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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)

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The board of directors (the “**Board**”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) announces that, in order to further enhance the Party construction work in state-owned enterprises, according to the most recent spirit of the 19th National Congress of the Communist Party of China and in view of the H share issuance and actual needs of the Company, the Board proposes to incorporate the general requirements of Party construction work into the Articles of Association (the “**Articles of Association**” or “**Articles**”) and to amend relevant contents of the Articles of Association (“**Proposed Amendments**”). Details of the proposed amendments are as follows:

### 1. AMENDED ARTICLES ARE AS FOLLOWS:

Existing version	Amended version
<p><b>Article 5</b> The Company is a joint stock limited company in perpetual existence and is an independent legal entity. The Company shall undertake its liabilities with all of its assets, while the liability of a shareholder of the Company shall be limited to the shares subscribed by him/her.</p>	<p><b>Article 5</b> <u>The business type of</u> the Company is a joint stock limited company in perpetual existence (<u>a joint venture between Taiwan/Hong Kong/Macao and the Mainland, listed</u>) and is an independent legal entity. The Company shall undertake its liabilities with all of its assets, while the liability of a shareholder of the Company shall be limited to the shares subscribed by him/her.</p> <p><u>The business type referred to in the preceding paragraph shall be subject to the filing at the company registration authority.</u></p> <p><u>The Company may, based on the actual composition of the shares, handle the procedures for changes in the registration with the administration for industry and commerce according to regulations.</u></p>

