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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 DEVELOPMENT

PROVISION OF ENTRUSTED LOAN

The Board announces that the Company entered into the Entrusted Loan Contract with Kunming Development and the Bank of Communications on 26 October 2018, pursuant to which the Company entrusts the Bank of Communications to provide a RMB300 million loan to Kunming Development.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction are more than 5% but 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 the Entrusted Loan Contract	26 October 2018
Parties	(i) Kunming Development (as borrower) (ii) Company (as trustor) (iii) The Bank of Communications (as trustee and lender)

Term of entrusted loan	From 29 October 2018 to 29 October 2019
Principal amount of entrusted loan	RMB300 million
Interest rate	The annual interest rate is 7%, 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. Interests shall be paid quarterly. The total amount of interests shall be calculated based on the final and actual number of borrowing days. The Bank of Communications shall calculate and collect interests from Kunming Development 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 such entrusted fund account within 3 days from the effective date of the Entrusted Loan Contract. Upon satisfaction of all of the following conditions for the release of the loan, Kunming Development will draw down the entire loan in one tranche, and the Bank of Communications shall deduct the fund from the entrusted fund account:</p> <ul style="list-style-type: none"> (i) the Company shall have a balance of not less than the loan amount in the entrusted fund account opened with the Bank of Communications, and no freezing, deduction or other mandatory measures shall have been taken by the competent authorities with respect to such account and any funds therein; (ii) the Bank of Communications shall have received the notice of release of entrusted loans as issued by the Company in the form provided by the Bank of Communications; and (iii) the guarantee contract under the Entrusted Loan Contract shall have taken effect and continues to be effective, and the security interest shall have been created and continues to be effective if the guarantee contract is a mortgage contract and/or a pledge contract.
Repayment	Unless otherwise specified, Kunming Development shall repay the principal amount of the loan and any accrued and unpaid interests through the Bank of Communications on the due date.
Early repayment	With the written consent of the Company, Kunming Development may repay the loan in whole or in part before the due date and the Company may request Kunming Development to repay the loan in whole or in part upon occurrence of certain customary events of default provided under the Entrusted Loan Contract.

Service charge	The Company shall not be required to pay to the Bank of Communications any service charge for the entrusted loan.
Guarantee measures	Kunming Development shall pledge an amount of RMB360 million out of the other receivables of its subsidiary, Kunming Development New Energy Industry Investment Operation Co., Ltd.* (昆明發展新能源產業投資運營有限公司) due from Kunming Urban Construction and Investment Development Co., Ltd.* (昆明市城建投資開發有限責任公司, a third party independent of the Company and its connected person(s)) (i.e. the pledge of accounts receivable).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as of the date of this announcement, (1) Kunming Development is a third party independent of the Company and its connected person(s); and (2) the Bank of Communications is a third party independent of 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 replenish its liquidity and the requirement for project construction funds, Kunming Development intends to borrow a short-term loan of RMB300 million from the Company at an annual interest rate of 7%. For reference, the 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 providing the loan to Kunming Development, the Company can effectively increase its capital turnover rate and reduce capital precipitation, and may also increase the chance to cooperate with Kunming Development in the future in the aspects such as the cooperation in the form of innovative financing, project investment and resources sharing.

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 Development

Kunming Development is a wholly state-owned company directly managed by the Kunming Municipal Government and supervised by the Kunming Municipal State-owned Assets Supervision and Administration Commission and is a key industrial entity for deepening the government's investment and financing system reform and operating urban public economic resources in Kunming. The main business of Kunming Development includes: investment and financing of major infrastructure, various industries and major projects within the scope of Kunming; land acquisition, storage and development, and investment and financing business 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. At present, Kunming Development is steadily pushing forward various businesses and they are operated in sound condition.

The Bank of Communications

The Bank of Communications 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 in respect of the Transaction 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 the context otherwise requires, the following expressions shall have the following meanings:

“Bank of Communications”	Yunnan Branch of Bank of Communications Co., Ltd., a third party independent of the Company and its connected person(s) as at the date of this announcement
“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 for Corporate Customer entered into by the Company with Kunming Development and the Bank of Communications on 26 October 2018
“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, and a third party independent of 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 Development through the entrustment of the Bank of Communications
“%”	per cent.

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

Kunming, the PRC, 26 October 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. Yin Xiaobing and Mr. He Xifeng, as independent non-executive Directors.

* *For identification purpose only*