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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 People's Republic of China with limited liability)

(Stock Code: 3768)

MAJOR TRANSACTION

ENTRY INTO THE ENTRUSTED LOAN EXTENSION AGREEMENT AND

SUPPLEMENTAL ENTRUSTED LOAN EXTENSION AGREEMENT

IN RESPECT OF

THE ENTRUSTED LOAN PROVIDED TO KUNMING DEVELOPMENT

ENTRUSTED LOAN EXTENSION AGREEMENT AND SUPPLEMENTAL ENTRUSTED LOAN EXTENSION AGREEMENT

Reference is made to the Company's announcement dated 24 October 2022 (the "**Announcement**") in relation to the entering into of the Entrusted Loan Contract by the Company (as trustor) with Kunming Development (as borrower) and Chenggong District Rural Credit Cooperative (as trustee) in respect of the Entrusted Loan Transaction on 24 October 2022. Pursuant to the Entrusted Loan Contract, the Company entrusted Chenggong District Rural Credit Cooperative to provide a RMB200 million entrusted loan to Kunming Development for a term from 24 October 2022 to 24 September 2023. As of the date of this announcement, Kunming Development has settled all interest payable pursuant to relevant provisions of the Entrusted Loan Contract. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board announces that, after arm's length negotiation, the Company entered into the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement in respect of the Entrusted Loan Contract with Kunming Development and Chenggong District Rural Credit Cooperative on 22 September 2023 (after trading hours) to extend the term of the entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract to 24 August 2024. Save for the amendments specified in the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement, all other terms and conditions of the Entrusted Loan Contract remain unchanged.

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, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction thereunder are more than 25% but less than 75%, the entering into of the Entrusted Loan Extension Agreement, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction contemplated thereunder constitute a major transaction of the Company and shall be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

An extraordinary general meeting will be convened by the Company to seek Shareholders' approval for the Entrusted Loan Extension Transaction. According to relevant requirements under Rules 14.41(b) and 14.60(7) of the Listing Rules, a circular containing, among other things, details of the Entrusted Loan Extension Agreement, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction contemplated thereunder, notice of the extraordinary general meeting of the Company and other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 13 October 2023.

The Entrusted Loan Extension Transaction shall be subject to consideration and approval by the Shareholders of the Company. If the Entrusted Loan Extension Transaction fails to obtain the aforesaid approval from the Shareholders, Kunming Development shall repay all the principal amount of the entrusted loan under the Entrusted Loan Contract (i.e. RMB200 million) and settle all the interest payable up to the date of repayment of such principal amount of the entrusted loan.

The Board announces that, after arm's length negotiation, the Company entered into the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement in respect of the Entrusted Loan Contract with Kunming Development and Chenggong District Rural Credit Cooperative on 22 September 2023 (after trading hours) to extend the term of the entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract to 24 August 2024. Save for the amendments specified in the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement, all other terms and conditions of the Entrusted Loan Contract remain unchanged.

I. ENTRUSTED LOAN CONTRACT, ENTRUSTED LOAN EXTENSION AGREEMENT AND SUPPLEMENTAL ENTRUSTED LOAN EXTENSION AGREEMENT

Save for the terms and conditions set out in the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement, all other terms and conditions of the Entrusted Loan Contract will apply to the Entrusted Loan Extension Transaction.

Salient terms of the Entrusted Loan Contract, the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement are set out below:

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
Date:	24 October 2022	22 September 2023
Parties:	(i) the Company (as trustor) (ii) Kunming Development (as borrower) (iii) Chenggong District Rural Credit Cooperative (as trustee)	(i) the Company (as trustor) (ii) Kunming Development (as borrower) (iii) Chenggong District Rural Credit Cooperative (as trustee)
Principal amount of the entrusted loan/extension amount:	RMB200 million.	RMB200 million.
Term/term of extension:	11 months, i.e. from 24 October 2022 to 24 September 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.	11 months, i.e. from 24 September 2023 to 24 August 2024. Other relevant provisions of the Entrusted Loan Contract remain applicable.
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 one day 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.	8.5% per annum, and interest due and outstanding shall be handled pursuant to the provisions on compound interest set out in the Entrusted Loan Contract. Interest is payable pursuant to the provisions of the Entrusted Loan Contract, i. e. interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter.

