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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)

**DISCLOSEABLE TRANSACTION IN RELATION
TO THE PROVISION OF ENTRUSTED LOAN TO KIDC**

PROVISION OF ENTRUSTED LOAN

The Board announces that the Company entered into the Entrusted Loan Contract with KIDC and the Bank of Communications on 16 March 2018, pursuant to which the Company entrusts the Bank of Communications to provide a RMB300-million loan to KIDC.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios 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 Entrusted Loan Contract	16 March 2018
Parties	(i) KIDC (as borrower) (ii) Company (as trustor) (iii) The Bank of Communications (as trustee and lender)

Term of loan	Due on 20 December 2018
Principal loan amount	RMB300 million
Interest rate	The annual interest rate is 7% and the monthly interest rate is 1/12 of the annual interest rate. Interest will be paid quarterly. The total amount of interest is calculated based on the actual days of loan. The Bank of Communications calculates and collects interest from KIDC at the end of each quarter.
Guarantee	As a guarantee for the loan, KIDC pledges to the Company the accounts receivable, which comprises of the reimbursement for the primary land development of a project in Kunming, in a total amount of approximately RMB360 million.
Release of loan	<p>The Company shall set up an entrusted fund account at the Bank of Communications and deposit RMB300 million into this account within 3 days of the effective date of the contract. After all the terms of release listed below are met, KIDC shall withdraw the loan on an one-off basis, and the Bank of Communications shall deduct the fund from the entrusted fund account:</p> <ul style="list-style-type: none"> (i) the Company must have a balance of not less than the loan amount in the entrusted fund account set up at the Bank of Communications, and there is no freezing, deduction or other constraints taken by the authorities occurring to such balance; (ii) the Bank of Communications has received the notice of release issued by the Company based on the format it has provided; and (iii) the guarantee for this transaction has taken effect and remains effective.
Repayment	Unless otherwise specified, KIDC must repay both the principal and the accrued and unpaid interest via the Bank of Communications on the due date.
Prepayment	KIDC may prepay the loan in full or part with the Company's written consent.
Service charge	The Company needs not to pay any service charge for the entrusted loan to the Bank of Communications.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (1) as of the date of this announcement, KIDC holds directly and indirectly 5.95% of the Company's shares in total; save for being a shareholder of the Company, KIDC is a third party independent from the Company and its connected person; and (2) the Bank of Communications is a third party independent from the Company and its connected person.

The Company shall use its own funds to fund the loan under the Entrusted Loan Contract.

II. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company has long maintained very positive business relations with KIDC, which has been directly holding 0.25% share interest in the Company since the incorporation of the Company. When the H shares of the Company were listed in Hong Kong in April 2017, KIDC's wholly-owned subsidiary, Kunming Industrial Development & Construction Co., Ltd. subscribed and held 5.7% share interest in the Company as a cornerstone investor of the Company. As a major participant in the investment and development of Kunming, KIDC has a large asset scale (registered capital of RMB1.5 billion) and abundant market resources. In the future, it is very likely that KIDC will cooperate with the Company on innovative financing model, project investment and resource sharing.

As KIDC is investing in three projects of "Cross-district Relocation and Technical Reform" and has difficulty in keeping its investment and working capital running, it intends to borrow RMB300 million from the Company on an annual interest rate of 7%. For reference, the current benchmark interest rate promulgated by the People's Bank of China for RMB short-term loan (within 1 year (including 1 year)) is 4.35%, which is lower than the interest rate for the Transaction by 2.65%. By making this loan available to KIDC, the Company is expected to increase its capital turnover rate, and reduce the sedimentary money of the Company.

For the above reasons, the Directors (including the independent non-executive directors) believe that the 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.

KIDC

KIDC is a wholly state-owned company with limited liability incorporated with the approval of Kunming People's Government. It is a leading entity in Kunming's industrial, financial and market-oriented industry. It is committed to revitalizing and integrating corporate state-owned stock rights (including financial corporate stock right), and operating four business sectors: state-owned assets, existing industrial and financial investment, land development and social service.

The Bank of Communications

The Bank of Communications is a China-based financial institution that mainly engages in taking public deposit and providing loans and other activities.

IV. LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios 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 context otherwise requires, the terms listed below have the following meanings:

“Board”	the board of Directors
“The Bank of Communications”	Yunnan Branch of Bank of Communications Co., Ltd., a third party independent from the Company and its connected persons
“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”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Entrusted Loan Contract”	the Entrusted Loan Contract for Corporate Customer entered into between the Company, KIDC and the Bank of Communications on 16 March 2018
“H shares”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in Hong Kong dollars
“KIDC”	Kunming Industrial Development and Construction Co., Ltd., (昆明產業開發投資有限責任公司) a wholly state-owned company with limited liability incorporated in China on November 30, 2005, directly and indirectly holding 5.95% share interest in the Company as at the date of this announcement, and a third party independent from the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and otherwise modified from time to time

“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong SAR, Macao SAR and Taiwan.
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB300-million loan by the Company to KIDC through the entrustment of the Company on the Bank of Communications
“%”	per cent

By order of the Board
Kunming Dianchi Water Treatment Co., Ltd.
Guo Yumei
Chairperson

Kunming, the PRC, 16 March 2018

As at the date of this announcement, the Board comprises Ms. Guo Yumei and Mr. Luo Yun, as executive Directors; Mr. Zeng Feng and Ms. Song Hong, as non-executive Directors; and Mr. Wong Man Chung Francis, Mr. Yin Xiaobing and Mr. He Xifeng, as independent non-executive Directors.