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<p><b>Article 19</b> Upon the approval from the competent authority of securities of the State Council, the Company may issue not more than 354,626,000 H shares. Pursuant to the Provisional Administrative Measure on Reduction of State-owned Shares to Raise Social Security Fund (《減持國有股籌集社會保障資金管理暫行辦法》) and relevant requirements of the State Council, the state-owned Shareholders of the Company will transfer not more than 35,462,600 state-owned shares held by it to the National Council for Social Security Fund of the PRC while issuing overseas-listed foreign-invested shares. <b><u>Subject to market conditions, the Company may issue up to 407,819,000 overseas-listed foreign-invested shares pursuant to an over-allotment option. Should the over-allotment option be exercised, the state-owned Shareholders may transfer up to 40,781,900 state-owned shares to the National Council for Social Security Fund of the PRC.</u></b></p> <p><b><u>Subsequent to the completion of the above issuance, if the over-allotment option is not exercised and the number of H shares issued is not more than 354,626,000 shares, the shareholding structure of the Company is as follows:</u></b></p> <table border="1" data-bbox="204 1272 778 1942"> <thead> <tr> <th data-bbox="204 1336 236 1357">No.</th> <th data-bbox="284 1336 363 1357">Promoter</th> <th data-bbox="539 1278 651 1357">Number of shares (ten thousand)</th> <th data-bbox="671 1300 778 1357">Shareholding (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="204 1389 220 1410">1</td> <td data-bbox="284 1389 459 1442"><u>Kunming Dianchi Investment Co. Ltd.</u></td> <td data-bbox="555 1389 651 1410"><u>655,906,623</u></td> <td data-bbox="730 1389 778 1410"><u>61.04</u></td> </tr> <tr> <td data-bbox="204 1453 220 1474">2</td> <td data-bbox="284 1453 467 1527"><u>Kunming Development Investment Group Co. Ltd.</u></td> <td data-bbox="555 1453 651 1474"><u>20,821,346</u></td> <td data-bbox="746 1453 778 1474"><u>1.94</u></td> </tr> <tr> <td data-bbox="204 1538 220 1559">3</td> <td data-bbox="284 1538 459 1613"><u>Kunming Industrial Development and Investment Co. Ltd.</u></td> <td data-bbox="555 1538 651 1559"><u>2,603,144</u></td> <td data-bbox="746 1538 778 1559"><u>0.24</u></td> </tr> <tr> <td data-bbox="204 1623 220 1644">4</td> <td data-bbox="284 1623 491 1708"><u>Kunming State-owned Assets Management and Operations Co. Ltd.</u></td> <td data-bbox="555 1623 651 1644"><u>2,603,144</u></td> <td data-bbox="746 1623 778 1644"><u>0.24</u></td> </tr> <tr> <td data-bbox="204 1719 220 1740">5</td> <td data-bbox="284 1719 459 1772"><u>Kunming Xindu Real Estate Co. Ltd.</u></td> <td data-bbox="555 1719 651 1740"><u>2,603,144</u></td> <td data-bbox="746 1719 778 1740"><u>0.24</u></td> </tr> <tr> <td data-bbox="204 1783 220 1804">6</td> <td data-bbox="284 1783 507 1825"><u>National Council for Social Security Fund of the PRC</u></td> <td data-bbox="555 1783 651 1804"><u>35,462,600</u></td> <td data-bbox="746 1783 778 1804"><u>3.3</u></td> </tr> <tr> <td data-bbox="204 1836 220 1857">7</td> <td data-bbox="284 1836 379 1857"><u>Public float</u></td> <td data-bbox="539 1836 651 1857"><u>354,626,000</u></td> <td data-bbox="746 1836 778 1857"><u>33.0</u></td> </tr> <tr> <td data-bbox="204 1900 252 1921"><b>Total</b></td> <td></td> <td data-bbox="539 1900 651 1921"><b><u>1,074,626,000</u></b></td> <td data-bbox="746 1900 778 1921"><b><u>100</u></b></td> </tr> </tbody> </table>	No.	Promoter	Number of shares (ten thousand)	Shareholding (%)	1	<u>Kunming Dianchi Investment Co. Ltd.</u>	<u>655,906,623</u>	<u>61.04</u>	2	<u>Kunming Development Investment Group Co. Ltd.</u>	<u>20,821,346</u>	<u>1.94</u>	3	<u>Kunming Industrial Development and Investment Co. Ltd.</u>	<u>2,603,144</u>	<u>0.24</u>	4	<u>Kunming State-owned Assets Management and Operations Co. Ltd.</u>	<u>2,603,144</u>	<u>0.24</u>	5	<u>Kunming Xindu Real Estate Co. Ltd.</u>	<u>2,603,144</u>	<u>0.24</u>	6	<u>National Council for Social Security Fund of the PRC</u>	<u>35,462,600</u>	<u>3.3</u>	7	<u>Public float</u>	<u>354,626,000</u>	<u>33.0</u>	<b>Total</b>		<b><u>1,074,626,000</u></b>	<b><u>100</u></b>	<p><b>Article 19</b> Upon the approval from the competent authority of securities of the State Council, the Company may issue not more than 354,626,000 H shares. Pursuant to the Provisional Administrative Measure on Reduction of State-owned Shares to Raise Social Security Fund (《減持國有股籌集社會保障資金管理暫行辦法》) and relevant requirements of the State Council, the state-owned Shareholders of the Company will transfer not more than 35,462,600 state-owned shares held by it to the National Council for Social Security Fund of the PRC while issuing overseas-listed foreign-invested shares.</p>
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<p><b><u>Subsequent to the completion of the above issuance, if the over-allotment option is exercised in full and the number of H shares issued is not more than 407,819,000 shares,</u></b> the shareholding structure of the Company is as follows:</p>				<p><b><u>As at 12 May 2017, subsequent to the completion of the above issuance by the Company through exercise of over-allotment option, the original shares transferred by five state-owned shareholders including Kunming Dianchi Investment Co., Ltd. etc. to the National Council for Social Security Fund of the PRC were converted into H shares, the Company exercised the over-allotment option and issued 340,023,000 H shares,</u></b> and the shareholding structure of the Company was as follows:</p>			
No.	Promoter	Number of shares (ten thousand)	Shareholding (%)	No.	Promoter	Number of shares (share)	Shareholding (%)
1	Kunming Dianchi Investment Co. Ltd.	<u>650,809,803</u>	<u>57.7</u>	1	Kunming Dianchi Investment Co. Ltd.	<u>660,266,893</u>	<u>64.17</u>
2	Kunming Development Investment Group Co. Ltd.	<u>20,659,551</u>	<u>1.8</u>	2	Kunming Development Investment Group Co. Ltd.	<u>20,959,760</u>	<u>2.04</u>
3	Kunming Industrial Development and Investment Co. Ltd.	<u>2,582,915</u>	<u>0.2</u>	3	Kunming Industrial Development and Investment Co. Ltd.	<u>2,620,449</u>	<u>0.25</u>
4	Kunming State-owned Assets Management and Operations Co. Ltd.	<u>2,582,915</u>	<u>0.2</u>	4	Kunming State-owned Assets Management and Operations Co. Ltd.	<u>2,620,449</u>	<u>0.25</u>
5	Kunming Xindu Real Estate Co. Ltd.	<u>2,582,915</u>	<u>0.2</u>	5	Kunming Xindu Real Estate Co. Ltd.	<u>2,620,449</u>	<u>0.25</u>
6	<u>National Council for Social Security Fund of the PRC</u>	<u>40,781,900</u>	<u>3.6</u>	6	Public float	<u>340,023,000</u>	<u>33.04</u>
7	Public float	<u>407,819,000</u>	<u>36.2</u>	Total		<u>1,029,111,000</u>	<u>100</u>
Total		<u>1,127,819,000</u>	<u>100</u>				
<p><b>Article 22</b> The registered capital of the Company prior to the issue is RMB720,000,000. <b><u>If the over-allotment option is not exercised, the registered capital of the Company shall be not more than RMB1,074,626,000. If the over-allotment option is exercised, the registered capital of the Company shall be not more than RMB1,127,819,000.</u></b></p>				<p><b>Article 22</b> The registered capital of the Company prior to the issue is RMB720,000,000. <b><u>The registered capital of the Company subsequent to the issue is RMB1,029,111,000.</u></b></p>			