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
Release of loan:	The principal of entrusted loan under the Entrusted Loan Contract will be released to Kunming Development in one lump sum. The conditions precedent for the release of the principal of entrusted loan include the borrower having opened an account with the trustee in accordance with the trustee's requirements; the borrower having submitted a withdrawal application to the Company in advance in accordance with the deadline stipulated in the Entrusted Loan Contract, etc.	Not applicable
Repayment of loan:	Interest is payable quarterly in arrears and principal is repaid in one lump sum upon maturity. All principal, interest, etc. are required to be settled by the date of expiry of the term of entrusted loan.	Principal shall be repaid in one lump sum upon maturity of the term of extension. Other relevant provisions of the Entrusted Loan Contract remain applicable.

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
Early repayment and extension of loan:	<p>With the consent of the Company, Kunming Development 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 Development needs to extend the entrusted loan, Kunming Development 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 Development shall repay the principal and interest of the entrusted loan in accordance with the terms of the Entrusted Loan Contract.</p>	<p>Relevant provisions of the Entrusted Loan Contract remain applicable.</p>
Service charge:	<p>RMB10,000, which shall be borne by the Company and shall be paid in one lump sum to the trustee within 7 days from the date of signing of the Entrusted Loan Contract.</p>	<p>RMB10,000, which shall be paid by the Company in one lump sum to the trustee within 5 days from the date of signing of the Entrusted Loan Extension Agreement. Once paid, the service charge is non-refundable by the trustee.</p>

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
Others:		<p>The Entrusted Loan Extension Transaction shall be subject to consideration and approval at the extraordinary general meeting of the Company, and the Company will convene the extraordinary general meeting as soon as possible and will timely (no later than 30 November 2023) notify the trustee and Kunming Development of the resolution of the extraordinary general meeting. If the Company fails to provide relevant resolution of the extraordinary general meeting on or before 30 November 2023, Kunming Development is required to repay all principal of the entrusted loan (i.e. RMB200 million) and settle all interest payable up to the date of repayment of the principal of the entrusted loan within 3 business days from 30 November 2023 and cooperate in completing relevant procedures for transfer of funds. If Kunming Development fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount from any account opened by Kunming Development.</p>

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
		<p>If the Entrusted Loan Extension Transaction is not approved by the Shareholders at the aforesaid extraordinary general meeting, Kunming Development shall be required to repay the principal of the entrusted loan (i.e. RMB200 million) and settle all interest payable up to the date of repayment of the principal of the entrusted loan immediately after the disapproval of the resolution at the aforesaid extraordinary general meeting and cooperate in completing relevant procedures for transfer of funds. Kunming Development shall complete the aforesaid repayment within 3 business days from the date of disapproval of the resolution at the extraordinary general meeting of the Company. If Kunming Development fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount from any account opened by Kunming Development.</p>

Basis of interest rate

The fixed annual interest rate of 8.5% under the Entrusted Loan Extension Agreement was negotiated on an arm's length basis between the Company and Kunming Development based on (1) the fact that the interest rate under the Entrusted Loan Extension Agreement was up by 5.05% as compared to the prime rate of 3.45% for 1-year loans denominated in RMB promulgated by the National Interbank Funding Center as at 20 September 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 Development.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, as of the date of this announcement, Kunming Development 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 ENTRUSTED LOAN EXTENSION TRANSACTION

As of the date of this announcement, Kunming Development has settled all interest payable pursuant to relevant provisions of the Entrusted Loan Contract. By entering into the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement, it will increase the interest income of the Company and at the same time facilitate the cooperation between the Group and Kunming Development in innovative financing models.

For the above reasons, the Directors (other than Mr. Ong King Keung and Mr. Zhou Jianbo) believe that the Entrusted Loan Extension 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. In particular, Mr. Ong King Keung and Mr. Zhou Jianbo abstained from voting at the Board meeting. 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, and Mr. Zhou Jianbo abstained from voting mainly because he considered that the overall risks of the Entrusted Loan Extension Transaction were uncertain.

