directors; and Ms. Wang Dongfang, Ms. Zheng Dongyu and Mr. Ong King Keung, as independent non-executive Directors.

* For identification purpose only.