Existing version	Amended version
<p><b>Article 110</b> The Board shall meet regularly and the meetings of the Board shall be held at least four times every year, and convened by the chairman of the Board. A <b>ten</b> days' prior written notice for convening the meeting shall be given to all directors.</p> <p>Under the following circumstances, an extraordinary meeting of the Board may be held within five days by the chairman of the Board upon proposal:</p> <ol style="list-style-type: none"> <li>(1) by shareholders representing more than one-tenths of the voting rights;</li> <li>(2) by more than one-third of directors;</li> <li>(3) by the chairman of the Board;</li> <li>(4) by more than two independent directors;</li> <li>(5) by the Board of Supervisors;</li> <li>(6) by the general manager.</li> </ol>	<p><b>Article 116</b> The Board shall meet regularly and the meetings of the Board shall be held at least four times every year, and convened by the chairman of the Board. A <b>fourteen</b> days' prior written notice for convening the meeting shall be given to all directors.</p> <p>Under the following circumstances, an extraordinary meeting of the Board may be held within five days by the chairman of the Board upon proposal:</p> <ol style="list-style-type: none"> <li>(1) by shareholders representing more than one-tenths of the voting rights;</li> <li>(2) by more than one-third of directors;</li> <li>(3) by the chairman of the Board;</li> <li>(4) by more than two independent directors;</li> <li>(5) by the Board of Supervisors;</li> <li>(6) by the general manager.</li> </ol>
<p><b>Article 111</b> Notice of regular Board meetings shall be given <b>ten</b> days prior to the meetings, and reasonable notice of extraordinary meeting of the Board shall be given prior to the meetings to all directors and supervisors. The Board office or other departments designated by the Board shall give notice in writing to each director and supervisor and general manager by hand, fax, express mail service or other means of electronic communication. Notices that are not served by hand shall be confirmed by telephone and record should be made accordingly.</p> <p>Where an extraordinary meeting of the Board needs to be convened in emergency, the notice of meeting may be sent by telephone or by other verbal means, but the convener shall make explanations at the meeting. The aforesaid time limit may not apply if written consent is given by all the directors present at the meeting.</p>	<p><b>Article 117</b> Notice of regular Board meetings shall be given <b>fourteen</b> days prior to the meetings, and reasonable notice of an extraordinary meeting of the Board shall be given prior to the meetings to all directors and supervisors. The Board office or other departments designated by the Board shall give notice in writing to each director and supervisor and general manager by hand, fax, express mail service or other means of electronic communication. Notices that are not served by hand shall be confirmed by telephone and record should be made accordingly.</p> <p>Where an extraordinary meeting of the Board needs to be convened in emergency, the notice of meeting may be sent by telephone or by other verbal means, but the convener shall make explanations at the meeting. The aforesaid time limit may not apply if written consent is given by all the directors present at the meeting.</p>