All Directors of the Board have given due and careful consideration to the Entrusted Loan Extension Transaction and the opinions of Mr. Ong King Keung and Mr. Zhou Jianbo. All Directors of the Board other than Mr. Ong King Keung and Mr. Zhou Jianbo were of the unanimous view that although the Entrusted Loan Extension Transaction is not the principal business of the Company, based on the Company's business plan and use of funds, the Entrusted Loan Extension Transaction can generate revenue for the Company and facilitate the cooperation between the Group and Kunming Development in innovative financing models. Meanwhile, 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 Development. Based on the assessment of the cash flow, solvency, operating status and other factors of Kunming Development in the last three years, Kunming Development is considered to be solvent. Moreover, pursuant to the terms of the Entrusted Loan Contract, Kunming Development 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 Company will continue to monitor the relevant information of Kunming Development and continuously assess its 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 Extension Transaction. The Company's exposure to credit risk under the Entrusted Loan Extension Transaction is generally controllable.

III. DETAILS OF THE PARTIES TO THE ENTRUSTED LOAN CONTRACT, THE ENTRUSTED LOAN EXTENSION AGREEMENT AND THE SUPPLEMENTAL ENTRUSTED LOAN EXTENSION AGREEMENT

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 Development

Kunming Development is a wholly state-owned company wholly owned directly by Kunming SASAC, and is a key industrial entity for deepening the government's investment and financing system reform and operation of urban public economic resources in Kunming city. The principal business of Kunming Development includes: investment in and financing of major infrastructure, various industries and major projects within the area of Kunming city; investment in and financing of land acquisition, reservation and development under the authorization of the Kunming Municipal Government; state-owned assets operation, real estate development, land development business under the authorization of the Kunming Municipal Government; investment, operation and management of agricultural and water conservancy projects.

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. It is owned as to 100% by Yunnan Rural Credit Cooperative Association* (雲南省農村信用社聯合社), which is in turn directly owned as to 100% by the People's Government of Yunnan Province.

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, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction thereunder are more than 25% but less than 75%, the entering into of the Entrusted Loan Extension Agreement, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction contemplated thereunder constitute a major transaction of the Company and shall be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

An extraordinary general meeting will be convened by the Company to seek Shareholders' approval for the Entrusted Loan Extension Transaction. According to relevant requirements under Rules 14.41(b) and 14.60(7) of the Listing Rules, a circular containing, among other things, details of the Entrusted Loan Extension Agreement, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction contemplated thereunder, notice of the extraordinary general meeting of the Company and other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 13 October 2023.

The Entrusted Loan Extension Transaction shall be subject to consideration and approval by the Shareholders of the Company. If the Entrusted Loan Extension Transaction fails to obtain the aforesaid approval from the Shareholders, Kunming Development shall repay all the principal amount of the entrusted loan under the Entrusted Loan Contract (i.e. RMB200 million) and settle all the interest payable up to the date of repayment of such principal amount of the entrusted loan.

V. DEFINITIONS

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

“Board”	the board of Directors
“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 Kunming Development and Chenggong District Rural Credit Cooperative on 24 October 2022
“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB200 million loan by Chenggong District Rural Credit Cooperative to Kunming Development as entrusted by the Company
“Entrusted Loan Extension Agreement”	the Entrusted Loan Extension Agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 22 September 2023
“Supplemental Entrusted Loan Extension Agreement”	the Supplemental Entrusted Loan Extension Agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 22 September 2023

“Entrusted Loan Extension Transaction”	the transaction contemplated under the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement, namely the extension of maturity date of RMB200 million of the principal amount of the entrusted loan under the Entrusted Loan Contract from 24 September 2023 to 24 August 2024
“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 Development”	Kunming Development and Investment Group Co., Ltd.* (昆明發展投資集團有限公司), a wholly state-owned limited liability company incorporated in the PRC on 27 January 2010, which holds 20,959,760 domestic shares of the Company as of the date of this announcement, representing 2.04% of the total share capital of the Company, 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
“Shareholders”	shareholders of the Company
“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, 22 September 2023

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

* For identification purpose only