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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 BUS

PROVISION OF ENTRUSTED LOAN

The Board announces that the Company entered into the Entrusted Loan Contract with Kunming Bus and the Bank of Communications on 3 April 2018, pursuant to which the Company entrusts the Bank of Communications to provide a RMB300 million loan to Kunming Bus.

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.

The Board announces that the Company entered into the Entrusted Loan Contract with Kunming Bus and the Bank of Communications on 3 April 2018, pursuant to which the Company entrusts the Bank of Communications to provide a RMB300 million loan to Kunming Bus.

I. THE ENTRUSTED LOAN CONTRACT

Salient terms of the Entrusted Loan Contract are set out below:

Date of the Entrusted Loan Contract 3 April 2018

Parties

- (i) Kunming Bus (as borrower)
- (ii) Company (as trustor)
- (iii) The Bank of Communications (as trustee and lender)

Term of entrusted loan Due on 20 December 2018

Principal amount of entrusted loan	RMB300 million
Interest rate	The annual interest rate is 8.5%, the monthly interest rate is 1/12 of the annual interest rate and the daily interest rate is 1/30 of the monthly 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 Kunming Bus at the end of each quarter.
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 both terms of release listed below are met, Kunming Bus 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; and (ii) the Bank of Communications has received the notice of release issued by the Company based on the format it has provided.
Repayment	Unless otherwise specified, Kunming Bus must repay both the principal and the accrued and unpaid interest via the Bank of Communications on the due date.
Prepayment	Kunming Bus 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, as of the date of this announcement, (1) Kunming Bus is a third party independent from the Company and its connected person(s); and (2) the Bank of Communications is a third party independent from the Company and its connected person(s).

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

II. REASONS FOR AND BENEFITS OF THE TRANSACTION

To supplement its working capital requirements, Kunming Bus intends to borrow a short-term loan of RMB300 million from the Company on an annual interest rate of 8.5%. 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 4.15%. By making this loan available to Kunming Bus, 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.

Kunming Bus

Kunming Bus is a wholly state-owned limited liability company controlled by Kunming SASAC and also the largest state-owned public-welfare enterprise in Yunnan that mainly engages in urban public transportation services and closely combines social benefits with economic benefits.

The Bank of Communications

The Bank of Communications is a China-based financial institution that mainly engages in taking public deposits 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 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 for Corporate Customer entered into between the Company, Kunming Bus and the Bank of Communications on 3 April 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
“Kunming Bus”	Kunming Bus Group Co., Ltd.* (昆明公交集團有限責任公司), formerly known as Kunming Bus Corporation, a wholly state-owned limited liability company incorporated in China, and a third party independent from the Company and its connected person(s) as at the date of this announcement
“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, Macao Special Administrative Region and Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB300 million loan by the Company to Kunming Bus through the entrustment of the Company on the Bank of Communications
“Kunming SASAC”	State-owned Assets Supervision and Administration Commission of Kunming Municipal People’s Government
“%”	per cent.

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

Kunming, the PRC, 3 April 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.

* *For identification purpose only*