**2. THE FOLLOWING CHAPTER “PARTY ORGANISATION AND THE WORKING COMMITTEE OF THE PARTY” IS PROPOSED TO BE ADDED AS CHAPTER 10, WHICH INCLUDES SIX ARTICLES IN TOTAL:**

**Article 99** In accordance with the requirements of the Constitution of the Communist Party of China, the Company establishes the CPC Party Committee of Kunming Dianchi Water Treatment Co., Ltd. (hereinafter referred to as “**Party Committee of the Company**”) and the CPC Discipline Inspection Committee of Kunming Dianchi Water Treatment Co., Ltd. (hereinafter referred to as “**Discipline Inspection Committee of the Company**”).

**Article 100** The Party Committee of the Company shall perform the following duties and responsibilities:

- (1) to play the political core role, serve the Company’s production and operation, ensure and supervise the implementation of guidelines, policies and major deployments of the Party and the State, and ensure the insistence of the Company on the right direction of reform and development;
- (2) to perform the main construction responsibility of the Party conduct and of an honest and clean administration, and strengthen the unified leadership in construction of the Party conduct and of an honest and clean administration and anti-corruption fight;
- (3) to support the shareholders’ general meeting, Board of Directors, Board of Supervisors and management to perform their duties and rights in accordance with the law, discuss and deliberate the issues relating to the “Three Importance and One Greatness” policy-making system of which the major operation and management issues must be studied and discussed by the Party Committee of the Company before being delivered to the Board of Directors and the managers for decision-making;
- (4) in accordance with the principle of the Party being in charge of cadres and talents, to perform the leadership in selecting and using cadres for the Company’s crucial operation and management, play the leading and gate-keeper’s role in selecting and using personnel, and intensify the supervision over leaders of the Company;
- (5) to study and arrange the Party-mass work of the Company, strengthen the Party organization’s self-building, lead the ideological and political work, construction of spiritual civilization and the mass organizations including labor union and the Communist Youth League;
- (6) to rely on workers wholeheartedly, and support the work of Workers’ Congress;
- (7) other duties and responsibilities that shall be performed by the Party Committee of the Company.

**Article 101** The Discipline Inspection Committee of the Company shall perform the following duties and responsibilities:

- (1) to safeguard the Constitution of the Communist Party of China and other Party laws and regulations;
- (2) to check the implementation of the Party's routes, guidelines, policies and decisions, and supervise and urge the Party members in Board of Directors to implement the decisions of Party organization;
- (3) to implement the relevant important decisions, resolutions and work arrangements of higher Party organizations and the Party Committee of the Company;
- (4) to perform the responsibility to supervise the construction of the Party conduct and of an honest and clean administration, supervise and urge the Party Committee of the Company to undertake the main responsibility, assist the Party Committee of the Company in enhancing the construction of the Party conduct and of an honest and clean administration and in organizing and coordinating anti-corruption work, and research and deploy the discipline inspection and supervision work;
- (5) to carry out discipline observance education to Party members on a regular basis, and make relevant decisions to safeguard the Party's disciplines;
- (6) to supervise the exercise by leading cadres of Party members of their powers;
- (7) to supervise and handle the cases of Party organizations and Party members of the Company and its affiliated units of violating the Constitution of the Communist Party of China and other Party laws and regulations, and make decisions on determination or cancellation of the punishments on those Party members involved in these cases, according to the authorized management duties and responsibilities;
- (8) to be responsible for nomination and inspection with the organization and human resources department of the candidates for the secretary and the deputy secretary of committee for discipline inspection to be appointed for the affiliated units;
- (9) to accept and hear the complaints and appeals from the Party members, and safeguard their rights;
- (10) other duties and responsibilities that shall be performed by the Discipline Inspection Committee of the Company.

**Article 102** The number of the posts of the Secretary, Deputy Secretary and members of the Party Committee and the Discipline Inspection Committee of the Company shall be set in accordance with the approval of higher Party organizations, and shall be selected or appointed in accordance with the relevant regulations of the Constitution of the Communist Party of China and the Provisional Regulations Governing CPC Grassroots Elections. The Company shall insist on and improve the leadership system of mutual entry and cross appointment under which the qualified members of Party Committee of the Company leading group may enter the Board of Directors, Board of Supervisors and the management level through legal procedures, so as to ensure the limited fulfillment of the role of Party organization at decision-making level, supervision level and executive level. The system of periodical leadership transition in enterprise grassroots organizations shall be strictly implemented. This session of Party Committee of the Company consists of six members, including one Secretary and one Deputy Secretary; the Discipline Inspection Committee of the Company consists of five members, including one Secretary.

**Article 103** Specialized departments shall be established under the Party Committee and the Discipline Inspection Committee of the Company, meanwhile mass organizations such as labor union and League Committee shall be established. The institution setting of Party organization and its setup of personnel force shall be included in the Company's administrative system and organization setup, the expenditures of Party organization work shall be included in the Company's budget and be disbursed from the Company's administrative expenses, the Party Committee staff and the managerial force of the same level shall enjoy equivalent economic treatment.

**Article 104** The Company shall improve the democratic management system taking the Workers' Congress as the basic form, make public the affairs of enterprises and business, and put into practice the right to know, participation right, expression right and right of supervision of staff and workers, so as to fully motivate the enthusiasm, initiative and creativity of staff and workers. The Company shall listen to the opinions of workers in respect of important decisions, and the major issues involving the immediate interests of the workers must be submitted to the Workers' Congress for deliberation.

Save for the proposed amendments above, the contents of other chapters and articles will remain unchanged. If the numbering of any chapter or article of the Articles of Association is affected as a result of the amendments to the relevant chapters and articles, the numbering of the chapters and articles of the existing Articles of Association shall be adjusted accordingly, and the cross references to the numbering of relevant chapters and articles of the Articles of Association shall be changed accordingly.

The Proposed Amendments to the Articles of Association are prepared in Chinese, and translated into English. In the event of any discrepancy between the English translation and the Chinese version of the Articles of Association, the Chinese version shall prevail.

Despite the provisions relating to Party construction work stipulated in the Articles of Association, the Board of Directors and management of the Company will decide whether or not to adopt the opinions and advice provided by the Party Committee and the Discipline Inspection Committee of the Company in the day-to-day management and decision-making of the Company in view of the actual situations of the Company. The relevant duties and powers of the Board of Directors and management stipulated in the Articles of Association will remain unchanged.

The abovementioned Proposed Amendments to the Articles of Association are to be submitted to the annual general meeting of 2017 (the “AGM”) for deliberation. A circular of the AGM and its notice will be dispatched to the shareholders in due course.

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

Kunming, the PRC, 26 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.*